ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2023

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ROMPETROL RAFINARE SA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	27,415,224	6,943,884	123,253,364	31,218,314
Goodwill	4	82,871,706	82,871,706	372,574,616	372,574,616
Property, plant and equipment	5	877,540,150	1,178,598,536	3,945,245,006	5,298,743,298
Right of use Assets	7	259,327,666	124,769,238	1,165,885,321	560,937,540
Long-term receivable		12,448,780	3,811,865	55,967,225	17,137,383
Deferred tax asset	15	12,828,037	-	57,672,289	-
Total non current assets		**1,272,431,563**	**1,396,995,228**	**5,720,597,821**	**6,280,611,151**
Inventories, net	9	416,671,058	333,870,058	1,873,269,743	1,501,013,007
Trade and other receivables	10	630,160,187	642,376,936	2,833,074,169	2,887,998,229
Derivative financial instruments	32.5	-	2,612,061	-	11,743,304
Cash and cash equivalents	11	155,955,200	16,973,215	701,143,389	76,308,180
Total current assets		1,202,786,445	**995,832,269**	**5,407,487,301**	**4,477,062,720**
TOTAL ASSETS		**2,475,218,008**	**2,392,827,498**	**11,128,085,122**	**10,757,673,871**
Share capital	12	881,102,250	881,102,250	3,961,259,496	3,961,259,496
Share premium	12	74,050,518	74,050,518	332,916,319	332,916,319
Revaluation reserve, net	12	225,635,669	269,752,954	1,014,412,840	1,212,755,330
Other reserves	12	(9,598,285)	(9,293,941)	(43,151,970)	(41,783,700)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,762,337,976	4,762,337,976
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,683,240,268)	(2,683,240,268)
Accumulated losses		(1,124,346,139)	(1,248,687,737)	(5,054,835,372)	(5,613,850,328)
Current year result		(242,507,037)	90,624,390	(1,090,263,137)	407,429,133
Equity attributable to equity holders of the parent		**266,790,312**	**520,001,771**	**1,199,435,884**	**2,337,823,958**
Non-Controlling interest		19,547,754	16,782,749	87,882,793	75,451,884
Total equity		**286,338,066**	**536,784,519**	**1,287,318,677**	**2,413,275,842**
Long-term borrowings from banks	13	265,900,000	-	1,195,433,220	-
Obligations under lease agreements	14	262,011,550	120,283,737	1,177,951,527	540,771,625
Deferred tax liabilities	15	19,272,484	56,950,487	86,645,234	256,037,999
Provisions	19	116,060,824	115,340,643	521,786,253	518,548,463
Other non-current liabilities		438,964	165,353	1,973,494	743,394
Total non-current liabilities		**663,683,822**	**292,740,220**	**2,983,789,728**	**1,316,101,481**
Trade and other payables	16	1,361,853,389	1,295,310,569	6,122,620,467	5,823,457,260
Contract liabilities	17	76,372,127	41,914,153	343,353,809	188,437,649
Derivative financial instruments	32.5	251,864	4,592,619	1,132,330	20,647,497
Obligations under lease agreements	14	8,366,145	4,723,011	37,612,515	21,233,713
Short-term borrowings from banks	18	42,856,586	86,210,918	192,674,639	387,587,045
Profit tax payable		35,496,009	130,551,489	159,582,957	586,933,384
Total current liabilities		**1,525,196,120**	**1,563,302,759**	**6,856,976,717**	**7,028,296,548**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,475,218,008**	**2,392,827,498**	**11,128,085,122**	**10,757,673,871**

The consolidated 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
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

ROMPETROL RAFINARE SA
CONSOLIDATED INCOME STATEMENT
for the period ended 31 December 2023
(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

	Notes	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
Revenues from contracts with customers	20	4,210,768,482	5,361,328,254	18,930,772,941	24,103,459,564
Cost of sales	21	(3,853,049,266)	(4,810,274,622)	(17,322,538,890)	(21,626,032,646)
Gross profit		**357,719,216**	**551,053,632**	**1,608,234,051**	**2,477,426,918**
Selling, general and administrative expenses, including logistic costs	22	(289,711,524)	(244,381,904)	(1,302,485,069)	(1,098,692,161)
Other operating income	23	65,638,041	231,511,855	295,095,506	1,040,830,998
Other operating expenses	23	(287,546,216)	(273,868,095)	(1,292,750,278)	(1,231,256,182)
Operating (loss)/profit		**(153,900,483)**	**264,315,488**	**(691,905,790)**	**1,188,309,573**
Finance cost	24	(148,229,216)	(118,440,141)	(666,408,909)	(532,483,186)
Finance income	24	68,551,312	53,908,706	308,192,988	242,362,760
Foreign exchange (loss)/gain, net	24	(7,471,720)	15,623,655	(33,591,359)	70,240,828
(Loss)/Profit before income tax		**(241,050,107)**	**215,407,708**	**(1,083,713,070)**	**968,429,975**
Income tax credit/(charge)	25	536,987	(125,063,926)	2,414,185	(562,262,399)
(Loss)/Profit for the year		**(240,513,120)**	**90,343,782**	**(1,081,298,885)**	**406,167,576**
Attributable to:					
Equity holders of the parent		(242,507,037)	90,624,390	(1,090,263,137)	407,429,133
Non-Controlling interests		1,993,917	(280,608)	8,964,252	(1,261,557)
Earnings per share *(US cents/share)*					
Basic	28	(0.913)	0.341	(4.105)	1.533

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BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

	Notes	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
(Loss)/Profit for the year		**(240,513,120)**	**90,343,782**	**(1,081,298,885)**	**406,167,576**
Other comprehensive income					
Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):					
Net gain/(loss) on cash flow hedges	32.5	1,859,854	(25,763,995)	8,361,532	(115,829,769)
Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods		**1,859,854**	**(25,763,995)**	**8,361,532**	**(115,829,769)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):					
Actuarial gains / (losses) on defined benefit pension plans		(2,164,198)	1,659,339	(9,729,801)	7,460,056
Revaluation of lands, buildings and equipment category in property plant and equipment		(17,885,408)	-	(80,409,217)	-
Deferred income tax related to revaluation, recognized in equity		2,861,665	-	12,865,473	-
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods		**(17,187,941)**	**1,659,339**	**(77,273,545)**	**7,460,056**
Total other comprehensive income/ (loss) for the year, net of tax		**(15,328,087)**	**(24,104,656)**	**(68,912,013)**	**(108,369,713)**
Total comprehensive result for the year, net of tax		**(255,841,207)**	**66,239,126**	**(1,150,210,898)**	**297,797,863**
Attributable to:					
Equity holders of the parent		(258,556,851)	66,519,734	(1,162,419,890)	299,059,420
Non-Controlling interests		2,715,644	(280,608)	12,208,992	(1,261,557)
Total comprehensive result for the year		**(255,841,207)**	**66,239,126**	**(1,150,210,898)**	**297,797,863**

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FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

	Notes	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
(Loss)/Profit before income tax		**(241,050,107)**	**215,407,708**	**(1,083,713,070)**	**968,429,975**
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangibles assets	3, 5	123,517,297	140,440,036	555,309,064	631,390,314
Depreciation of right-of-use assets	7	11,888,864	8,111,426	53,449,955	36,467,349
Provisions for receivables and inventories (incl write-off)	23	594,395	13,716,882	2,672,281	61,668,358
Impairment for property, plant and equipment (incl write-off)	23	(6,160,703)	8,729,957	(27,697,290)	39,248,141
Adjustments for revaluation increase (decrease), property, plant and equipment	23	226,744,607	-	1,019,398,404	-
Provision for environmental and other liabilities	19	1,032,435	29,475,726	4,641,621	132,516,969
Retirement benefit provisions	19	973,667	1,074,428	4,377,412	4,830,413
Late payment interest	24	4,354,904	5,393,794	19,578,777	24,249,419
Other financial income	24	(725,106)	(2,233,263)	(3,259,932)	(10,040,304)
Unwinding of discount leasing	24	12,896,848	8,092,995	57,981,649	36,384,487
Unwinding of discount environmental provision	24	1,974,581	(1,102,558)	8,877,321	(4,956,880)
Interest income	24	(67,826,206)	(51,675,443)	(304,933,057)	(232,322,457)
Interest expense and bank charges		122,747,931	91,597,101	551,850,148	411,802,247
Adjustments for gain loss on disposals of property, plant and equipment	23	(218,524)	(329,904)	(982,440)	(1,483,182)
Unrealised foreign exchange (gain)/loss	24	2,935,084	(3,525,702)	13,195,551	(15,850,851)
Cash flows from operations before working capital changes		**193,679,967**	**463,173,181**	**870,746,394**	**2,082,333,998**
Net working capital changes:					
Receivables and prepayments		14,002,361	(18,765,816)	62,951,815	(84,367,356)
Inventories		(80,672,274)	(16,178,151)	(362,686,409)	(72,733,731)
Adjustments for increase (decrease) in trade and other payables and adjustments for increase (decrease) in contract liabilities		159,642,941	(268,962,856)	717,722,735	(1,209,203,217)
Change in working capital		**92,973,028**	**(303,906,823)**	**417,988,141**	**(1,366,304,304)**
Income tax paid		(128,237,501)	(4,821,060)	(576,530,157)	(21,674,522)
Net cash inflow from operating activities		**158,415,494**	**154,445,299**	**712,204,378**	**694,355,172**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(59,257,779)	(69,476,765)	(266,411,123)	(312,353,640)
Purchase of intangible assets	3	(377,836)	(519,119)	(1,698,675)	(2,333,856)
Proceeds from sale of property, plant and equipment		1,238,371	6,430,962	5,567,468	28,912,319
Net cash (outflow) from investing activities		**(58,397,244)**	**(63,564,922)**	**(262,542,330)**	**(285,775,177)**
Cash flows from financing activities					
Cash flows from (used in) cash pooling, classified as financing activities	10,16	(108,913,964)	76,227,493	(489,655,399)	342,703,563
Long - term loans received from banks	18	306,770,363	48,270,948	1,379,178,198	217,016,528
Long - term loans repaid to banks	18	(40,870,363)	-	(183,744,978)	-
Proceeds from current borrowings from banks	18	318,263,981	279,417,794	1,430,851,206	1,256,206,518
Repayments of current borrowings from banks	18	(361,887,933)	(475,609,147)	(1,626,975,769)	(2,138,243,603)
Lease repayments	14	(20,019,855)	(12,355,932)	(90,005,264)	(55,549,799)
Interest and bank charges paid, net		(54,378,494)	(39,949,578)	(244,474,833)	(179,605,313)
Net cash inflow (outflow) from financing activities		**38,963,735**	**(123,998,422)**	**175,173,161**	**(557,472,106)**
Net increase (decrease) in cash and cash equivalents		**138,981,985**	**(33,118,045)**	**624,835,209**	**(148,892,111)**
Cash and cash equivalents at the beginning of the year		**16,973,215**	**50,091,261**	**76,308,180**	**225,200,291**
Cash and cash equivalents at the end of the year		**155,955,200**	**16,973,215**	**701,143,389**	**76,308,180**

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CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

Amount in USD

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2021	**881,102,250**	**74,050,518**	**(1,298,468,408)**	**371,331,557**	**(59,695,226)**	**(596,832,659)**	**1,074,096,710**	**445,584,742**	**16,995,744**	**462,580,486**
Net profit for 2022	-	-	90,624,390	-	-	-	-	90,624,390	(280,608)	90,343,782
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	1,659,339	1,659,339	-	1,659,339
Hedging reserves	-	-	-	-	-	-	(25,763,995)	(25,763,995)	-	(25,763,995)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(24,104,656)**	**(24,104,656)**	**-**	**(24,104,656)**
Total comprehensive income	**-**	**-**	**90,624,390**	**-**	**-**	**-**	**(24,104,656)**	**66,519,734**	**(280,608)**	**66,239,126**
Transfer of realized revaluation reserve to Retained Earnings	-	-	49,780,671	(49,780,671)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	7,897,295	-	-	7,897,295	67,613	7,964,907
December 31, 2022	**881,102,250**	**74,050,518**	**(1,158,063,347)**	**321,550,886**	**(51,797,932)**	**(596,832,659)**	**1,049,992,054**	**520,001,771**	**16,782,749**	**536,784,519**
31 December 2022	**881,102,250**	**74,050,518**	**(1,158,063,347)**	**321,550,886**	**(51,797,932)**	**(596,832,659)**	**1,049,992,054**	**520,001,771**	**16,782,749**	**536,784,519**
Net loss for 2023	-	-	(242,507,037)	-	-	-	-	(242,507,037)	1,993,917	(240,513,120)
Revaluation deficit	-	-	-	(18,744,607)	-	-	-	(18,744,607)	**859,199**	(17,885,408)
Deferred tax related to revaluation deficit	-	-	-	-	2,999,137	-	-	2,999,137	**(137,472)**	2,861,665
Hedging reserves	-	-	-	-	-	-	1,859,854	1,859,854	-	1,859,854
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	(2,164,198)	(2,164,198)	-	(2,164,198)
Total other comprehensive income	**-**	**-**	**-**	**(18,744,607)**	**2,999,137**	**-**	**(304,344)**	**(16,049,814)**	**721,727**	**(15,328,087)**
Total comprehensive income	**-**	**-**	**(242,507,037)**	**(18,744,607)**	**2,999,137**	**-**	**(304,344)**	**(258,556,851)**	**2,715,644**	**(255,841,207)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	33,717,208	(33,717,208)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	5,345,393	-	-	5,345,393	49,361	5,394,754
31 December 2023	**881,102,250**	**74,050,518**	**(1,366,853,176)**	**269,089,071**	**(43,453,402)**	**(596,832,659)**	**1,049,687,710**	**266,790,312**	**19,547,754**	**286,338,066**

