Rompetrol Rafinare S.A. (symbols, Bucharest Stock Exchange: RRC, Reuters: ROMP.BX, Bloomberg: RRC RO) has released today its third quarter and 9 months 2023 financial and operational unaudited results. The figures include unaudited consolidated financial statements for this period prepared by the company in accordance with International Financial Reporting Standards („IFRS").

Consolidated financial statements of Rompetrol Rafinare include the results of the parent company Rompetrol Rafinare S.A and its subsidiaries Rompetrol Downstream S.R.L, Rompetrol Gas S.R.L, Rompetrol Quality Control S.R.L, Rom Oil SA, Rompetrol Logistics S.R.L and Rompetrol Petrochemicals S.R.L.

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HIGHLIGHTS – CONSOLIDATED

		Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Financial							
Gross Revenues	USD	1,348,121,203	1,897,586,422	-29%	4,054,601,269	4,869,674,034	-17%
Net Revenues	USD	1,050,370,966	1,549,278,723	-32%	3,194,430,211	3,982,253,354	-20%
EBITDA	USD	97,122,028	152,604,757	-36%	214,029,241	326,996,614	-35%
EBITDA margin	%	9.2%	9.9%		6.7%	8.2%	
EBIT	USD	71,429,259	112,195,987	-36%	100,355,538	190,253,154	-47%
Net profit / (loss)	USD	30,609,073	102,853,827	-70%	(3,535,967)	161,243,814	N/A
Net Profit / (loss) margin	%	2.9%	6.6%		-0.1%	4.0%	

Rompetrol Rafinare S.A. consolidated gross revenues reached over USD 1.3 billion in Q3 2023, and over USD 4 billion in 9 months 2023, lower by 29%, respectively 17% as against same periods last year, having as background of the volatility of international quotations for crude oil and refined products. The international quotations for petroleum products continued their downward trend in the third quarter as well (gasoline quotations decreased by 2%, and those for diesel decreased by 17% in Q3 2023 compared to Q3 2022), reaching in 9 months of 2023 a decrease of 16% for gasoline quotations and 23% for diesel quotations compared to the same period last year.

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ECONOMIC ENVIRONMENT

		Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Brent Dated	USD/bbl	86.7	100.8	-14%	82.1	105.5	-22%
CPC Blend CIF	USD/bbl	84.7	94.7	-11%	78.9	98.0	-19%
Brent-CPC Differential	USD/bbl	2.1	6.2	-66%	3.2	7.5	-58%
Premium Unleaded 10 ppm FOB Med	USD/tonne	930	954	-2%	864	1,029	-16%
Diesel ULSD 10 ppm FOB Med	USD/tonne	881	1,065	-17%	809	1,049	-23%
RON/USD Average exchange rate		4.55	4.88	-7%	4.56	4.65	-2%
RON/USD Closing exchange rate		4.69	5.05	-7%	4.69	5.05	-7%
RON/EURO Average exchange rate		4.95	4.91	1%	4.94	4.93	0%
RON/EURO Closing exchange rate		4.97	4.95	1%	4.97	4.95	1%
USD/EURO Closing rate		1.06	0.98	8%	1.06	0.98	8%
Inflation in Romania*		1.48%	2.80%	-47%	5.74%	13.06%	-56%

*Source: Platts, * INSSE (Inflation in Romania is calculated based on CPI - i.e. Consumer Price Index)*

In Q3 2023, Dated Brent decreased by -14.1$/bbl. (-14%) compared to Q3 2022, settling at an average of 86.7$/bbl. Over the nine months period of 2023, Dated Brent decreased by -23.4$/bbl. (-22%) compared to the same period of 2022 reaching an average of 82.1$/bbl.

During the same period, the CPC quotation also registered a decline, dropping by -10$/bbl. (-11%) in Q3 2023 when compared to Q3 2022, with an average of 84.7$/bbl. For 9M 2023, the CPC quotation decreased by -19.1$/bbl. (-19%) compared to 9M 2022, averaging 78.9$/bbl. Decrease of crude quotations was attributed to the correction in the oil market from the peak reached in March 2022, a level not seen since 2008.