The consolidated 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
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2021	**3,961,259,496**	**332,916,319**	**(5,837,654,269)**	**1,669,432,414**	**(268,377,797)**	**(2,683,240,268)**	**4,828,923,989**	**2,003,259,884**	**76,409,466**	**2,079,669,350**
Net profit for 2022	-	-	407,429,133	-	-	-	-	407,429,133	(1,261,557)	406,167,576
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	7,460,056	7,460,056	-	7,460,056
Hedging reserves	-	-	-	-	-	-	(115,829,769)	(115,829,769)	-	(115,829,769)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(108,369,713)**	**(108,369,713)**	**-**	**(108,369,713)**
Total comprehensive income	**-**	**-**	**407,429,133**	**-**	**-**	**-**	**(108,369,713)**	**299,059,420**	**(1,261,557)**	**297,797,863**
Transfer of realized revaluation reserve to Retained Earnings	-	-	223,803,941	(223,803,941)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	35,504,654	-	-	35,504,654	303,975	35,808,629
December 31, 2022	**3,961,259,496**	**332,916,319**	**(5,206,421,195)**	**1,445,628,473**	**(232,873,143)**	**(2,683,240,268)**	**4,720,554,276**	**2,337,823,958**	**75,451,884**	**2,413,275,842**
31 December 2022	**3,961,259,496**	**332,916,319**	**(5,206,421,195)**	**1,445,628,473**	**(232,873,143)**	**(2,683,240,268)**	**4,720,554,276**	**2,337,823,958**	**75,451,884**	**2,413,275,842**
Net loss for 2023	-	-	(1,090,263,137)	-	-	-	-	(1,090,263,137)	8,964,252	(1,081,298,885)
Revaluation deficit	-	-	-	(84,272,004)	-	-	-	(84,272,004)	3,862,787	(80,409,217)
Deferred tax related to revaluation deficit	-	-	-	-	13,483,520	-	-	13,483,520	(618,047)	12,865,473
Hedging reserves	-	-	-	-	-	-	8,361,532	8,361,532	-	8,361,532
Actuarial gains / (losses) on defined benefit pension plans	-	-	-	-	-	-	(9,729,801)	(9,729,801)	-	(9,729,801)
Total other comprehensive income	**-**	**-**	**-**	**(84,272,004)**	**13,483,520**	**-**	**(1,368,269)**	**(72,156,753)**	**3,244,740**	**(68,912,013)**
Total comprehensive income	**-**	**-**	**(1,090,263,137)**	**(84,272,004)**	**13,483,520**	**-**	**(1,368,269)**	**(1,162,419,890)**	**12,208,992**	**(1,150,210,898)**
Transfer of realized revaluation reserve to Retained Earnings	-	-	151,585,824	(151,585,824)	-	-	-	-	-	-
Deferred tax related to realized revaluation reserve transferred to Retained Earnings	-	-	-	-	24,031,818	-	-	24,031,818	221,917	24,253,735
31 December 2023	**3,961,259,496**	**332,916,319**	**(6,145,098,509)**	**1,209,770,645**	**(195,357,805)**	**(2,683,240,268)**	**4,719,186,006**	**1,199,435,884**	**87,882,793**	**1,287,318,677**

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BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

1. GENERAL

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

Rompetrol Rafinare SA and its subsidiaries (hereinafter referred to as “the Group”) are involved in refining of oil, production of petrochemicals and downstream activities, and have all production facilities located in Romania (see Note 8). The number of employees of the Group at the end of December 2023 and December 2022 was 1,930 and 1,882 respectively.

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation and statement of compliance

These consolidated financial statements as of 31 December 2023 have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union (“EU”).

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

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As of 31 December 2023 and 31 December 2022 the Group reported net assets including non-controlling interest, of USD 286.3 million and 536.8 million respectively. For the year ended 31 December 2023, the Group recorded losses in amount of USD 242.5 million (2022: profit of USD 90.6 million) and net current liabilities of USD 332.4 million (2022: net current liabilities of USD 567.5 million). The loss incurred during 2023 was comprised of operational loss USD 153.9 million (2022: operational profit USD 264.3 million) and financial losses of USD 87.1 million (2022: USD 48.9 million). Also, a negative impact on the Group net result derived from the revaluation process conducted in 2023, total loss incurred amounts to USD 226.8 million. The operating losses recorded during 2023 are triggered 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.

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 Group will have available resources to cover the liabilities as they will become due.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

For climate related matters and impact on Group financial statements please refer to Note 31.

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

c) Changes in accounting policies

New and amended standards and interpretations

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

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

Management assessed the impact at Group 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.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, 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 that amendments have no material impact on the Group’s accounting estimates and related disclosures included in the consolidated financial statements.

- **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 before 31 December 2023 in certain jurisdictions in which KMGI Group, one of the major shareholders of Rompetrol Rafinare Group 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).

In Romania, the transposition became effective officially on 1st of January 2024, with the publication of the Law no. 431/2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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 Group 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.

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

The Group 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 Group level from application of these amendments.

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee would not recognize 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 recognizing, 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 Group level from application of these amendments.

d.2) Standards/amendments that are not yet effective, and they have not yet been endorsed by the European Union

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

- **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 Group level from application of these amendments.

- **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 Group level from application of these amendments.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

e) Foreign currency translation

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

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

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

Romanian lei translation for information purposes basis

Amounts in Romanian lei for both 2023 and 2022 are provided for information purpose basis only and are translated by multiplying the values in USD with the 31 December 2023 closing exchange rate published by Romanian national Bank of RON 4.4958 = USD 1. Translation is performed for all primary statements using the closing exchange rate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

f) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Revaluation of property, plant and equipment

The Group carries its property, plant and equipment at fair value, with the reflection of the changes from this revaluation in the financial statements prepared for that year. The fair value is determined on the basis of revaluations usually carried by qualified evaluation professionals, members of a nationally and internationally recognized professional body in the valuation expertise field. 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 Group engaged an independent valuation specialist to assess fair value as at 31 December 2023 for the property, plant and equipment.

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 j), Note 5 and Note 6.

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model for the CGU to which Goodwill has been allocated. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake.

The 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 FVLCOD through higher cost of capital and lower: volumes, contribution margin and perpetuity growth rate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows, the growth rate used for extrapolation purposes and potential cash outflows triggered by the new taxes applicable starting with 2023 (Note 6).

- Impairment of non- financial assets

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

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

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

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

The Group constantly monitors the latest regulations in relation to climate related matters as well as the developments in the sector with respect to energy transition. The significant accounting estimates made by management incorporate the future effects of the Group's own strategic decisions and commitments on having its portfolio adhered to the energy transition targets, medium and long-term impacts of climate-related matters and energy transition to lower carbon energy sources. The Group will adjust the key assumptions used in fair value less cost of disposal calculations 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 6.

- Provision for environmental liability

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Main assumptions used for the computation of the environmental obligations are as following: estimated timeline for the finalization of the rehabilitation works related to Vega lagoons, tariffs used for computation considering recent market information for all components of the services to be performed, quantities of contaminated soil to be treated considering that volumes after treatments applied can differ from the quantities stated in the valid environmental permit, discount rate.

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

- Deferred tax assets

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

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

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

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

- Carrying value of trade and other receivables

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

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

- Provision for litigations

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g) Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2023.

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

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

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

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

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

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

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

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

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

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

h) Business combinations and goodwill

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

i) Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

Subsequent measurement

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

Financial assets at fair value through profit or loss

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

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

This category includes derivative instruments for which the Group does not apply hedge accounting. Dividends on listed equity investments are also recognized as other income in the statement of profit or loss when the right of payment has been established.

Financial assets at fair value through OCI

Upon initial recognition, the Group 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.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition

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

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

Or

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

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

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

Impairment of financial assets

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

iii. Offsetting of financial instruments

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

j) Property, plant and equipment

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

	Years
Buildings and other constructions (including gas stations and tanks with a maximum useful life of 50 years)	5 to 50
Storage tanks	5 to 40
Tank cars	5 to 30
Machinery and other equipment	1 to 30
Gas pumps	5 to 20
Vehicles	1 to 5
Furniture and office equipment	1 to 20
Computers	1 to 10

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

k) Intangible assets

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

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

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

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.

l) Impairment of non-financial assets

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

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

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

m) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

- *Environmental provisions*

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

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

Liabilities for environmental remediation costs are recognized when 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.

n) Leases

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

i. Right-of-use assets

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

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

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

ii. Lease liabilities

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

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

o) Inventories

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

p) Trade receivables

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

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

q) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid deposits with 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.

r) Revenue from contracts with customers

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

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

(i) Variable consideration

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(ii) Volume rebates

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

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

s) Interest bearing loans and borrowings

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

t) Borrowings costs

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

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

u) Retirement benefit costs

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

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

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

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

v) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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 at the reporting date.

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

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

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

- *Sales and acquisition tax*

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

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

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

w) Dividends

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

x) Foreign Currency Transactions

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

y) Derivative Financial Instruments

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

Cash Flow Hedge

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

Cash flow hedge is accounted as following:

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

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

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

z) Emission Rights

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

The liability component is measured at the amount that it is expected to cost the entity to settle the obligation in addition to the cost of any certificates purchased. The Group measures the provision as the expected cost of the shortfall in number of CO2 allowances, meaning the amount of emissions exceeding the total amount of allowance and purchases, at their market price at the balance sheet date.

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.

aa) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

ab) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

ac) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Additions	17,000	2,188	499,931	519,119
Transfers from CIP	227,248	504,603	(731,850)	-
Transfers and reclassifications*	-	-	193,395	193,395
Closing balance as of December 31, 2022	**41,886,412**	**44,627,231**	**1,879,761**	**88,393,404**
Additions	1,092	22,805,891	357,418	23,164,401
Transfers from CIP	289,907	469,283	(759,190)	-
Disposals	(10,769)	-	-	(10,769)
Transfers and reclassifications*	262,543	(242,750)	(112,083)	(92,290)
Closing balance as of December 31, 2023	**42,429,185**	**67,659,655**	**1,365,906**	**111,454,746**
Accumulated amortization				
Opening balance as of January 1, 2022	**(38,102,683)**	**(39,585,121)**	**(523,380)**	**(78,211,184)**
Charge for the year	(1,024,509)	(2,213,828)	-	(3,238,337)
Closing balance as of December 31, 2022	**(39,127,192)**	**(41,798,949)**	**(523,380)**	**(81,449,521)**
Charge for the year	(1,452,082)	(1,148,688)	-	(2,600,770)
Accumulated amortization of disposals	10,769	-	-	10,769
Reclassification between categories*	(935,518)	935,518	-	-
Closing balance as of December 31, 2023	**(41,504,023)**	**(42,012,119)**	**(523,380)**	**(84,039,522)**
Net book value				
As of December 31, 2022	**2,759,220**	**2,828,283**	**1,356,381**	**6,943,884**
As of December 31, 2023	**925,162**	**25,647,536**	**842,526**	**27,415,224**

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

Rompetrol Rafinare acquired a number of 251,000 CO_2 allowances amounting USD 22.8 million, representing the estimated quantity of CO_2 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, CO_2 emissions were lower considering new refinery flow without MHC unit in function, as a result the CO_2 allowances deficit resulted based on actual emissions was of 97,438 CO_2 allowances amounting USD 9 million was accounted for as liability (Note 16), in line with the accounting policy detailed in Note 2 z).

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

3. INTANGIBLE ASSETS (continued)

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

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**187,214,841**	**198,356,679**	**8,624,230**	**394,195,750**
Additions	76,429	9,837	2,247,590	2,333,856
Transfers from CIP	1,021,662	2,268,594	(3,290,256)	-
Transfers and reclassifications*	-	-	869,465	869,465
Closing balance as of December 31, 2022	**188,312,932**	**200,635,110**	**8,451,029**	**397,399,071**
Additions	4,909	102,530,725	1,606,880	104,142,514
Transfers from CIP	1,303,364	2,109,803	(3,413,167)	-
Disposals	(48,415)	-	-	(48,415)
Transfers and reclassifications*	1,180,341	(1,091,355)	(503,908)	(414,922)
Closing balance as of December 31, 2023	**190,753,131**	**304,184,283**	**6,140,834**	**501,078,248**
Accumulated amortization				
Opening balance as of January 1, 2022	**(171,302,042)**	**(177,966,787)**	**(2,353,012)**	**(351,621,841)**
Charge for the year	(4,605,988)	(9,952,928)	-	(14,558,916)
Closing balance as of December 31, 2022	**(175,908,030)**	**(187,919,715)**	**(2,353,012)**	**(366,180,757)**
Charge for the year	(6,528,270)	(5,164,272)	-	(11,692,542)
Accumulated amortization of disposals	48,415	-	-	48,415
Reclassification between categories*	(4,205,902)	4,205,902	-	-
Closing balance as of December 31, 2023	**(186,593,787)**	**(188,878,085)**	**(2,353,012)**	**(377,824,884)**
Net book value				
As of December 31, 2022	**12,404,902**	**12,715,395**	**6,098,017**	**31,218,314**
As of December 31, 2023	**4,159,344**	**115,306,198**	**3,787,822**	**123,253,364**

4. GOODWILL

The carrying value of goodwill as of 31 December 2023 and 31 December 2022 was USD 82,871,706 (RON: 372,574,616).

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

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

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2023 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Acquisitions	-	421,710	854,148	684,434	67,516,473	69,476,765
Transfers from CIP	-	27,889,297	27,265,592	3,914,960	(59,069,849)	-
Disposals	-	(50,449)	(100,513)	(220,398)	(6,068,720)	(6,440,080)
Transfers and reclassifications*	-	154,776	(382,500)	208,795	(470,939)	(489,868)
As of December 31, 2022	**91,780,532**	**571,065,298**	**725,869,830**	**31,400,426**	**98,768,789**	**1,518,884,876**
Additions	-	699,448	424,384	358,261	57,775,686	59,257,779
Transfers from CIP	-	9,656,741	28,299,275	5,015,489	(42,971,505)	-
Revaluation adjustment	(15,459,101)	(30,154,161)	(205,036,758)	6,020,003	-	(244,630,017)
Disposals	(46,177)	(803,904)	(1,406,857)	(1,071,538)	91,083	(3,237,393)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	(181,749,195)	(220,973,629)	(15,251,768)	-	(417,974,592)
Transfers and reclassifications*	9,903,032	(9,903,032)	-	(19,792)	109,316	89,524
As of December 31, 2023	**86,178,286**	**358,811,195**	**327,176,245**	**26,451,081**	**113,773,369**	**912,390,176**
Accumulated depreciation & Impairment						
As of January 1, 2022	**10,017,503**	**(109,167,409)**	**(62,863,488)**	**62,611**	**(32,742,925)**	**(194,693,707)**
Charge for the year	(1,422,768)	(44,098,090)	(81,649,013)	(10,031,828)	-	(137,201,699)
Accumulated depreciation of disposals	-	23,433	54,147	93,729	-	171,309
Impairment	-	(3,242,117)	(5,730,809)	(133,899)	544,582	(8,562,243)
As of December 31, 2022	**8,594,735**	**(156,484,183)**	**(150,189,163)**	**(10,009,387)**	**(32,198,343)**	**(340,286,340)**
Charge for the year	-	(37,141,762)	(77,664,022)	(6,110,743)	-	(120,916,527)
Accumulated depreciation of disposals	-	78,151	1,145,600	744,301	-	1,968,052
Impairment	-	3,203,864	5,733,956	124,061	(2,651,683)	6,410,198
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	181,749,195	220,973,629	15,251,768	-	417,974,592
Transfers and reclassifications*	(8,594,735)	8,594,735	-	-	-	-
As of December 31, 2023	**-**	**-**	**-**	**-**	**(34,850,026)**	**(34,850,026)**
Net book value as of December 31, 2022	**100,375,268**	**414,581,115**	**575,680,667**	**21,391,040**	**66,570,446**	**1,178,598,536**
Net book value as of December 31, 2023	**86,178,286**	**358,811,195**	**327,176,245**	**26,451,081**	**78,923,343**	**877,540,150**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 89 thousand (2022: USD 490 thousand).*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**412,626,916**	**2,439,645,708**	**3,139,116,384**	**120,544,244**	**435,471,388**	**6,547,404,640**
Acquisitions	-	1,895,924	3,840,079	3,077,078	303,540,559	312,353,640
Transfers from CIP	-	125,384,701	122,580,649	17,600,877	(265,566,227)	-
Disposals	-	(226,809)	(451,886)	(990,865)	(27,283,751)	(28,953,311)
Transfers and reclassifications*	-	695,842	(1,719,644)	938,701	(2,117,240)	(2,202,341)
As of December 31, 2022	**412,626,916**	**2,567,395,366**	**3,263,365,582**	**141,170,035**	**444,044,729**	**6,828,602,628**
Additions	-	3,144,578	1,907,946	1,610,670	259,747,929	266,411,123
Transfers from CIP	-	43,414,776	127,227,881	22,548,635	(193,191,292)	-
Revaluation adjustment	(69,501,026)	(135,567,077)	(921,804,257)	27,064,729	-	(1,099,807,631)
Disposals	(207,603)	(3,614,192)	(6,324,948)	(4,817,421)	409,491	(14,554,673)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	(817,108,031)	(993,453,241)	(68,568,899)	-	(1,879,130,171)
Transfers and reclassifications*	44,522,051	(44,522,051)	-	(88,987)	491,463	402,476
As of December 31, 2023	**387,440,338**	**1,613,143,369**	**1,470,918,963**	**118,918,762**	**511,502,320**	**4,101,923,752**
Accumulated depreciation & Impairment						
As of January 1, 2022	**45,036,690**	**(490,794,837)**	**(282,621,669)**	**281,487**	**(147,205,642)**	**(875,303,971)**
Charge for the year	(6,396,480)	(198,256,193)	(367,077,633)	(45,101,092)	-	(616,831,398)
Accumulated depreciation of disposals	-	105,350	243,434	421,387	-	770,171
Impairment	-	(14,575,910)	(25,764,571)	(601,983)	2,448,332	(38,494,132)
As of December 31, 2022	**38,640,210**	**(703,521,590)**	**(675,220,439)**	**(45,000,201)**	**(144,757,310)**	**(1,529,859,330)**
Charge for the year	-	(166,981,934)	(349,161,910)	(27,472,678)	-	(543,616,522)
Accumulated depreciation of disposals	-	351,351	5,150,389	3,346,227	-	8,847,967
Impairment	-	14,403,932	25,778,719	557,753	(11,921,436)	28,818,968
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	817,108,031	993,453,241	68,568,899	-	1,879,130,171
Transfers and reclassifications*	(38,640,210)	38,640,210	-	-	-	-
As of December 31, 2023	**-**	**-**	**-**	**-**	**(156,678,746)**	**(156,678,746)**
Net book value as of December 31, 2022	**451,267,126**	**1,863,873,776**	**2,588,145,143**	**96,169,834**	**299,287,419**	**5,298,743,298**
Net book value as of December 31, 2023	**387,440,338**	**1,613,143,369**	**1,470,918,963**	**118,918,762**	**354,823,574**	**3,945,245,006**

**) Includes, transfer from property plant and equipment to inventories and intangible assets and other adjustments in amount of RON 402 thousand (2022: RON 2.2 million).*

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Construction in progress*

The below tables detail main significant acquisitions for construction in progress and main projects remaining in contraction in progress at year end for both 2023 and 2022:

Construction in progress as at 31 December 2023

Amount in USD	Additions during the year	Balance as at 31 December
Rompetrol Rafinare SA out of which:	**51,799,817**	**62,858,013**
Refinery MHC unit restart_Incident June 2023	19,734,879	19,734,879
Refinery Catalyst Replacement	7,026,122	10,403,693
Expire authorization ISCIR	5,606,881	5,591,770
Tank rehabilitation	4,207,137	964,479
Acquisition and install of 2 new Reactors -125-DHT	3,982,755	3,987,522
Replace subassembly of reformer heater 352-H201	3,407,551	3,407,551
Replace cut/drilling system DCU unit	263,675	1,130,713
Replacement of PEM strategic equipment (rotors)	166,197	4,499,611
Other projects	6,250,949	11,520,003
Vega projects	1,153,671	1,617,792
Rompetrol Downstream SRL out of which	**3,387,865**	**7,401,536**
Construction of new stations RBI, Cuves, Doex, STB, acquisition Fill & GO devices, capital maintenance, acquisitions of new equipment	2,755,017	6,124,823
Other projects	632,848	1,276,713
Romoil SA out of which	**2,275,266**	**4,654,316**
Modernization for administrative offices	2,275,266	4,654,316

Construction in progress as at 31 December 2022

Amounts in USD	Additions during the year	Balance as at 31 December
Rompetrol Rafinare SA out of which:	**54,272,670**	**44,502,407**
2022 PEM Refinery Shut Down	15,064,228	283,154
Expire authorization ISCIR 2021-2022	7,160,529	9,230,234
Refinery Catalyst Replacement	6,362,390	3,631,429
Tank rehabilitation	5,935,714	5,281,487
Refinery Restart - 2021 Incident	3,981,483	1,115,542
Planned revision Petrochemicals	3,532,982	-
Replaced LES (underground electrical) MIDIA	1,318,430	1,579,865
Replacement of electric equipment	1,224,365	103,936
Replacement static equipment Refinery and Petrochemicals	1,218,286	137,945
Replacement of PEM strategic equipment (rotors)	1,208,719	5,920,657
Mild Hydrocracking Unit Reliability	361,335	1,418,764
Refinery other projects	4,225,589	10,104,732
Replace heater in VD unit, Vega Platform	62,795	4,155,582
Vega Shut Down 2022	1,376,568	52,590
Vega other projects	1,239,256	1,486,488
Rompetrol Downstream SRL out of which	**4,759,866**	**10,570,995**
Construction of new stations RBI, Cuves, Doex, STB, acquisition Fill & GO devices, capital maintenance, acquisitions of new equipment	4,759,866	10,570,995
Romoil SA out of which	**1,769,228**	**8,270,490**
Compliance to OMAI firefighting	492,310	5,388,117
Other projects	1,276,918	2,882,373

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

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

The transfer of USD 8.6 million between "Land" and "Buildings" categories refer to a land improvement.

- *Borrowing costs capitalized*

As of December 31, 2023, capital projects were financed from Groups' operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during the period ended as of December 31, 2023 (2022: USD nil). The Group's borrowing funds are generally obtained for the business and are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in 2023 and 2022 for capitalization by applying a capitalization rate to the expenditure on the asset.

- *Specific impairment*

In June 2023, an incident occurred affecting the Mild Hydrocracker (MHC) unit and based on a preliminary technical assessment specific impairment in amount of USD 7.4 million was recorded, reversed as part the revaluation exercise conducted as of 31 December 2023.

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 USD 8 million was recognized as of 31 December 2022 that was fully reversed due to revaluation performed as of 31 December 2023.

The conversion project for HDPE unit, was temporary put on hold given the current economic environment and a technical assessment for its future use was performed in 2022. Following the assessment prepared it was concluded that a specific impairment is needed and recorded in amount of USD 5.4 million which is included in the total specific impairment adjustment of USD 8 million. The specific impairment was fully reversed due to revaluation performed as of 31 December 2023.

The Group performs an annual assessment for all entities, based on specific asset considerations, as applicable, to identify whether carrying amounts for property, plant 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 Group 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 tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2023 on the cash generating units ("CGUs") listed below in Note 6.

- *Revaluation of Property, plant and equipment*

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023, a new revaluation process was conducted, the 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 a number of 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 for economic obsolescence. A net revaluation deficit of property plant and equipment of USD 17.88 million was recognized in OCI and a net revaluation loss of USD 227 million was recognized in profit or loss as of 31 December 2023.

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

Description of key inputs used for valuation used for Property, plant and equipment

Asset	Valuation technique	Significant unobservable input	Range (weighted average)
Petromidia Refinery	Net replacement cost	Projected crude oil processing capacity of the refinery	5,320K tons/year (110K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming “ISBL” costs – Inside Battery Limit and “overnight” costs (excluding off-site, financing or other costs);	35.7 USD/ton
Vega Refinery	Net replacement cost	Average 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
Rompetrol Downstream	Net replacement cost	Tank - cost capacity method	18,499 USD – 30,719 USD
		Underground construction related to tank – cost capacity method	15,808 USD – 35,638 USD
		Pipelines and technological network – acquisition cost adjusted with CET index / inflation rate	899 USD/sqm – 1,565 USD/sqm
Rompetrol Gas	Net replacement cost	GPL and water tanks – cost capacity method	USD 174 thousand – USD 454 thousand
RomOil	Net replacement cost	Tank – cost capacity method	337 USD for tanks with capacity of 1,000 cubic meter – 952 USD for tanks with capacity of 5,000 cubic meter
		Special construction (i.e. platforms) – replacement cost estimated based on IROVAL catalogue	126 USD/sqm

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

The fair value of the Group’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 special buildings and constructions, for which technical information was available, was estimated on the basis of technical characteristics, using catalogs for appropriate construction costs and adjustments.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 estimated based on acquisition date and subsequent upgrades, the environment of use and the normal / technical operating times for each 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 obsolescence test as performed for the revalued property, plant and equipment of the Group. The value in use was estimated based on the approved 5-year Business Plan (2024-2028) prepared by the Group's management. The results of the economic obsolescence test are incorporated in the revaluation exercise.

The economic obsolescence test covering Refinery and Petrochemicals CGUs had impact at the level of Rompetrol Rafinare leading to recognition of revaluation deficit and revaluation loss, while in case of the other entities from the group that represent Downstream CGU, it was concluded that the fair value estimated based on cost is below recoverable amount as determined through the economic obsolescence test.

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 group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals 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.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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.

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.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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, Group 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.

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

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.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Sensitivity analysis

As part of the economic obsolescence test, a sensitivity analysis was performed for the value in use of the property, plant 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%

Reconciliation of carrying amount					**mill USD**
	Land	**Buildings**	**Plant and equipment**	**Furniture and others**	**Total**
Carrying amount and fair value as at 31 December 2022	**100.38**	**414.58**	**575.68**	**21.39**	**1,112.03**
Gains from revaluation	3.58	68.58	26.04	11.31	**109.51**
Losses from revaluation	(19.04)	(98.73)	(231.07)	(5.29)	**(354.13)**
Depreciation for the year	(0.83)	(36.32)	(77.66)	(6.11)	**(120.92)**
Additions / Disposals / Impairment / Transfers and reclassifications	(0.05)	12.83	34.20	5.15	**52.13**
Carrying amount and fair value as at 31 December 2023	**84.04**	**360.95**	**327.18**	**26.45**	**798.62**

** Carrying amount does not include Construction in progress in amount of USD 78.9 million (2023: RON 354.8 million) related to 2023 (2022:USD 66.6 million; RON 229.28 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*

As at December 31, 2023 the Group has pledged property, plant and equipment with a carrying value of USD 352.4 million (31 December 2022: USD 399.6 million) net, for securing banking facilities granted to Group entities.

In 2010, for Rompetrol Rafinare SA (the "Company") it was established by ANAF an asset freeze on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favor of the Romanian state (represented by ANAF) – see details under Note 29 Distress assets – Hybrid Conversion. On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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 30 - 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.

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.

6. IMPAIRMENT TEST

At the level of KMGI Group impairment test was performed as of 31 December 2023 and 2022. Management assessed the financial performance of the Refining, Downstream 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 Group 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 and Downstream Romania. 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 at Note 5.

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

6. IMPAIRMENT TEST (continued)

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a 0.4% (2022: 2.1%) growth rate. The capitalization rate used for residual values is 11.2% (2022:10%).

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

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

- Volumes

Total volumes of petroleum products, mainly for the retail segment are supported by the completion of 34 new stations in 2025. The retail segment share in total sold volume is estimated to grow from 54% in 2024 to 56% starting 2026, while the wholesale channel slightly reduces its share to 44%.

- Gross margin

Gross margins are considered based on unit margins assumed at the historical average 2020 – 2023 for retail and 2021 – 2023 for wholesale, normalized for second half of 2022 where abnormal deviation coming from price reduction of RON 0.5/Liter was imposed by the Romanian Government.

- 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.

- Perpetuity growth rate

The perpetuity growth rate (the period after the explicit forecast period) was estimated at 0.4% for the CGU Downstream, taking into account an annual average market demand decrease of 1.8% during 2029 – 2051, according to market studies (Wood Mackenzie, Platts as at December 2023).

- New taxes

The impact of the new revenue tax over the forecast period was considered in the analysis, thus 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, it was assumed in the impairment test that no recovery will occur for the first two years, followed by partial recovery (50% of the tax) starting 2026 through prices from final clients, while in perpetuity 100% of the new tax would be recovered through prices from final clients.