Focusing on the movement of Dated Brent in Q1 2023, the crude oil price displayed a volatile trajectory. It reached its highest point at 88.21$/bbl. on January 23rd, marking the highest level since early December. This increase was driven by optimism about a rapid recovery in Chinese demand following the relaxation of Covid Zero restrictions and a weaker US currency. Additionally, supply disruptions in the Middle East and Turkey, caused by two earthquakes in February, contributed to the price increase.

However, in mid-March, the crude oil price declined to 71.71$/bbl. following the bankruptcy of Silicon Valley Bank, the most significant US bank collapse since 2008.

The downward trend was short-lived, as by the end of Q1, OPEC+ announced a "voluntary" collective output cut of 1.66 million b/d, which took effect in May and was set to continue until the end of 2023. Subsequently, Dated Brent dropped to around 75$/bbl. and remained at this level throughout Q2 due to concerns about China's economic outlook, a cooling US labor market, and renewed concern about the US banking sector, as the Federal Reserve signaled that rate increases were not yet over.

During Q3, Dated Brent displayed an upward trend, starting at 75$/bbl. at the beginning of July and reaching 98$/bbl. by the end of September, the highest level since November 2022. This was influenced by the announcement from OPEC+ leaders, Saudi Arabia and Russia, that they would extend supply curbs through the end of the year, tightening the global market. Additionally, global demand reached a historic high of 102.8 million b/d in July, with the 2023 demand estimate revised upward by approximately 550,000 b/d to 1.5 million b/d.

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On September 12th, OPEC stated that it is expected a global shortfall of 3.3 million b/d in Q4 2023, while the US Energy Information Administration predicted a more modest 230,000 barrel deficit. These statements contributed to the continued upward trajectory of crude oil prices.

Goldman Sachs increased their 12-month ahead Brent forecast from 93$/bbl. to 100$/bbl. due to the anticipation of sharper inventory draws. This is mainly driven by significantly lower OPEC supply and higher demand, which more than offset the increase in US supply.

European margins decreased by -14.6$/MT (-11%) in Q3 2023 vs. Q3 2022 and settled to an average level of 116.1$/MT and decreased by -20$/MT (-15.8%) in 9M 2023 vs. 9M 2022 and settled to an average level of 106.4$/MT.

The refinery margins followed a downward trend during the period from January to April, reaching 38$/MT, which marked the lowest level since the beginning of last year. This decline can be attributed to a combination of factors: rising diesel stocks in Europe prior to the Russian diesel embargo from 5th of February, weak macroeconomic indicators which have reduced expectations of demand in the market, consistent crude oil price increase following OPEC+ agreement to cut production, refineries coming out of maintenance season, particularly in the Mediterranean region.

Subsequently, margins gradually recovered, reaching 105$/MT by June. This recovery was driven by a series of unplanned outages at European refineries and increasing demand as the summer season got underway.

During Q3, the refinery margins had an upward trend in July and August, reaching 162.5$/MT, the highest level since the beginning of the year. This increase was fueled by sustained summer demand for core refined products and limited supply, attributed to a drawdown in US gasoline inventories and low water levels in the Rhine, which pushed up diesel cracks.

After that, the margins decreased until end of September, to the level of 75$/MT due to seasonal decrease in products demand and a relative moderate maintenance season. According to JBC Energy's perspective, European refining margins are expected to face substantial challenges, particularly toward the end of 2023 and the early months of the following year. This is due to a decline in domestic demand for petroleum products and the influx of competitive refining capacity from the Middle East and Asia.

Gasoline cracks remained high throughout 9M 2023, as European gasoline demand appears to get close to levels seen a year ago (and those in 2019).

In August 2023, the gasoline cracks reached the highest level in a year, surpassing expectations due to a high summer demand in a tight market influenced by refinery outages and hurricane seasons. Subsequently, in September, the cracks saw o decline, primarily due to the typical seasonal decrease in driving demand, a progressively lighter crude slate in post-embargo times and decreasing export opportunities to US and Nigeria.

In the first half of the year, diesel cracks were under pressure due to ARA (Amsterdam-Rotterdam-Antwerp) diesel inventories exceeding levels from both 2021 and 2022 levels, despite the decline in imports from the Russian Federation. This highlights a flat European diesel demand, which is usually a good leading indicator for economic performance, pointing to ongoing economic headwinds up ahead.