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

6. IMPAIRMENT TEST (continued)

Sensitivity analysis

Key drivers	Scenario	Key drivers variance (%)	Key drivers value (%)	FVLCOD (k USD)	FVLCOD variation (%)
Volumes	**Base case**	**0%**	**100.0%**	**483,609**	-
	Worst case	(2%)	98%	451,224	(6.7%)
	Best case	2%	102%	515,995	6.7%
Gross margin	**Base case**	**0%**	**100.0%**	**483,609**	-
	Worst case	(2%)	98.0%	438,911	(9.2%)
	Best case	2%	102.0%	528,308	9.2%
New taxes	**Base case**	**0%**	**50%**	**483,609**	-
	Worst case	50%	100%	348,495	(27.9%)
	Best case	(50%)	0%	504,731	4.4%
Cost of capital	**Base case**	**0%**	**11.6%**	**483,609**	-
	Worst case	1%	12.6%	442,459	(8.5%)
	Best case	(1%)	10.6%	532,311	10.1%
Perpetuity growth rate	**Base case**	**0%**	**0.4 %**	**483,609**	-
	Worst case	(1.5%)	(1.1) %	439,443	(9.1%)
	Best case	1.5%	1.9%	539,089	11.5%

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Additions	22,472,286	-	192,457	22,664,743
Disposals	-	-	(61,853)	(61,853)
Reclassifications and other transfers	-	-	(2,894)	(2,894)
Re-measurement	420,812	190,574	-	611,386
As of December 31, 2022	**148,295,772**	**591,867**	**1,870,763**	**150,758,402**
Additions	144,578,004	-	48,402	144,626,406
Disposals	(34,034)	-	(29,288)	(63,322)
Re-measurement	1,665,264	23,491	159,540	1,848,295
As of December 31, 2023	**294,505,006**	**615,358**	**2,049,417**	**297,169,781**
Depreciation and Impairment:				
As of January 1, 2022	**(16,798,321)**	**(331,913)**	**(811,818)**	**(17,942,052)**
Depreciation	(7,520,619)	(122,413)	(468,395)	(8,111,427)
Accumulated depreciation of disposals	102	-	61,853	61,954
Reclassifications and other transfers	(535)	-	2,895	2,360
As of December 31, 2022	**(24,319,374)**	**(454,326)**	**(1,215,465)**	**(25,989,165)**
Depreciation	(11,361,004)	(114,203)	(413,657)	(11,888,864)
Accumulated depreciation of disposals	34,023	-	1,891	35,914
As of December 31, 2023	**(35,646,355)**	**(568,529)**	**(1,627,231)**	**(37,842,115)**
Net Book value at December 31, 2022	**123,976,398**	**137,541**	**655,298**	**124,769,238**
Net Book value at December 31, 2023	**258,858,651**	**46,829**	**422,186**	**259,327,666**

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

7. RIGHT OF USE ASSETS (continued)

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

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**563,785,337**	**1,804,138**	**7,836,418**	**573,425,893**
Additions	101,030,903	-	865,248	101,896,151
Disposals	-	-	(278,079)	(278,079)
Reclassifications and other transfers	-	-	(13,013)	(13,013)
Re-measurement	1,891,887	856,783	-	2,748,670
As of December 31, 2022	**666,708,127**	**2,660,921**	**8,410,574**	**677,779,622**
Additions	649,993,790	-	217,606	650,211,396
Disposals	(153,010)	-	(131,673)	(284,683)
Re-measurement	7,486,694	105,611	717,260	8,309,565
As of December 31, 2023	**1,324,035,601**	**2,766,532**	**9,213,767**	**1,336,015,900**
Depreciation and Impairment:				
As of January 1, 2022	**(75,521,892)**	**(1,492,214)**	**(3,649,771)**	**(80,663,877)**
Depreciation	(33,811,199)	(550,344)	(2,105,810)	(36,467,353)
Accumulated depreciation of disposals	459	-	278,079	278,538
Reclassifications and other transfers	(2,405)	-	13,015	10,610
As of December 31, 2022	**(109,335,037)**	**(2,042,558)**	**(5,464,487)**	**(116,842,082)**
Depreciation	(51,076,802)	(513,434)	(1,859,719)	(53,449,955)
Accumulated depreciation of disposals	152,956	-	8,502	161,458
As of December 31, 2023	**(160,258,883)**	**(2,555,992)**	**(7,315,704)**	**(170,130,579)**
Net Book value at December 31, 2022	**557,373,090**	**618,363**	**2,946,087**	**560,937,540**
Net Book value at December 31, 2023	**1,163,776,718**	**210,540**	**1,898,063**	**1,165,885,321**

Following a public auction initiated by the National Company for Road Infrastructure administration ("CNAIR"), whose winner was Rompetrol Downstream SRL, a service concession agreement was concluded between the two parties. The object of the contract is to build on the land plots, property of the CNAIR and operate 12 gas stations on A1 highway. Considering the agreement, Rompetrol Downstream SRL opened in 2023 10 stations on the A1 highway. The construction of the gas stations was further subcontracted to KMG Rompetrol Development, a subsidiary of KMG International Group. When gas stations will become operational, KMG Rompetrol Development will lease the gas stations to Rompetrol Downstream for a period of 18 years. During 2023 11 gas stations were opened and one gas stations was opened subsequently in February 2024. This is part of the framework agreement signed in 2019 between Rompetrol Downstream and KMG Rompetrol Development SRL which states that a number of 66 gas stations will be developed over a period of 5 years. Gas stations will be further operated by Rompetrol Downstream.

The A1 highway stations have been developed on a new concept which ensures a natural development of the "Hei" brand, by turning it into an umbrella brand and by creating three distinctive service lines - Hei & Gourmet for the assisted service for the restaurant food type, Hei & Go for the shop products and Hei & Coffee for coffee, pastry and sandwiches.

New similar gas stations are expected to be opened in the foreseeable future considering that a new service concession agreement was concluded between Rompetrol Downstream and CNAIR.

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

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

7. RIGHT OF USE ASSETS (continued)

Land, buildings and special construction category includes mainly:

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

USD	Net book value at December 31, 2023	Net book value at December 31, 2022
Rent agreements for gas stations	245,473,872	111,048,874
Rental of administrative buildings	1,703,246	280,678
Rent for usage of maritime port	11,663,178	12,196,669
Depots rent	18,355	450,178
Total	**258,858,651**	**123,976,398**

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

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

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

8. INVESTMENTS

Investments in Consolidated Subsidiaries

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

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

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

- *Disposals through sales of subsidiaries and liquidations*

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

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

9. INVENTORIES, NET

The inventories balance in 2023 and 2022 is provided below:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials (at lower of cost and net realisable value)	185,604,494	150,187,088	834,440,686	675,211,110
Petroleum and petrochemical products (at lower of cost and net realisable value)	143,938,958	120,884,520	647,120,767	543,472,625
Work in progress (at cost)	56,972,518	32,881,936	256,137,046	147,830,608
Spare parts (at cost less inventories write-down)	4,745,210	4,713,148	21,333,515	21,189,371
Consumables and other raw materials (at cost less inventories write-down)	5,432,882	5,320,012	24,425,151	23,917,710
Merchandises (at cost less inventories write-down)	18,180,089	17,512,960	81,734,044	78,734,766
Other inventories (at cost less inventories write-down)	1,796,907	2,370,394	8,078,534	10,656,817
	416,671,058	**333,870,058**	**1,873,269,743**	**1,501,013,007**

Movements in inventories reserve:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(38,665,890)**	**(26,934,093)**	**(173,834,108)**	**(121,090,295)**
Accrued provision	(35,430,394)	(39,447,604)	(159,287,965)	(177,348,538)
Reversal of provision	37,601,733	27,715,807	169,049,871	124,604,725
Reserve as of Dec 31	**(36,494,551)**	**(38,665,890)**	**(164,072,202)**	**(173,834,108)**

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

The Group has pledged inventories in gross amount of USD 410 million (2022: USD 273 million) to secure banking facilities.

In accordance with the decree no. 1132/25.11.2021 and the approval proposal no. 258.237/08.12.2022 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.

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

10. TRADE AND OTHER RECEIVABLES

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

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Trade receivables	215,398,520	245,406,406	968,388,666	1,103,298,111
Advances to suppliers	17,421,914	24,948,120	78,325,441	112,161,758
Sundry debtors	84,475,319	74,226,928	379,784,139	333,709,423
VAT to be recovered	81,942	101,922	368,395	458,221
Cash pooling receivables	296,644,802	267,473,915	1,333,655,701	1,202,509,227
Fuel subsidy	22,628,786	39,501,703	101,734,496	177,591,756
Other receivables	38,420,002	26,862,483	172,728,645	120,768,351
Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables	(44,911,098)	(36,144,539)	(201,911,314)	(162,498,618)
	630,160,187	**642,376,936**	**2,833,074,169**	**2,887,998,229**

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

Fuel subsidy in amount of USD 22.62 million is in relation to 0.25 RON/liter fuel subvention according to Government Emergency Ordinance OUG 106 that was applicable in 2021; the subsidy is to be offset with Rompetrol Downstream tax liabilities and the expected timeline for the offset is by the end of 2024.

Included in Sundry debtors as of December 31, 2023 is an amount of USD 5.6 million (2022: USD 5.4 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provided as at December 31, 2022. In 2023 the fiscal provision recognized in 2022 in amount of USD 5.4 million was reclassified to “Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables” from “Fiscal provision” under “Other provisions” category, following the fact that the amount in substance refers to a receivable for which a recovery from the fiscal authority is expected.

As of December 31, 2023, Rompetrol Rafinare SA offset the total amount of USD 3 million (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 USD 4.5 million (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 USD 0.8 million).

At the end of 2022 another amount included in Sundry debtors refers to USD 2.56 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 USD 0.06 million.

Also, included in Sundry debtors category is an amount of USD 64.1 million (2022: USD 62.2 million) relating to Rompetrol Petrochemicals SRL receivables against KMG International N.V. (“KMGI”) as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12). Following the contract agreement in place Rompetrol Petrochemicals SRL charges interest for late payment from KMGI. As of 31 December 2023, the interest receivable is in amount of USD 0.55 million, during 2023 the interest accrued and received was in amount of USD 6.2 million.

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

10. TRADE AND OTHER RECEIVABLES (continued)

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 USD 7.5 million in 2020, USD 11 million in 2021 and USD 17.4 million in 2022. As of 31 December 2023 the entire amount was received.

In 2023, out of the total amount of USD 17.4 million (2022: 24.9 million) representing advances to suppliers, USD 13.9 million (2022: 20.5 million) are in respect of other raw materials, investment projects related to Rompetrol Rafinare and USD 2.6 million (2022: 2.1 million) are in respect of investment projects related to the construction of new stations, rebranding process, advance for utilities and petroleum product related to Rompetrol Downstream and USD 0.5 million related to Romoil.

Cash pooling receivables refers to: Rompetrol Downstream USD 173.7 million (2022: USD 84.7 million), Rompetrol Rafinare USD 45.8 million (2022: USD 84.8 million), Rompetrol Gas USD 47.8 million (2022: USD 74.5 million), Rompetrol Quality Control USD 1.7 million (2022: USD 3.1 million), Rompetrol Logistics USD 6.3 million (2022: USD 6.4 million) and Rompetrol Petrochemicals USD 21.5 million (2022: USD 14 million).

Also, in other receivables an amount of USD 24.73 million (2022: USD 14.36 million) refers to excise receivables in Rompetrol Rafinare.

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Sundry debtors	84,475,319	74,226,928	379,784,139	333,709,423
Other receivables	38,420,002	26,862,483	172,728,645	120,768,351
Provision for expected credit losses related to sundry debtors and other receivables	(7,968,192)	(2,317,828)	(35,823,398)	(10,420,491)

Out of the total amount of other receivables and sundry debtors of USD 122.9 million (2022: USD 101.1 million) an amount of USD 8 million (2022: USD 2.3 million) is provisioned.

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

The movement in 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	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(36,144,539)**	**(40,343,673)**	**(162,498,618)**	**(181,377,085)**
Charge for the year	(2,649,824)	(2,399,026)	(11,913,079)	(10,785,541)
Utilised	172,032	33,621	773,421	151,153
Unused amounts reversed	795,849	1,387,519	3,577,978	6,238,008
Reclassification between categories trade and other receivables and other provisions	(5,424,701)	2,946,175	(24,388,371)	13,245,414
Exchange rate differences	(1,659,915)	2,230,844	(7,462,645)	10,029,434
Balance at the end of the year	**(44,911,098)**	**(36,144,539)**	**(201,911,314)**	**(162,498,618)**

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

10. TRADE AND OTHER RECEIVABLES (continued)

31 December 2023	Trade receivables						
USD	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.90%**	**0.75%**	**38.66%**	**28.95%**	**161.81%**	**70.99%**	
Estimated total gross carrying amount at default	144,493,851	20,092,666	560,527	1,500,114	249,918	48,501,444	**215,398,520**
Expected credit loss	1,304,982	150,772	216,708	434,342	404,396	34,431,706	**36,942,906**

31 December 2023	Trade receivables						
RON	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.90%**	**0.75%**	**38.66%**	**28.95%**	**161.81%**	**70.99%**	
Estimated total gross carrying amount at default	649,615,455	90,332,608	2,520,017	6,744,213	1,123,581	218,052,792	**968,388,666**
Expected credit loss	5,866,938	677,841	974,276	1,952,715	1,818,084	154,798,062	**166,087,916**

31 December 2022	Trade receivables						
USD	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	171,183,588	28,205,735	9,160,383	4,189,171	288,952	32,378,577	**245,406,406**
Expected credit loss	946,445	273,620	370,566	333,783	80,030	31,822,267	**33,826,711**

31 December 2022	Trade receivables						
RON	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	769,607,175	126,807,343	41,183,250	18,833,675	1,299,070	145,567,598	**1,103,298,111**
Expected credit loss	4,255,027	1,230,141	1,665,991	1,500,622	359,799	143,066,547	**152,078,127**

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

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2023, trade receivables at initial value of USD 36.9 million (2022: USD 33.8 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	Individually impaired	Collectively impaired	Total
	USD	USD	USD
At 1 January 2022	**29,967,398**	**5,116,761**	**35,084,159**
Charge for the year	867,445	1,208,551	2,075,996
Utilised	3,451	(37,212)	(33,761)
Unused amounts reversed	(1,387,519)	-	(1,387,519)
Exchange rate differences	(1,337,211)	(574,952)	(1,912,163)
At 31 December 2022	**28,113,563**	**5,713,148**	**33,826,711**
Charge for the year	979,505	1,707,357	2,686,862
Utilised	2,950	(175,103)	(172,153)
Unused amounts reversed	(781,968)	(13,881)	(795,849)
Exchange rate differences	1,085,051	312,284	1,397,335
At 31 December 2023	**29,399,101**	**7,543,805**	**36,942,906**

(supplementary info – see Note 2(e))

	Individually impaired	Collectively impaired	Total
	RON	RON	RON
At 1 January 2022	**134,727,428**	**23,003,934**	**157,731,362**
Charge for the year	3,899,859	5,433,404	9,333,263
Utilised	15,515	(167,298)	(151,783)
Unused amounts reversed	(6,238,008)	-	(6,238,008)
Exchange rate differences	(6,011,835)	(2,584,871)	(8,596,706)
At 31 December 2022	**126,392,958**	**25,685,169**	**152,078,127**
Charge for the year	4,403,659	7,675,936	12,079,595
Utilised	13,263	(787,228)	(773,965)
Unused amounts reversed	(3,515,572)	(62,406)	(3,577,978)
Exchange rate differences	4,878,172	1,403,966	6,282,138
At 31 December 2023	**132,172,479**	**33,915,437**	**166,087,916**

Trade receivables totaling USD 123.4 million as at 31 December 2023 and USD 149 million as at 31 December 2022 are pledged to obtain credit facilities (see Notes 13 and 18).

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

11. CASH AND CASH EQUIVALENTS

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Cash at bank	149,073,317	12,907,647	670,203,819	58,030,200
Cash on hand	4,909,759	3,919,676	22,073,295	17,622,079
Cash equivalents	1,972,124	145,892	8,866,275	655,901
	155,955,200	**16,973,215**	**701,143,389**	**76,308,180**

Cash equivalents represent mainly cheques and promissory notes in the course of being settled.

12. EQUITY

Shareholders' structure as at 31 December 2023 is as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,905,902,717
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,770,520,813
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	256,313,020
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	1,973,957
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	26,548,989
Total	**100%**	**2,655,920,573**	**881,102,250**	**3,961,259,496**

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

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,905,902,717
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,770,520,813
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	256,313,020
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	1,973,957
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	26,548,989
Total	**100%**	**2,655,920,573**	**881,102,250**	**3,961,259,496**

Share premium and effect of transfers with equity holders

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

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

12. EQUITY (continued)

Hybrid Loan

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

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

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

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

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

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

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

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

Revaluation reserve

As of 31 December 2023, the balance of the revaluation reserves is affected by revaluation deficit of USD 17.8 million following the revaluation process carried out at the end of 2023 for property, plant and equipment. The above impact is partially offset by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. The revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal. Thus, as of 31 December 2023, the revaluation surplus transferred to retained earnings was USD 33.7 million (2022: USD 49.8 million).

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

13. LONG-TERM BORROWINGS FROM BANKS

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON *(supplementary info – see Note 2(e))*	December 31, 2022 RON
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank	**265,900,000**	**-**	**1,195,433,220**	**-**
Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 23, 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.				
Total	**265,900,000**	**-**	**1,195,433,220**	**-**

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON *(supplementary info – see Note 2(e))*	December 31, 2022 RON
One year or less - principal	299,357	-	1,345,849	-
Between two and five years	265,900,000	-	1,195,433,220	-
Total	**266,199,357**	**-**	**1,196,779,069**	**-**

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 as following: 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 or there are new lenders that want to join the consortium. As of December 31, 2023, the accordition clause is not used.

At the level of KMG International, loan covenants are tested every 6 months, at half-year and at year end. For both 2023 and 2022, the loan covenants were respected.

The loans bearing guarantees are secured with pledges on property plant and equipment of 352.4 million (31 December 2022: USD 399.6 million), inventories of USD 410 million (2022: USD 273 million) and trade receivables of USD: 123.4 million (2022: USD 149 million).

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

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
As at 1 January	**125,006,748**	**111,916,989**	**562,005,338**	**503,156,399**
Additions	144,626,336	22,665,080	650,211,081	101,897,667
Re-measurement	1,848,295	611,388	8,309,565	2,748,678
Payments	(20,019,855)	(12,355,932)	(90,005,264)	(55,549,799)
Interest accrued	12,896,849	8,092,995	57,981,654	36,384,487
Exchange rate impact	6,046,720	(5,923,772)	27,184,844	(26,632,094)
Other changes	(27,398)	-	(123,176)	-
As at 31 December	**270,377,695**	**125,006,748**	**1,215,564,042**	**562,005,338**
Non-current	262,011,550	120,283,737	1,177,951,527	540,771,625
Current	8,366,145	4,723,011	37,612,515	21,233,713

As of 31 December 2023, the Group recognized leasing additions amounting to USD 144.6 million (2022: USD 22. 6 million) out of which the most significant relate to Rompetrol Downstream USD 92.9 million in 2023, mainly are related to service concession contracts concluded between Rompetrol Downstream and the National Company for Road Infrastructure Administration ("CNAIR").See also Note 7 for details related to Rompetrol Downstream additions.

The Group had total cash outflows for leases of USD 20 million in 2023 (of 12.3 million USD in 2022).

The following amounts were recognized in profit or loss:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Recognised in profit or loss	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	11,888,864	8,111,426	53,449,955	36,467,349
Interest expense on lease liabilities	12,896,849	8,092,995	57,981,654	36,384,487
Variable lease payments (included in selling and distribution)	7,406,353	6,736,557	33,297,482	30,286,213
Total amount recognised in profit or loss	**32,192,066**	**22,940,978**	**144,729,091**	**103,138,049**

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

	December 31, 2023		December 31, 2022	
	Fixed payments	Variable payments	Fixed payments	Variable payments
Fixed rent	20,019,855	-	12,355,932	-
Variable rent with minimum payment	-	7,406,353	-	6,736,557
Total	**20,019,855**	**7,406,353**	**12,355,932**	**6,736,557**

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

15. DEFERRED TAX ASSETS AND LIABILITIES

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

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Deferred tax assets	(12,828,037)	-	(57,672,289)	-
Deferred tax liabilities	19,272,484	56,950,487	86,645,234	256,037,999
Deferred tax (asset) / liability, net	**6,444,447**	**56,950,487**	**28,972,945**	**256,037,999**

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

USD

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	452,881,112	(261,173,619)	(51,602,619)	140,104,874
Inventories	82,619	-	-	82,619
Provisions	(97,071,769)	(2,886,500)	-	(99,958,269)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**355,940,538**	**(264,060,119)**	**(51,602,619)**	**40,277,800**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	72,460,978	(41,787,779)	(8,256,419)	22,416,780
Inventories	13,219	-	-	13,219
Provisions	(15,531,483)	(461,840)	-	(15,993,323)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**56,950,487**	**(42,249,619)**	**(8,256,419)**	**6,444,447**

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

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	221,364	-	-	221,364
Property, plant and equipment	2,036,062,903	(1,174,184,356)	(231,995,055)	629,883,492
Inventories	371,439	-	-	371,439
Provisions	(436,415,254)	(12,977,127)	-	(449,392,381)
Other	(2,981)	-	-	(2,981)
Total temporary differences (asset)/liability	**1,600,237,471**	**(1,187,161,483)**	**(231,995,055)**	**181,080,933**
Deferred tax effect				
Intangible assets	35,418	-	-	35,418
Property, plant and equipment	325,770,069	(187,869,497)	(37,119,217)	100,781,355
Inventories	59,430	-	-	59,430
Provisions	(69,826,441)	(2,076,340)	-	(71,902,781)
Other	(477)	-	-	(477)
Deferred tax (asset)/liability recognized	**256,037,999**	**(189,945,837)**	**(37,119,217)**	**28,972,945**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

USD

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare S.A.	44,119,040	(41,030,592)	(15,916,493)	(12,828,045)
Rompetrol Downstream S.R.L.	4,719,165	(605,678)	6,868,023	10,981,510
Rom Oil S.A.	5,981,412	(591,309)	500,814	5,890,917
Rompetrol Gas S.R.L.	739,413	(36,171)	246,983	950,225
Rompetrol Logistics S.R.L.	1,352,361	14,317	13,616	1,380,294
Rompetrol Quality Control S.R.L.	39,094	(186)	30,638	69,546
Deferred tax (asset)/liability recognized	**56,950,487**	**(42,249,619)**	**(8,256,419)**	**6,444,447**

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

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare S.A.	198,350,380	(184,465,335)	(71,557,378)	(57,672,333)
Rompetrol Downstream S.R.L.	21,216,422	(2,723,007)	30,877,258	49,370,673
Rom Oil S.A.	26,891,235	(2,658,407)	2,251,560	26,484,388
Rompetrol Gas S.R.L.	3,324,255	(162,618)	1,110,386	4,272,023
Rompetrol Logistics S.R.L.	6,079,948	64,366	61,215	6,205,529
Rompetrol Quality Control S.R.L.	175,759	(836)	137,742	312,665
Deferred tax (asset)/liability recognized	**256,037,999**	**(189,945,837)**	**(37,119,217)**	**28,972,945**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

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

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

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	221,364	-	-	221,364
Property, plant and equipment	2,362,598,455	(102,731,606)	(223,803,941)	2,036,062,903
Inventories	371,439	-	-	371,439
Provisions	(321,557,118)	(114,858,136)	-	(436,415,254)
Other	(2,981)	-	-	(2,981)
Total temporary differences (asset)/liability	**2,041,631,159**	**(217,589,742)**	**(223,803,941)**	**1,600,237,471**
Deferred tax effect				
Intangible assets	35,418	-	-	35,418
Property, plant and equipment	378,015,752	(16,437,058)	(35,808,625)	325,770,069
Inventories	59,430	-	-	59,430
Provisions	(51,449,139)	(18,377,302)	-	(69,826,441)
Other	(477)	-	-	(477)
Deferred tax (asset)/liability recognized	**326,660,984**	**(34,814,360)**	**(35,808,625)**	**256,037,999**

As of 31 December 2023, the Group 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 19), lead to an increase of USD 0.5 million (2022 USD 4 million) in the related deferred tax asset. Also, an increase of USD 36 million of deferred tax asset was recognized for revaluation losses charged to P&L 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 Group to generate taxable profits in the future.

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

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Group has USD 122.87 million (2022: USD 160.33 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 Group operates and the current climate change, Group 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 Group has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting USD 8.3 million (2022: 8.1 million).

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

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

16. TRADE AND OTHER PAYABLES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade payables	964,445,294	770,724,269	4,335,953,154	3,465,022,167
Excise taxes	698	417	3,138	1,875
Special fund tax for oil products	6,130,311	5,946,758	27,560,652	26,735,435
VAT payable	37,161,013	80,795,835	167,068,482	363,241,915
Other taxes payable	(3,403)	19,160	(15,299)	86,140
Employees and social obligations	11,466,191	15,125,388	51,549,701	68,000,719
Cash pooling payables	330,265,125	410,008,202	1,484,805,949	1,843,314,875
Other liabilities	12,388,160	12,690,541	55,694,690	57,054,134
Total	**1,361,853,389**	**1,295,310,569**	**6,122,620,467**	**5,823,457,260**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 31 December 2023 are for the following companies: Rompetrol Rafinare S.A. USD 314.4 million (2022: USD 365.4 million), Romoil USD 14.2 million (2022: USD 13.4 million) and Rompetrol Gas USD 1.7 million (2022: USD 31.2 million).

Also, in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 6.68 million (2022: USD 5.51 million).

Trade payables line include payable in relation to KazMunayGas Trading AG in amount of USD 794.8 million as of 31 December 2023 (2022: USD 535 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 24).

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

17. CONTRACT LIABILITIES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	22,527,821	22,051,856	101,280,578	99,140,734
Short-term advances from other customers	45,881,624	12,705,053	206,274,605	57,119,377
Deferred revenues	7,962,682	7,157,244	35,798,626	32,177,538
Total short-term advances	**76,372,127**	**41,914,153**	**343,353,809**	**188,437,649**

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

The disclosed amounts 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 USD 22.8 million and Rompetrol Moldova by USD 11.4 million.

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

18. SHORT-TERM BORROWINGS FROM BANKS

DEBT SHORT-TERM	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON *(supplementary info – see Note 2(e))*
Banca Transilvania Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024. Drawings in USD/EUR/RON.	34,559,797	36,181,181	155,373,935	162,663,353
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	112,395,000
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	112,395,000
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 23, 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.	7,997,432	-	35,954,855	-
Accrued interest	-	29,737	-	133,692
Current portion of long-term debt	299,357	-	1,345,849	-
	42,856,586	**86,210,918**	**192,674,639**	**387,587,045**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end. For both 2023 and 2022, the loan covenants were respected (Note 13).

The loans bearing guarantees are secured with pledges on property plant and equipment of 352.4 million (31 December 2022: USD 399.6 million), inventories of USD 410 million (2022: USD 273 million) and trade receivables of USD: 123.4 million (2022: USD 149 million).

The movement in loans is presented below:

USD	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**December 31, 2023**
Long-term borrowings from banks (Note 13)	-	306,770,363	(40,870,363)	-	-	265,900,000
Short-term borrowings from banks	86,181,181	318,263,981	(362,254,496)	-	366,563	42,557,229
Interest Long-term borrowings banks (Note 13)	-	-	(14,591,803)	14,591,803	-	-
Interest Short-term borrowings from banks	29,737	-	(5,359,390)	5,629,010	-	299,357
Total	**86,210,918**	**625,034,344**	**(423,076,052)**	**20,220,813**	**366,563**	**308,756,586**

RON (supplementary info – see Note 2(e))	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**December 31, 2023**
Long-term borrowings from banks (Note 13)	-	1,379,178,198	(183,744,978)	-	-	1,195,433,220
Short-term borrowings from banks	387,453,353	1,430,851,206	(1,628,623,763)	-	1,647,994	191,328,790
Interest Long-term borrowings banks (Note13)	-	-	(65,601,828)	65,601,828	-	-
Interest Short-term borrowings from banks	133,692	-	(24,094,746)	25,306,903	-	1,345,849
Total	**387,587,045**	**2,810,029,404**	**(1,902,065,315)**	**90,908,731**	**1,647,994**	**1,388,107,859**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2022	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2022
Long-term borrowings from banks	861,975,472	217,016,528	-	-	(1,078,992,000)	-	-
Short-term borrowings from banks	190,498,438	1,259,379,883	(2,138,243,603)	-	1,078,992,000	(3,173,365)	387,453,353
Interest Short-term borrowings from banks	221,468	-	(50,405,264)	50,317,488	-	-	133,692
Total	**1,052,695,378**	**1,476,396,411**	**(2,188,648,867)**	**50,317,488**	**-**	**(3,173,365)**	**387,587,045**

During 2023, the Group reimbursed in full the previous syndicated loan and entered into a new senior facilities agreement obtained at KMG International Group level (detailed also in note 13). Under the terms of the new contract, 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).

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

19. PROVISIONS

Provisions comprise the following:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	116,060,824	115,340,643	521,786,253	518,548,463
Total Provisions	**116,060,824**	**115,340,643**	**521,786,253**	**518,548,463**

The movement in provisions is presented below:

USD	At 1 January 2023	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2023
Provision for retirement benefit	11,983,718	2,164,198	2,253,128	(1,279,460)	-	-	15,121,584
Environmental provisions	97,141,972	-	1,367,789	(455,867)	1,974,581	-	100,028,475
Other provisions	6,214,953	-	120,513	-	-	(5,424,701)	910,765
Total	**115,340,643**	**2,164,198**	**3,741,430**	**(1,735,327)**	**1,974,581**	**(5,424,701)**	**116,060,824**

	At 1 January 2023	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2023
RON (supplementary info – see Note 2(e))							
Provision for retirement benefit	53,876,400	9,729,801	10,129,614	(5,752,196)	-	-	67,983,619
Environmental provisions	436,730,877	-	6,149,306	(2,049,487)	8,877,321	-	449,708,017
Other provisions	27,941,186	-	541,802	-	-	(24,388,371)	4,094,617
Total	**518,548,463**	**9,729,801**	**16,820,722**	**(7,801,683)**	**8,877,321**	**(24,388,371)**	**521,786,253**

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

19. PROVISIONS (continued)

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

	At 1 January 2022	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2022
RON (supplementary info – see Note 2(e))							
Provision for retirement benefit	56,506,047	(7,460,061)	7,735,775	(2,905,361)	-	-	53,876,400
Environmental provisions	321,872,741	-	168,730,152	(48,915,136)	(4,956,880)	-	436,730,877
Other provisions	1,993,824	-	12,701,948	-	-	13,245,414	27,941,186
Total	**380,372,612**	**(7,460,061)**	**189,167,875**	**(51,820,497)**	**(4,956,880)**	**13,245,414**	**518,548,463**

Environmental provision

Vega lagoons

As of 31 December 2023, the Group recognized an environmental provision of USD 94.32 million (2022: USD 92.11 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 prevision as per Romanian National Institute of Statistics;
- extended timeline for the rehabilitation plan until the end of 2027.