However, in the third quarter, the Diesel cracks remained robust as Amsterdam-Rotterdam-Antwerp diesel stocks fell below the five-year average. Early in July, reduced water levels in the Rhine River significantly limited the load capacity of barges, increasing the strain on inventory. The impact of the absence of Russian products was more pronounced, with August diesel imports to Europe reaching their lowest point in nearly 20 months.

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Jet cracks registered a significant rise in the first half of the year, primarily driven by a substantial surge in travelers during the Easter period in Europe and Eid Mubarak celebrations in the Middle East, coupled with the commencement of the holiday season in June. European air traffic reached 88% of 2019 levels, according to Platts, and Amsterdam-Rotterdam-Antwerp (ARA) jet fuel inventories came remarkably close to the lower end of the five-year range.

During Q3 the jet cracks reached the highest level since January due to high summer demand. Amsterdam-Rotterdam-Antwerp jet inventories decreased to 682,000 mt, marking the lowest level for the year and a 15% decrease compared to the previous year.

Internally, the RON/EUR exchange rate witnessed somewhat stronger fluctuations in the last two months of Q3, reaching an average level of 4.9491 in Q3 2023 and an average level of 4.9389 in 9M 2023.

In terms of RON/USD exchange rate, it continued its upward evolution, reaching an average level of 4.5481 in Q3 2023 and an average level of 4.5595 in 9M 2023.

**The information is based on analysis provided by JBC Energy GmbH, OPEC and National Bank of Romania*

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REFINING SEGMENT

		Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Financial							
Gross Revenues	USD	1,140,823,828	1,596,921,222	-29%	3,461,968,417	4,159,133,413	-17%
Net Revenues	USD	903,950,958	1,352,348,033	-33%	2,762,392,906	3,476,352,421	-21%
EBITDA	USD	100,875,781	143,810,651	-30%	213,902,229	343,730,989	-38%
EBITDA margin	%	11.2%	10.6%		7.7%	9.9%	
EBIT	USD	88,095,739	115,284,197	-24%	135,669,972	241,832,760	-44%
Net profit / (loss)	USD	53,876,192	116,936,453	-54%	39,264,475	235,190,711	-83%
Net profit / (loss) margin	%	6.0%	8.6%		1.4%	6.8%	
Gross cash refinery margin/tonne (Petromidia)	USD/tonne	131.9	127.1	4%	104.6	139.7	-25%
Gross cash refinery margin/bbl (Petromidia)	USD/bbl	18.2	17.5	4%	14.4	19.2	-25%
Net cash refinery margin/tonne (Petromidia)	USD/tonne	89.0	94.0	-5%	57.7	95.1	-39%
Net cash refinery margin/bbl (Petromidia)	USD/bbl	12.2	12.9	-5%	7.9	13.1	-39%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	1,158	1,507	-23%	3,840	3,817	1%
Feedstock processed in Vega refinery	thousand tonnes	94	105	-10%	287	268	7%
Gasoline produced	thousand tonnes	314	398	-21%	1,032	1,003	3%
Diesel & jet fuel produced	thousand tonnes	559	774	-28%	1,895	1,971	-4%
Motor fuels sales - domestic	thousand tonnes	596	677	-12%	1,847	1,756	5%
Motor fuels sales - export	thousand tonnes	245	439	-44%	943	1,030	-9%
Export	%	29%	39%		34%	37%	
Domestic	%	71%	61%		66%	63%	

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries.
Rompetrol Rafinare computes Gross refinery margin as follows - (Oil Product Sales – Cost of Feedstock) / Quantity of sales.
Net Refinery margin is the EBITDA divided by quantity of sales.

Petromidia refinery is one of the most modern in the Black Sea region and represents approximately 40% of the refining capacity in Romania. The unit located in Navodari city has a stable flow of raw materials, mainly thanks to deliveries of Kazakh crude oil made with the support of KazMunayGas, the national oil and gas company of Kazakhstan. This year, in vast proportion, Petromidia processed Kazakh crude oil – KEBCO and CPC.

Gross revenues of refining segment reached over USD 1.1 billion in Q3 2023 and over USD 3.4 billion in 9M 2023, showing a 29% decrease, respectively 17% decrease as against same periods last year.