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

19. PROVISIONS (continued)

The results of the reassessment lead to a net increase of provision by USD 2.2 million (2022: USD 25.55 million increase), being mainly triggered by updated computation due to change in assumptions and foreign exchange effect of USD 4.52 million offset by unwinding of discount effect of USD 2.32 million (2022: USD 1.1 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 Group 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. 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 USD 5.6 million (2022: USD 4.9 million).

Retirement benefit provision

Under the collective labor agreements that certain of the Group’s entities have in force, employees are entitled to specific retirement benefits that are payable upon retirement, if the employees are employed with Group entities at the date of their retirement. The level of benefits provided depends on the member’s length of service, the employees is entitled to a fix amount per each year of service. A corresponding provision has been recognized based on: the specific benefits provided in the updated Collective Labor Agreement signed in 2022; the number of employees working within the relevant Group entities; 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 6.9% (2022: 8.8%) for Romanian subsidiaries with an expected rate of long-term salary increase 3.8% (2022: 4.4%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

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

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Interest on obligation	1,047,304	601,408	4,708,469	2,703,810
Service cost	1,205,824	1,119,259	5,421,144	5,031,965
Costs related to benefits granted	(1,279,460)	(646,239)	(5,752,196)	(2,905,361)
Total	**973,668**	**1,074,428**	**4,377,417**	**4,830,414**

19. PROVISIONS (continued)

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

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Opening balance	**11,983,718**	**12,568,630**	**53,876,400**	**56,506,047**
Amounts recognized in income statement	973,668	1,074,428	4,377,417	4,830,413
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	2,164,198	(1,659,340)	9,729,802	(7,460,061)
Closing balance	**15,121,584**	**11,983,718**	**67,983,619**	**53,876,400**

Actuarial losses refer to change in assumption in amount of USD 2.2 million (2022: gain of USD 1.6 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 USD 1 million (2022: USD 1 million).

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

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

	Impact on defined benefit obligation	
	2023	**2022**
	USD million	**USD million**
Discount rate assumptions:		
1% increase	(2.21)	(1.01)
1% decrease	0.51	1.14

	2023	**2022**
	USD million	**USD million**
Salary sensitivity assumption:		
1% increase	0.59	1.22
1% decrease	(2.29)	(1.08)

	2023	**2022**
	USD million	**USD million**
Longevity sensitivity assumption:		
1% increase	0.86	0.08

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

Other provisions

In 2022, other provisions in amount of USD 6.21 million (2021: USD 0.4 million) refers mainly to the provision recorded in relation to the litigation with the National Agency for Tax Administration (“ANAF”), in amount of USD 5.4 million out of which additional charge recorded during 2022 is of USD 2.5 million (Note 30). In 2023 the ANAF provision was reclassified to “Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables”.

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2023

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	4,515,685,394	-	-	393,940,769	4,909,626,163
Less sales taxes from petroleum products production	(909,188,775)	-	-	866,274,059	(42,914,716)
Net revenues from petroleum products production	**3,606,496,619**	**-**	**-**	**1,260,214,828**	**4,866,711,447**
Gross revenues from petroleum products trading	-	-	3,219,440,480	(3,163,581,863)	55,858,617
Less sales taxes petroleum products trading	-	-	(873,217,378)	1,745,711	(871,471,667)
Less commercial discounts petroleum products trading	-	-	(207,604,720)	2,532,596	(205,072,124)
Net revenues from petroleum products trading	**-**	**-**	**2,138,618,382**	**(3,159,303,556)**	**(1,020,685,174)**
Revenues from petrochemicals production	-	124,438,889	-	-	124,438,889
Revenues from petrochemicals trading	-	10,345	-	-	10,345
Revenues from merchandise sales	438,551	-	214,886,243	(435)	215,324,359
Revenues from utilities sold	6,049,442	-	-	(189,364)	5,860,078
Revenues from transportation fees	-	-	3,537,474	-	3,537,474
Revenues from rents and other services	3,827,602	-	23,686,432	(11,942,970)	15,571,064
Total Net Revenues	**3,616,812,214**	**124,449,234**	**2,380,728,531**	**(1,911,221,497)**	**4,210,768,482**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	20,301,618,395	-	-	1,771,078,909	22,072,697,304
Less sales taxes from petroleum products production	(4,087,530,895)	-	-	3,894,594,914	(192,935,981)
Net revenues from petroleum products production	**16,214,087,500**	**-**	**-**	**5,665,673,823**	**21,879,761,323**
Gross revenues from petroleum products trading	-	-	14,473,960,509	(14,222,831,338)	251,129,171
Less sales taxes petroleum products trading	-	-	(3,925,810,688)	7,848,368	(3,917,962,320)
Less commercial discounts petroleum products trading	-	-	(933,349,300)	11,386,045	(921,963,255)
Net revenues from petroleum products trading	**-**	**-**	**9,614,800,521**	**(14,203,596,925)**	**(4,588,796,404)**
Revenues from petrochemicals production	-	559,452,357	-	-	559,452,357
Revenues from petrochemicals trading	-	46,509	-	-	46,509
Revenues from merchandise sales	1,971,638	-	966,085,571	(1,956)	968,055,253
Revenues from utilities sold	27,197,081	-	-	(851,343)	26,345,738
Revenues from transportation fees	-	-	15,903,776	-	15,903,776
Revenues from rents and other services	17,208,133	-	106,489,461	(53,693,205)	70,004,389
Total Net Revenues	**16,260,464,352**	**559,498,866**	**10,703,279,329**	**(8,592,469,606)**	**18,930,772,941**

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.

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2022

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	25,066,189,358	-	-	2,121,673,730	27,187,863,088
Less sales taxes from petroleum products production	(4,127,839,815)	-	-	3,953,143,286	(174,696,529)
Net revenues from petroleum products production	**20,938,349,543**	**-**	**-**	**6,074,817,016**	**27,013,166,559**
Gross revenues from petroleum products trading	-	-	16,934,329,833	(16,377,346,812)	556,983,021
Less sales taxes petroleum products trading	-	-	(4,119,737,385)	12,071,461	(4,107,665,924)
Less commercial discounts petroleum products trading	-	-	(1,179,087,211)	18,342,886	(1,160,744,325)
Net revenues from petroleum products trading	**-**	**-**	**11,635,505,237**	**(16,346,932,465)**	**(4,711,427,228)**
Revenues from petrochemicals production	-	907,541,300	-	-	907,541,300
Revenues from petrochemicals trading	-	1,727,700	-	-	1,727,700
Revenues from merchandise sales	41,624,580	-	757,505,511	(953)	799,129,138
Revenues from utilities sold	16,520,186	-	-	(753,878)	15,766,308
Revenues from transportation fees	-	-	12,554,000	-	12,554,000
Revenues from rents and other services	16,561,003	-	93,918,287	(45,477,503)	65,001,787
Total Net Revenues	**21,013,055,312**	**909,269,000**	**12,499,483,035**	**(10,318,347,783)**	**24,103,459,564**

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

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

21. COST OF SALES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	3,261,802,739	3,854,640,647	14,664,412,755	17,329,693,423
Consumables and other materials	13,064,331	13,923,253	58,734,619	62,596,161
Utilities	196,306,912	209,801,063	882,556,615	943,223,619
Staff costs	47,344,079	37,716,924	212,849,510	169,567,747
Transportation	214,006	205,220	962,128	922,628
Maintenance and repairs	32,286,433	29,994,703	145,153,345	134,850,186
Insurance	2,693,333	2,241,457	12,108,687	10,077,142
Environmental expenses	10,764,755	21,994,480	48,396,186	98,882,783
Other	11,117,874	10,645,289	49,983,738	47,859,090
Total	**3,575,594,462**	**4,181,163,036**	**16,075,157,583**	**18,797,672,779**
Depreciation and amortization	85,375,426	98,192,491	383,830,840	441,453,801
Total	**3,660,969,888**	**4,279,355,528**	**16,458,988,423**	**19,239,126,580**
Plus: Change in inventories	(34,103,622)	6,100,277	(153,323,064)	27,425,625
Less: Own production of property, plant & equipment	(821,184)	(2,975,637)	(3,691,879)	(13,377,869)
Cost of petroleum products trading	49,798,631	115,310,858	223,884,685	518,414,555
Cost of petrochemicals trading	9,329	369,133	41,941	1,659,548
Cost of merchandise sold	173,322,824	146,620,247	779,224,752	659,175,306
Cost of utilities resold	4,015,199	2,560,826	18,051,532	11,512,962
Realized (gains)/losses on derivatives	(141,799)	262,933,391	(637,500)	1,182,095,939
Total	**3,853,049,266**	**4,810,274,622**	**17,322,538,890**	**21,626,032,646**

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 CPC, 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 the 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.

In 2023 Cost of petroleum products trading was lower as compared with 2022 due to lower purchases by USD 36 million made by Rompetrol Downstream and by USD 29 million in relation to Rompetrol Gas.

Higher cost of merchandise in 2023 mainly for Rompetrol Downstream SRL by USD 36 million against prior year, in respect of dry channel acquisitions following the increase in the number of CODO stations by 11 stations, of which 10 stations are on the A1, stations with significant Dry sales.

Rompetrol Rafinare has the obligation to comply with the CO_2 emission rights quota. Thus, Refinery CO_2 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 USD 9.8 million (2022: USD 24.2 million), of which USD 8 million in Cost of sales (2022: USD 20 million) and USD 1.8 million (2022: USD 4.2 million) in General and Administrative expenses – Note 22. As presented in Notes 3 and 32.5, in 2023, following MHC unit incident, Petromidia refinery CO_2 emissions were lower due to the new refinery flow without MHC unit in function, thus leading to lower CO_2 emissions and implicitly, lower environmental cost as compared to prior year.

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

21. COST OF SALES (continued)

During 2023 the positive Realized hedging impact of USD 0.14 million resulted from Rompetrol Downstream, mainly from auctions hedging program which protects against market price increase.

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

- negative result of USD 35.2 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.

- loss of USD 21.57 million recorded in 2022 triggered by the hedge around benchmark stocks) for gasoline and diesel stocks in Downstream depots and forex hedging in amount of USD +0.35 million (gain). These are considered FV through PL.

- losses of USD 206.5 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.

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

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Staff costs	33,859,401	29,623,488	152,225,095	133,181,277
Utilities	10,139,995	8,809,511	45,587,390	39,605,800
Transportation	82,926,823	65,945,907	372,822,408	296,479,605
Professional and consulting fees	39,450,691	33,818,779	177,362,417	152,042,467
Royalties and rents	12,481,063	4,542,936	56,112,363	20,424,132
Consumables	245,204	113,839	1,102,388	511,797
Marketing	2,656,421	3,438,174	11,942,738	15,457,343
Taxes	2,988,888	2,012,420	13,437,443	9,047,438
Communications	658,616	654,282	2,961,006	2,941,521
Insurance	1,898,406	1,479,587	8,534,854	6,651,927
IT services	9,421,157	8,357,638	42,355,638	37,574,269
Environmental expenses	970,238	4,226,545	4,361,996	19,001,701
Maintenance and repairs	13,977,551	11,459,492	62,840,274	51,519,584
Other expenses	28,006,335	19,540,336	125,910,881	87,849,443
Costs before depreciation	**239,680,789**	**194,022,934**	**1,077,556,891**	**872,288,304**
Depreciation and amortisation	50,030,735	50,358,970	224,928,178	226,403,857
Total	**289,711,524**	**244,381,904**	**1,302,485,069**	**1,098,692,161**

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

23. OTHER OPERATING INCOME / (EXPENSES), NET

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	218,524	329,904	982,440	1,483,182
(Reserve)/reversal for/of impairment of tangible assets, net	6,410,198	(8,562,243)	28,818,970	(38,494,132)
Provision for receivables and write-off, net	(2,720,353)	(1,908,310)	(12,230,163)	(8,579,380)
Provision for inventories, net	2,171,341	(11,731,797)	9,761,915	(52,743,813)
Tangible and intangible assets write-off	(249,495)	(167,714)	(1,121,680)	(754,009)
Loss from revaluation of non-current assets	(226,744,607)	-	(1,019,398,404)	-
Inventories write-off	(45,383)	(76,775)	(204,033)	(345,165)
Other provisions, net	(1,488,302)	(31,458,771)	(6,691,108)	(141,432,338)
Other, net	539,902	11,219,465	2,427,291	50,440,471
Total	**(221,908,175)**	**(42,356,240)**	**(997,654,772)**	**(190,425,184)**

Other provision net includes as of 31 December 2023 USD 0.9 million (2022: USD 26.65 million) mainly refers to environmental provision in respect of Vega lagoons representing additional environmental provision of USD 1.4 million (2022: USD 37.53 million) offset by the provision decrease of USD 0.5 million (2022: USD 10.8 million) detailed in Note 19.

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 loss from revaluation was recorded in amount of USD 226,8 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.

The reversal reserve of impairment related to specific equipment in amount of USD 6.4 million is related to Rompetrol Rafinare SA also detailed in Note 5.

Other provision net includes as of 31 December 2022 USD 2.5 million additional fiscal provision for principal liabilities and penalties paid to ANAF following the fiscal audit conducted by the Romanian Tax Authorities for the 2011 - 2015, as detailed in Note 10 and Note 19 and provision for litigation in amount of USD 0.3 million related to the technical incident occurred in Petromidia Refinery in August 2016 (Note 30).

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

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

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

24. FINANCE COST, FINANCE INCOME AND FOREIGN EXCHANGE

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(4,354,904)	(5,393,794)	(19,578,777)	(24,249,419)
Interest expense	(77,502,291)	(64,870,255)	(348,434,799)	(291,643,688)
Unwinding of discount - lease	(12,896,849)	(8,092,995)	(57,981,654)	(36,384,487)
Unwinding of discount - environmental provision	(1,974,580)	(7,794,582)	(8,877,317)	(35,042,882)
Other financial expense	(51,500,592)	(32,288,516)	(231,536,362)	(145,162,710)
Total	**(148,229,216)**	**(118,440,141)**	**(666,408,909)**	**(532,483,186)**
Finance income				
Interest income	67,826,206	51,675,443	304,933,056	232,322,456
Other financial income	725,106	2,233,263	3,259,932	10,040,304
Total	**68,551,312**	**53,908,706**	**308,192,988**	**242,362,760**
Finance income/(cost) net	**(79,677,904)**	**(64,531,435)**	**(358,215,921)**	**(290,120,426)**
Unrealized net foreign exchange (losses)/gains	(2,935,084)	3,525,702	(13,195,551)	15,850,851
Realized net foreign exchange (losses)/gains	(4,536,636)	12,097,953	(20,395,808)	54,389,977
Foreign exchange gain/(loss), net	**(7,471,720)**	**15,623,655**	**(33,591,359)**	**70,240,828**
Total	**(87,149,624)**	**(48,907,780)**	**(391,807,280)**	**(219,879,598)**

In 2023 out of the total of USD 51.5 million (2022: USD 32.3 million) representing other financial expenses an amount of approximately USD 42.9 million (2022: USD 24.3 million) represents other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

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

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	(9,717,702)	(7,878,667)	(43,688,845)	(35,420,911)
Deferred tax credit relating to the origination and reversal of temporary differences	5,970,482	7,743,752	26,842,093	34,814,360
Deferred income tax related to revaluation, recognised in Profit and loss	36,279,137	-	163,103,744	-
Solidarity tax	(31,994,930)	(124,929,011)	(143,842,807)	(561,655,848)
Total tax income/(expense)	**536,987**	**(125,063,926)**	**2,414,185**	**(562,262,399)**

The net effect of deferred tax in 2023 was in amount of USD 42.2 million (2022: USD 7.7 million).

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

Entity	Carried forward fiscal losses 2023 USD million	Recognised Deferred Tax Asset 2023	Carry forward fiscal losses 2022 USD million	Recognised Deferred Tax Asset 2022
Rompetrol Rafinare SA	120.89	-	153.69	-
Rompetrol Petrochemicals SRL	-	-	2.61	-
Rompetrol Logistics SRL	1.98	-	2.53	-
Rom Oil SA	-	-	1.50	-
As at December 31	**122.87**	**-**	**160.33**	**-**

25. INCOME TAX (continued)

The Group has USD 122.87 million (2022: USD 160.33 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2023 (2022: nil) on the basis of the assessment made.

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA			
2020	14.17	63.72	2027
2021	106.72	479.79	2028
	120.89	**543.51**	
Rompetrol Logistics SRL			
2017	1.36	6.13	2024
2018	0.15	0.67	2025
2019	0.11	0.48	2026
2023	0.36	1.63	2030
	1.98	**8.91**	
	122.87	**552.42**	

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

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

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

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

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Result before tax	(241,050,107)	215,407,708	(1,083,713,071)	968,429,974
Tax at prevailing tax rate (16%)	(9,340,368)	(36,607,150)	(41,992,426)	(164,578,425)
Effect of losses carried forward for which no DTA was recognized	19,023,074	20,314,875	85,523,936	91,331,615
Effect of statutory items non deductible / (not taxable) for tax purposes	(19,400,408)	8,413,608	(87,220,355)	37,825,899
Non-deductible expenses	10,116,429	26,153,152	45,481,441	117,579,341
Not - taxable income	(29,516,837)	(17,739,544)	(132,701,796)	(79,753,442)
Effect of temporary differences	42,249,619	7,743,752	189,945,837	34,814,360
Solidarity tax	(31,994,930)	(124,929,011)	(143,842,807)	(561,655,848)
Income tax credit/(expense) recognised in profit or loss	**536,987**	**(125,063,926)**	**2,414,185**	**(562,262,399)**

25. INCOME TAX (continued)

d) Other taxes – Solidarity contribution

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, 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 USD 31.3 million (2022: USD 124.9 million). Its subsidiary, Rompetrol Quality Control SRL, preliminary recorded an amount of USD 0.68 million provision (2022: USD 0.29 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.

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

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

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

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

26. OPERATING SEGMENT INFORMATION (continued)

2023 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,717,055,691	124,449,234	-	2,369,263,557	-	4,210,768,482
Net revenues "Inter segment"	1,899,756,523	-	-	11,464,974	(1,911,221,497)	-
Cost of sales	(3,445,375,552)	(202,666,788)	-	(2,160,182,817)	1,955,175,891	(3,853,049,266)
Gross margin	**171,436,662**	**(78,217,554)**	**-**	**220,545,714**	**43,954,394**	**357,719,216**
Selling, general and administrative expenses	(73,399,681)	(11,456,499)	-	(161,483,897)	(43,371,447)	(289,711,524)
Other operating income/(expenses), net	(189,168,300)	(23,583,578)	-	(9,202,544)	46,247	(221,908,175)
Operating margin (EBIT)	**(91,131,319)**	**(113,257,631)**	**-**	**49,859,273**	**629,194**	**(153,900,483)**
Financial expenses, net	-	-	(75,457,913)	(4,214,845)	(5,146)	(79,677,904)
Net foreign exchange result	-	-	(3,746,642)	(3,725,078)	-	(7,471,720)
Profit/(loss) before income tax	**(91,131,319)**	**(113,257,631)**	**(79,204,555)**	**41,919,350**	**624,048**	**(241,050,107)**
Income tax	-	-	8,480,650	(7,943,663)	-	536,987
Net Profit/(Loss)	**(91,131,319)**	**(113,257,631)**	**(70,723,905)**	**33,975,687**	**624,048**	**(240,513,120)**
Depreciation and amortization	89,739,685	13,257,979	-	29,368,734	3,039,763	135,406,161
Revaluation loss	194,552,426	24,573,261	-	7,618,920	-	226,744,607

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	7,719,538,976	559,498,866	-	10,651,735,099	-	18,930,772,941
Net revenues "Inter segment"	8,540,925,376	-	-	51,544,230	(8,592,469,606)	-
Cost of sales	(15,489,719,407)	(911,149,345)	-	(9,711,749,909)	8,790,079,771	(17,322,538,890)
Gross margin	**770,744,945**	**(351,650,479)**	**-**	**991,529,420**	**197,610,165**	**1,608,234,051**
Selling, general and administrative expenses	(329,990,286)	(51,506,128)	-	(725,999,304)	(194,989,351)	(1,302,485,069)
Other operating income/(expenses), net	(850,462,843)	(106,027,050)	-	(41,372,797)	207,918	(997,654,772)
Operating margin (EBIT)	**(409,708,184)**	**(509,183,657)**	**-**	**224,157,319**	**2,828,732**	**(691,905,790)**
Financial expenses, net	-	-	(339,243,685)	(18,949,101)	(23,135)	(358,215,921)
Net foreign exchange result	-	-	(16,844,153)	(16,747,206)	-	(33,591,359)
Profit/(loss) before income tax	**(409,708,184)**	**(509,183,657)**	**(356,087,838)**	**188,461,012**	**2,805,597**	**(1,083,713,070)**
Income tax	-	-	38,127,305	(35,713,119)	-	2,414,185
Net Profit/(Loss)	**(409,708,184)**	**(509,183,657)**	**(317,960,533)**	**152,747,893**	**2,805,597**	**(1,081,298,885)**
Depreciation and amortization	403,451,677	59,605,222	-	132,035,954	13,666,166	608,759,019
Revaluation loss	874,668,798	110,476,467	-	34,253,141	-	1,019,398,406

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

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

26. OPERATING SEGMENT INFORMATION (continued)

2023 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,345,013,565	530,510,780	(603,092,782)	1,272,431,563
Total current assets	860,615,276	539,512,466	(197,341,297)	1,202,786,445
TOTAL ASSETS	**2,205,628,841**	**1,070,023,246**	**(800,434,079)**	**2,475,218,008**
Total equity	410,335,470	478,708,388	(602,705,792)	286,338,066
Total non-current liabilities	388,888,941	274,829,652	(34,771)	663,683,822
Total current liabilities	1,406,404,430	316,485,206	(197,693,516)	1,525,196,120
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,205,628,841**	**1,070,023,246**	**(800,434,079)**	**2,475,218,008**
Capital expenditure	52,224,623	7,439,356	(28,364)	59,635,615

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,046,911,985	2,385,070,363	(2,711,384,527)	5,720,597,821
Total current assets	3,869,154,158	2,425,540,146	(887,207,003)	5,407,487,301
TOTAL ASSETS	**9,916,066,143**	**4,810,610,509**	**(3,598,591,530)**	**11,128,085,122**
Total equity	1,844,786,206	2,152,177,171	(2,709,644,700)	1,287,318,677
Total non-current liabilities	1,748,366,901	1,235,579,149	(156,322)	2,983,789,728
Total current liabilities	6,322,913,036	1,422,854,189	(888,790,508)	6,856,976,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,916,066,143**	**4,810,610,509**	**(3,598,591,530)**	**11,128,085,122**
Capital expenditure	234,791,460	33,445,857	(127,519)	268,109,798

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

26. OPERATING SEGMENT INFORMATION (continued)

2022 Income Statement information

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

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	10,738,149,460	909,269,000	-	12,456,041,104	-	24,103,459,564
Net revenues "Inter segment"	10,274,905,852	-	-	43,441,931	(10,318,347,783)	-
Cost of sales	(19,100,298,032)	(1,233,582,466)	-	(11,714,742,490)	10,422,590,342	(21,626,032,646)
Gross margin	**1,912,757,280**	**(324,313,466)**	-	**784,740,545**	**104,242,559**	**2,477,426,918**
Selling, general and administrative expenses	(301,566,498)	(41,749,478)	-	(598,410,440)	(156,965,745)	(1,098,692,161)
Other operating income/(expenses), net	(162,569,432)	(29,118,789)	-	114,333	1,148,704	(190,425,184)
Operating margin (EBIT)	**1,448,621,350**	**(395,181,733)**	**-**	**186,444,438**	**(51,574,482)**	**1,188,309,573**
Financial expenses, net	-	-	(312,854,346)	22,756,206	(22,286)	(290,120,426)
Net foreign exchange result	-	-	99,335,659	(29,094,831)	-	70,240,828
Profit/(loss) before income tax	**1,448,621,350**	**(395,181,733)**	**(213,518,687)**	**180,105,813**	**(51,596,768)**	**968,429,975**
Income tax	-	-	(527,972,019)	(34,290,380)	-	(562,262,399)
Net Profit/(Loss)	**1,448,621,350**	**(395,181,733)**	**(741,490,706)**	**145,815,433**	**(51,596,768)**	**406,167,576**
Depreciation and amortization	445,485,679	66,656,277	-	142,049,540	13,666,171	667,857,667

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

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 666 million in 2023 and USD 945 million in 2022.

2022 Statement of financial position information

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

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,362,672,186	1,616,326,959	(2,698,387,994)	6,280,611,151
Total current assets	2,958,234,017	2,031,661,512	(512,832,809)	4,477,062,720
TOTAL ASSETS	**10,320,906,203**	**3,647,988,471**	**(3,211,220,803)**	**10,757,673,871**
Total equity	3,328,325,198	1,797,400,948	(2,712,450,304)	2,413,275,842
Total non-current liabilities	755,190,799	561,722,763	(812,081)	1,316,101,481
Total current liabilities	6,237,390,206	1,288,864,760	(497,958,418)	7,028,296,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,320,906,203**	**3,647,988,471**	**(3,211,220,803)**	**10,757,673,871**
Capital expenditure	250,310,436	64,377,055	-	314,687,491

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

b. Geographical segments

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

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Net revenues	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Romania	**2,944,277,881**	**3,804,791,338**	**13,236,884,497**	**17,105,580,897**
Export	**1,266,490,601**	**1,556,536,916**	**5,693,888,444**	**6,997,878,667**
out of which				
Europa	1,220,865,125	1,506,944,824	5,488,765,429	6,774,922,540
Asia	45,615,796	49,112,992	205,079,496	220,802,189
America	9,680	479,100	43,519	2,153,938
Total	**4,210,768,482**	**5,361,328,254**	**18,930,772,941**	**24,103,459,564**

27. RELATED PARTIES

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

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

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

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

27. RELATED PARTIES (continued)

	Receivables and other assets			
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	1,154,536	13,924,420	5,190,563	62,601,407
Rominserv S.R.L.	10,391,761	3,409,025	46,719,279	15,326,295
KMG International N.V.	64,073,540	62,247,992	288,061,821	279,854,522
KMG Rompetrol S.R.L	1,132,022	1,404,469	5,089,345	6,314,212
KMG Rompetrol S.R.L. - cash pooling	296,644,802	267,473,915	1,333,655,701	1,202,509,227
Oilfield Exploration Business Solutions S.A.	1,107,315	1,054,528	4,978,267	4,740,947
Rompetrol Well Services S.A.	122,458	68,995	550,547	310,188
KMG Rompetrol Services Center S.R.L.	11,824	36,958	53,158	166,156
Rompetrol Bulgaria	1,280,638	1,294,939	5,757,492	5,821,787
Rompetrol Moldova S.A.	6,497,001	188,833	29,209,217	848,955
Rompetrol Financial Group S.R.L.	2,490	2,418	11,195	10,871
Rompetrol Energy S.A.	17,972,390	18,853,747	80,800,271	84,762,676
Byron Shipping S.R.L.	2,052	2,174	9,225	9,774
Midia Marine Terminal S.R.L.	274,140	230,577	1,232,479	1,036,628
Rompetrol Georgia	1,321	1,277	5,939	5,741
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	61,165	59,334	274,986	266,754
KMG Rompetrol Development S.R.L.	9,262,774	6,973,833	41,643,579	31,352,958
Global Security Sistem S.A.	180,580	131,178	811,852	589,750
Total	**410,172,809**	**377,358,611**	**1,844,054,916**	**1,696,528,848**