In Q3 and 9M 2023, the total throughput for Petromidia refinery was 1.16 million tons, respectively 3.84 million tons lower by 23% and higher by 1% as against same periods last year when the total throughput was 1.5 million tons for Q3 2022 and 3.82 million tons for 9M 2022.

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The decrease in Q3 2023 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. During Q3 and at the present time, all Petromidia Refinery units are in operation, except MHC, so that Rompetrol Rafinare continues to provide the petroleum products needed on the Romanian market. The rehabilitation works of MHC unit are carried out by the company's contractor, Rominserv, with the support of specialized subcontractors from the region, and are expected to be completed by the end of November.

In Q3 2023 the refining capacity utilization in Petromidia refinery was 65.3% and in 9M 2023 this indicator reached 83.7%, lower as against same periods last year.

Petromidia refinery achieved in 9M 2023 a good refining operational performance for the main operational parameters, such as:

- ✓ White finished products yield of 84.11%wt;
- ✓ Technological loss of 0.65%wt;

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 93,739 tons in Q3 2023, respectively 287,088 tons in 9M 2023, lower by 10.38%, respectively higher by 7.23%, compared with the same periods last year when the total throughput was 104,595 tons for Q3 2022 and 267,728 tons for 9M 2022.

In Q3 and 9M 2023 the refining capacity utilization for Vega refinery was lower by 13.16%, respectively higher by 7.82% compared with the same periods last year.

Vega refinery also managed to achieve in 9M 2023 good refining performance results, of which the following are emphasized:

- ✓ Technological loss of 0.58%;
- ✓ Energy consumption of 2.26 GJ/t;
- ✓ Mechanical Availability of 98.50%.

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022 approved by Law 119/May 12, 2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 9M 2023 of USD 34.1 million. The company also considers steps regarding the tax, in the sense of analyzing from the legal perspective the level of the tax and in order to protect the interests of the shareholders, the company makes financial efforts, in order to support this tax.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania’s fiscal budget with over USD 378 million in Q3 2023 and over USD 1.2 billion in 9M 2023 of which USD 128 million representing solidarity contribution for year 2022, paid on June 23, 2023.

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PETROCHEMICALS SEGMENT

		Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Financial							
Revenues	USD	27,362,375	46,657,859	-41%	98,313,692	166,399,887	-41%
EBITDA	USD	(20,865,223)	(28,138,933)	26%	(58,615,840)	(46,342,459)	-26%
EBIT	USD	(23,973,905)	(31,681,993)	24%	(68,762,456)	(57,066,686)	-20%
Net profit / (loss)	USD	(24,244,241)	(34,428,289)	30%	(64,567,263)	(63,026,088)	-2%
Operational							
Propylene processed	thousand tonnes	28	34	-16%	90	92	-3%
Ethylene processed	thousand tonnes	0	8	-100%	14	31	-56%
Total polymers production	thousand tonnes	21	31	-33%	78	94	-16%
Sold from own production	thousand tonnes	28	38	-26%	91	106	-14%
Sold from trading	thousand tonnes	-	-	N/A	0.0	-	N/A
Total sold	thousand tonnes	28	38	-26%	91	106	-14%
Export	%	51%	45%		47%	41%	
Domestic	%	49%	55%		53%	59%	

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

The polypropylene (PP) plant operates with raw material produced and delivered internally by the Petromidia refinery, and the low-density polyethylene (LDPE) plant uses imported ethylene as a raw material.

In Q3 and 9M 2023, the total production of polymers in petrochemical division was 21 thousand tons, respectively 78 thousand tons, down by 33%, respectively by 16% compared to the similar periods of last year when it produced 31 thousand tons at the level of the quarter and 94 thousand tons at the level of 9M, a decrease mainly influenced by LDPE plant which was not operated continuously, due to unfavorable petrochemicals market conditions for these products.

The petrochemical segment is the only producer of polypropylene and polyethylene in Romania, with the ability to regain its competitive position on the domestic and regional market, once the profile market stabilizes.

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MARKETING SEGMENT

		Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Financial							
Gross Revenues	USD	958,260,230	1,139,463,663	-16%	2,596,227,086	2,939,231,216	-12%
EBITDA	USD	23,137,744	19,921,833	16%	63,123,556	41,420,508	52%
EBIT	USD	14,086,471	11,862,146	19%	40,080,157	18,084,366	122%
Net profit / (loss)	USD	7,757,452	3,615,314	115%	28,402,901	1,680,405	1590%
Operational							
Fuels quantities sold in retail	thousand tonnes	327	283	15%	845	721	17%
Fuels quantities sold in wholesale	thousand tonnes	202	271	-25%	624	732	-15%
LPG quantities sold	thousand tonnes	64	93	-31%	208	253	-18%

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control, Rompetrol Logistics and Rompetrol Gas

In Q3 and 9M 2023 the marketing segment had a turnover of over USD 958 million, respectively approximatively USD 2.6 billion lower by 16% and by 12% as compared with Q3 2022 and 9M 2022.

In the Q3 2023, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -17% for diesel and by -2% for gasoline compared with the similar period of 2022. Due to the ~7% appreciation of the RON against the US dollar (Q3 2023 vs. Q3 2022, on average) the international diesel quotation decreased in the national currency by -23%, at the same time the international gasoline quotation decreased in the national currency by -9% compared to Q3 2022.

In the 9M 2023, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -23% for diesel and by -16% for gasoline compared with the similar period of 2022. Due to the ~2% appreciation of the RON against the US dollar (9M 2023 vs. 9M 2022, on average) the international diesel quotation decreased in the national currency by -24%, at the same time the international gasoline quotation decreased in the national currency by -18% compared to 9M 2022.

In terms of retails sales to Romanian market, they increased with 15% in Q3 2023 and with 17% in 9M 2023 as against same periods last year; this is due to company strategy to address Romanian market needs with priority. For 9M 2023 the sales in wholesale decreased compared with 9M 2022.

At the end of September 2023, the Rompetrol Downstream's distribution segment contained 1312 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.

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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT Q3 AND 9M 2023, UNAUDITED

Amounts in USD

	Q3 2023	Q3 2022	%	9M 2023	9M 2022	%
Gross Revenues	1,348,121,203	1,897,586,422	-29%	4,054,601,269	4,869,674,034	-17%
Sales taxes and discounts	(297,750,237)	(348,307,699)	-15%	(860,171,058)	(887,420,680)	-3%
Net revenues	**1,050,370,966**	**1,549,278,723**	**-32%**	**3,194,430,211**	**3,982,253,354**	**-20%**
Cost of sales	(915,536,400)	(1,378,348,634)	-34%	(2,877,232,429)	(3,594,261,337)	-20%
Gross margin	**134,834,566**	**170,930,090**	**-21%**	**317,197,782**	**387,992,016**	**-18%**
Selling, general and administration	(75,004,583)	(54,642,404)	37%	(206,730,687)	(172,320,411)	20%
Other expenses, net	11,599,276	(4,091,698)	N/A	(10,111,557)	(25,418,452)	-60%
EBIT	**71,429,259**	**112,195,987**	**-36%**	**100,355,538**	**190,253,154**	**-47%**
Finance, net	(22,628,432)	(14,158,903)	60%	(57,082,920)	(42,044,301)	36%
Net foreign exchange gains / (losses)	1,403,089	7,737,453	-82%	(4,753,501)	17,383,206	N/A
EBT	**50,203,916**	**105,774,538**	**-53%**	**38,519,117**	**165,592,059**	**-77%**
Profit tax*	(19,594,843)	(2,920,711)	571%	(42,055,084)	(4,348,246)	867%
Net result	**30,609,073**	**102,853,827**	**-70%**	**(3,535,967)**	**161,243,814**	**N/A**
EBITDA	**97,122,028**	**152,604,757**	**-36%**	**214,029,241**	**326,996,614**	**-35%**

**it includes estimated solidarity tax based on preliminary fiscal results as of September 30, 2023*

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET SEPTEMBER 30, 2023, UNAUDITED