	Payables, loans and other liabilities			
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	818,928,912	541,944,575	3,681,740,603	2,436,474,420
Rominserv S.R.L.	37,906,755	25,031,950	170,421,189	112,538,641
KMG International N.V.	617,922	1,125,355	2,778,054	5,059,371
KMG Rompetrol S.R.L	12,899,763	9,404,374	57,994,754	42,280,185
KMG Rompetrol S.R.L. - cash pooling	330,265,125	410,008,202	1,484,805,949	1,843,314,875
Oilfield Exploration Business Solutions S.A.	395,469	318,388	1,777,950	1,431,409
Rompetrol Well Services S.A.	228,000	396,773	1,025,042	1,783,812
KMG Rompetrol Services Center S.R.L.	1,158,852	2,670,446	5,209,967	12,005,791
Rompetrol Bulgaria	118,966	207,669	534,847	933,638
Rompetrol Moldova S.A.	14,589,439	3,142,021	65,591,200	14,125,898
Byron Shipping Ltd.	2,144	2,069	9,639	9,302
Rompetrol Energy S.A.	8,363,402	9,269,247	37,600,183	41,672,681
Byron Shipping S.R.L.	287	4,087	1,290	18,374
Midia Marine Terminal S.R.L.	2,747,547	4,165,184	12,352,422	18,725,834
Rompetrol Georgia	-	50	-	225
KMG Rompetrol Development S.R.L.	5,604,279	3,145,027	25,195,718	14,139,412
Global Security Sistem S.A.	688,299	281,238	3,094,455	1,264,390
Global Security Systems Fire Services S.R.L.	586,952	318,038	2,638,819	1,429,835
TRG Petrol Ticaret Anonim Sirketi	2,538	2,538	11,410	11,410
Total	**1,235,104,651**	**1,011,437,231**	**5,552,783,491**	**4,547,219,503**

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

27. RELATED PARTIES (continued)

During the period ended December 31, 2023 respectively December 31, 2022, Rompetrol Rafinare Group entered into the following transactions with related parties:

Sales and other revenues

Name of related party	Nature of transaction	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	666,236,270	945,246,143	2,995,265,023	4,249,637,610
Rominserv S.R.L.	Fuel, utilities and other services	1,058,872	868,251	4,760,477	3,903,483
KMG International N.V.	Interest	6,759,420	6,130,115	30,389,000	27,559,771
KMG Rompetrol S.R.L	Fuel and other services	49,515,185	180,021	222,610,369	809,338
Oilfield Exploration Business Solutions S.A.	Fuel	4,483	5,703	20,155	25,640
Rompetrol Well Services S.A.	Fuel and other services	824,349	850,944	3,706,108	3,825,674
Rompetrol Bulgaria	Fuel	21,147,217	41,119,974	95,073,658	184,867,179
Rompetrol Moldova S.A.	Fuel	322,285,653	390,000,596	1,448,931,839	1,753,364,679
Rompetrol Georgia	Fuel	50	1,130	225	5,080
KMG Rompetrol Services Center S.R.L.	Rent and other services	130,691	125,967	587,561	566,322
Midia Marine Terminal S.R.L.	Fuel, rent and other services	616,303	662,392	2,770,775	2,977,982
Byron Shipping S.R.L.	Fuel and other services	16,273	20,401	73,160	91,719
Rompetrol Energy S.A.	Other services	72,622,150	44,082,054	326,494,662	198,184,098
Global Security Sistem S.A.	Fuel	91,132	108,535	409,711	487,952
KMG Rompetrol Development S.R.L.	PPE and other services	1,398,061	6,133,857	6,285,403	27,576,594
Total		**1,142,706,109**	**1,435,536,083**	**5,137,378,126**	**6,453,883,121**

Purchases and other costs

Name of related party	Nature of transaction	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	3,231,119,830	3,493,093,192	14,526,468,532	15,704,248,373
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	90,159,448	83,846,622	405,338,846	376,957,643
KMG International N.V.	Management services	2,155,753	6,840,950	9,691,834	30,755,543
KMG Rompetrol S.R.L	Management services	101,229,325	36,074,438	455,106,799	162,183,458
Oilfield Exploration Business Solutions S.A.	Management services	60,240	55,284	270,827	248,546
Rompetrol Well Services S.A.	Other services	57,520	74	258,598	333
Rompetrol Bulgaria	Sales intermediary services	185,751	123,202	835,099	553,892
Rompetrol Moldova SA	Sales intermediary services	192,095	-	863,621	-
KMG Rompetrol Services Center S.R.L.	Shared services	8,586,773	8,536,684	38,604,414	38,379,224
Midia Marine Terminal S.R.L.	Handling services/Transit	17,255,480	16,282,281	77,577,187	73,201,879
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Acquisition of utilities	-	3,164,345	-	14,226,262
Rompetrol Energy S.A.	Acquisition of utilities	67,959,503	66,681,861	305,532,334	299,788,311
KMG Rompetrol Development S.R.L.	Retail	19,820,051	10,999,640	89,106,985	49,452,182
Global Security Sistem S.A.	Security and protection services	3,966,360	3,821,467	17,831,961	17,180,551
Global Security Systems Fire Services S.R.L.	Fire protection services	2,235,527	1,574,474	10,050,482	7,078,520
Total		**3,544,983,656**	**3,731,094,514**	**15,937,537,519**	**16,774,254,717**

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

27. RELATED PARTIES (continued)

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

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

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

The amount of remuneration for key management personnel and Board of Directors for 2023 was of USD 1.29 million (2022: USD 0.8 million), including short-term benefits and bonuses. No member of Board of Directors is entitled to any benefits upon termination of his employment. The Group does not provide loans either to members of the Board of Directors or to members of Group Management. There are no loans outstanding.

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2023 and 31 December 2022, the Group has recorded an impairment of receivables relating to Oilfield Exploration Business Solutions S.A. in amount of USD 4.2 million (2022: USD 3.7 million). This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

28. EARNINGS PER SHARE

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

	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
	USD	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(242,507,037)	90,624,390	(1,090,263,137)	407,429,133
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	26,559,205,726	26,559,205,726	26,559,205,726	26,559,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.913)**	**0.341**	**(4.105)**	**1.533**

29. CONTINGENCIES

Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

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

In accordance with the above-mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 100 million, redeemed 2,160,000 Bonds for EUR 54 million 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 favorable to KMG International NV ("KMGI Group") 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 Rompetrol Rafinare SA.

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

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.

29. CONTINGENCIES (continued)

Contingencies – risk management and internal control

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

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

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

30. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

In 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.

30. LEGAL MATTERS (continued)

II. Civil files

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

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

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

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.

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

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

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

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

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

30. LEGAL MATTERS (continued)

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 cancelled mainly the fiscal authority decision regarding the amount of RON 6.47 million (USD 1.41 million) referring to withholding tax for non-residents and related penalties, and sets that the amount of RON 80.5 million (USD 17.5 million) should be included in the fiscal loss.

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

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

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

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

Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare submitted 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 of Petromidia refinery on 22 August 2016

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

30. LEGAL MATTERS (continued)

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

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

Considering the allegations, each company is facing, a maximum exposure of approximately USD 0.8 million (RON 3.6 million).

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 0.8 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 as well as the company's specialists, objections and point of view of the party expert being submitted as well as requests for clarifications issued by the case prosecutor; the company has the quality of a civilly responsible party, hearings of the employees involved in the incident were performed. At the same time, the collective work accident is being investigated by the Territorial Labour Inspectorate according to the incident legislation who submitted in front of the criminal investigators their Work Accident Investigation Report.

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

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

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

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the group employees but lifting the interdiction for leaving the country. On March 9, 2023, the court finally lifted also the judicial control. Next hearing is set on April 24, 2024.

Vega lagoons greening Project located on the territory of 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.

30. LEGAL MATTERS (continued)

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 Labour Inspectorate according to the legislation on work incidents.

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

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

Wind fall 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 USD 128 million.

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

31. COMMITMENTS

Environmental risks and obligation

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

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

As of 31 December 2023, the Group reassessed environmental provision considering changes in assumptions as compared with previous period as mentioned in Note 19.

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

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

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.

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

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

However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Group’s consolidated Financial Statements for the year ended 31 December 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.

31. COMMITMENTS (continued)

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.

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 risk

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

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

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

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

31. COMMITMENTS (continued)

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

Cyber risk

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

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

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

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

Work safety and safe operations

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

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

Other commitments

As of 31 December 2023, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards and other projects at the Petromidia refinery of USD 82.2 million (2022: USD 50.9 million) and Vega refinery of USD 4.6 million (2022: USD 0.88 million). As of 31 December 2023, Rompetrol Downstream S.R.L has contracted capital commitments of USD 0.04 million (2022: USD 0.15 million).

Sale and purchase commitments

As of 31 December 2023, the Group’s main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 3,716.63 million (2022: USD 4,243.18 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,904.99 million (2022: USD 2,596.02 million).

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 13 and Note 18), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the “Consolidated Statement of Changes In The Shareholders’ Equity”.

32.2. Gearing ratio

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

	December 31, 2023	December 31, 2022
	USD	**USD**
Debt (excluding shareholder loans and related parties)	579,134,281	211,217,666
Cash and cash equivalents	(155,955,200)	(16,973,215)
Net debt	**423,179,081**	**194,244,450**
Equity (including shareholder loans and related parties)	286,338,066	536,784,519
Net debt to equity ratio	**1.48**	**0.36**

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

32.3. Categories of financial instruments and fair values

	December 31, 2023	December 31, 2022
Financial assets		
Trade and other receivables	563,169,582	562,176,266
Long-term receivables	12,448,780	3,811,865
Derivative financial instruments	-	2,612,061
Cash and cash equivalents	155,955,200	16,973,215
TOTAL FINANCIAL ASSETS	**731,573,562**	**585,573,407**
Financial liabilities		
Long-term borrowings	265,900,000	-
Derivative financial instruments	251,864	4,592,619
Other non-current liabilities	438,964	165,353
Trade and other payables	1,307,098,579	1,193,423,012
Short-term borrowings banks	42,856,586	86,210,918
TOTAL FINANCIAL LIABILITIES	**1,616,545,993**	**1,284,391,902**

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

- Excises taxes;
- Special found tax for oil products;
- VAT payable;
- Profit tax payable;
- Salaries and related taxes payable;
- Other taxes;

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

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2023, the marked to market value of derivative position is for financial instruments recognized at fair value.

32.4. Fair value hierarchy

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

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

	December 31, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	563,169,582	-	563,169,582	-
Long-term receivables	12,448,780	-	12,448,780	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	155,955,200	155,955,200	-	-
TOTAL FINANCIAL ASSETS	**731,573,562**	**155,955,200**	**575,618,362**	**-**
Financial liabilities				
Long-term borrowings	265,900,000	-	265,900,000	-
Derivative financial instruments	251,864	-	251,864	-
Other non-current liabilities	438,964	-	438,964	-
Trade and other payables	1,307,098,579	-	1,307,098,579	-
Short-term borrowings banks	42,856,586	-	42,856,586	-
TOTAL FINANCIAL LIABILITIES	**1,616,545,993**	**-**	**1,616,545,993**	**-**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

32.5 Derivative financial instruments

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

Balance Sheet:

	December 31, 2023	December 31, 2022
Derivative financial asset	-	2,612,061
Derivative financial liability	(251,864)	(4,592,619)
Net position - asset/(liability)	**(251,864)**	**(1,980,558)**

Income Statement:

	December 31, 2023	December 31, 2022
Realized (gains)/losses - net	(141,799)	262,933,391
Total position - loss/(gain) - in Cost of sales	**(141,799)**	**262,933,391**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

	December 31, 2023	December 31, 2022
Derivative asset/(liability) 2022	(1,980,558)	20,479,964
Cash payments	(131,160)	3,303,474
Reserves	1,859,854	(25,763,996)
Derivative asset/(liability) 2023	**(251,864)**	**(1,980,558)**

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

The income statement results recorded in 2023 and 2022 are presented in Cost of sales, detailed in Note 21.

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 CO2 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 CO2 emissions for 2023 against initial estimates. For details regarding the CO2 allowances surplus as of December 31, 2023 see Note 2 z) and Note 3.

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

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

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

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

32.6 Market risk

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.7. Foreign currency risk management

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

	Liabilities		Assets	
	2023	**2022**	**2023**	**2022**
Currency RON	1,400,454,954	861,669,474	542,135,787	661,840,878
Currency EUR	44,367,383	121,373,186	72,898,933	45,621,670

32.8. Foreign currency sensitivity analysis

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

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

		RON		EUR	
		2023	**2022**	**2023**	**2022**
USD	**USD**				
Profit/ (loss)	**5%**	(42,915,958)	(9,991,430)	1,426,577	(3,787,576)
	-5%	42,915,958	9,991,430	(1,426,577)	3,787,576

32.9. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

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 interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2023 would decrease / increase by USD 41,489 thousand (2022: decrease / increase by USD 13,779 thousand).

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.10. Liquidity risk management

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

Year ended December 31, 2023	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	5,384,475	16,153,425	292,822,375	-	**314,360,275**
Long-term net obligations under lease agreements	-	-	86,742	105,779,064	359,355,353	**465,221,159**
Trade and other payables	1,249,873,199	52,111,553	14,033,717	-	-	**1,316,018,469**
Derivative financial instruments	-	251,864	-	-	-	**251,864**
Short-term net obligations under lease agreements	-	4,422,797	13,268,392	59,062	-	**17,750,251**
Short-term debt	-	8,832,573	35,464,052	299,357	-	**44,595,982**
Other non-current liabilities	438,969	-	-	-	-	**438,969**
	1,250,312,168	**71,003,262**	**79,006,328**	**398,959,858**	**359,355,353**	**2,158,636,969**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.11. Commodity price risk

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

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

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

The hedge program for 2023 includes: Rompetrol Downstream Auction hedge, Forex hedge for excise.

At Group level, total 2023-year hedging (paper) instruments loss has been of USD -0.34 million, of which USD -0.71 million on Rompetrol Downstream forex for excise (due to RON appreciation vs. USD by 3%) and +0.42 million on Rompetrol Downstream Auction. This loss was completely offset by the physical gain of USD +1.54 million, of which USD +0.55 million on Rompetrol Downstream forex for excise and USD +0.94 million on Rompetrol Downstream Auction.

The net impact of the commodity hedges was positive driven only by Rompetrol Downstream Auction and had a net result of USD +1.36 million, out of which USD +0.94 million Physical Effect and USD +0.42 million Paper Effect. The Paper Effect was also positive due to October market movements, when the ICE Gasoil quotations (hedge instrument) decreased with a lower degree than the Diesel Platts quotations (Physical). So, in October the Paper loss was only USD -0.74 million while the Physical gain was USD +1.52 million, meaning a net result of USD +0.78 million only during this month (almost half of the entire year net result).

The Group's refining activity is exposed to the rising prices of EUA certificates. The CO2 emissions of the Rompetrol refinery are offset with EUA certificates. For the current year, the Company has covered the certificate requirements. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA certificate market to cover the EUA deficit of the refinery for the remaining years of Phase IV (2024-2025) and the subsequent years. When the market price will be within the target level of the Group, hedge operations will be carried on.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.12. Credit risk

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

Trade receivables

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

Financial instruments and bank deposits

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

33. SUBSEQUENT EVENTS

Intessa Sanpaolo Romania 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 consolidated 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
FINANCE MANAGER

FLORIAN – DANIEL POP
GENERAL MANAGER

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