Amounts in USD

	September 30, 2023	December 31, 2022	%
Assets			
Non-current assets			
Intangible assets	4,950,472	6,943,884	-29%
Goodwill	82,871,706	82,871,706	0%
Property, plant and equipment	1,098,042,470	1,178,598,536	-7%
Right of use assets	253,369,376	124,769,238	103%
Financial assets and other	6,775,343	3,811,865	78%
Total Non Current Assets	**1,446,009,367**	**1,396,995,228**	**4%**
Current assets			
Inventories	428,390,436	333,870,058	28%
Trade and other receivables	810,582,171	642,376,936	26%
Derivative financial Instruments	1,136,684	2,612,061	-56%
Cash and cash equivalents	178,942,607	16,973,215	954%
Total current assets	**1,419,051,898**	**995,832,269**	**42%**
Total assets	**2,865,061,265**	**2,392,827,498**	**20%**
Equity and liabilities			
Total Equity	**535,409,181**	**536,784,519**	**0%**
Non-current liabilities			
Long-term debt	265,900,000	-	N/A
Provisions	115,340,643	115,340,643	0%
Obligations under lease agreements	244,926,111	120,283,737	104%
Other	57,368,846	57,115,840	0%
Total non-current liabilities	**683,535,600**	**292,740,220**	**133%**
Current Liabilities			
Trade and other payables	1,518,415,098	1,295,310,569	17%
Contract liabilities	49,926,090	41,914,153	19%
Derivative financial instruments	-	4,592,619	-100%
Obligations under lease agreements	7,553,218	4,723,011	60%
Short-term debt	33,046,642	86,210,918	-62%
Profit tax payable	37,175,436	130,551,489	-72%
Total current liabilities	**1,646,116,484**	**1,563,302,759**	**5%**
Total equity and liabilities	**2,865,061,265**	**2,392,827,498**	**20%**

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fax: + (40) 241 506 930 | phone: + (40) 241 506 150 | email: office.rafinare@rompetrol.com
www.rompetrol.com

The financial figures are extracted from Company's consolidated unaudited IFRS financial report as of 30 September 2023.

Chairman of the Board of Directors
of ROMPETROL RAFINARE S.A.

____

Batyrzhan Tergeussizov

General Manager	**Finance Manager**
______________________	______________________
Florian-Daniel Pop	**Ramona-Georgiana Galateanu**

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ROMPETROL RAFINARE SA

INTERIM UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

30 SEPTEMBER 2023

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INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 September 2023

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

	Notes	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
				(supplementary info – see Note 2(e))	
Intangible assets	3	4,950,472	6,943,884	23,199,895	32,541,816
Goodwill	4	82,871,706	82,871,706	388,369,964	388,369,964
Property, plant and equipment	5	1,098,042,470	1,178,598,536	5,145,866,231	5,523,384,179
Right of use Assets	7	253,369,376	124,769,238	1,187,390,248	584,718,557
Long-term receivable		6,775,343	3,811,865	31,751,967	17,863,924
Total non current assets		**1,446,009,367**	**1,396,995,228**	**6,776,578,305**	**6,546,878,440**
Inventories, net	9	428,390,436	333,870,058	2,007,608,938	1,564,648,641
Trade and other receivables	10	810,582,171	642,376,936	3,798,712,285	3,010,435,282
Derivative financial instruments	32.5	1,136,684	2,612,061	5,326,956	12,241,163
Cash and cash equivalents	11	178,942,607	16,973,215	838,596,633	79,543,275
Total current assets		**1,419,051,898**	**995,832,269**	**6,650,244,812**	**4,666,868,361**
TOTAL ASSETS		**2,865,061,265**	**2,392,827,498**	**13,426,823,117**	**11,213,746,801**
Share capital	12	881,102,250	881,102,250	4,129,197,584	4,129,197,584
Share premium	12	74,050,518	74,050,518	347,030,348	347,030,348
Revaluation reserve, net	12	269,752,954	269,752,954	1,264,170,243	1,264,170,243
Other reserves	12	(7,133,312)	(9,293,941)	(33,429,553)	(43,555,125)
Other reserves - Hybrid loan	12	1,059,285,995	1,059,285,995	4,964,237,887	4,964,237,887
Effect of transfers with equity holders	12	(596,832,659)	(596,832,659)	(2,796,996,573)	(2,796,996,573)
Accumulated losses		(1,158,063,347)	(1,248,687,737)	(5,427,148,070)	(5,851,850,211)
Current year result		(4,282,089)	90,624,390	(20,067,582)	424,702,141
Equity attributable to equity holders of the parent		**517,880,310**	**520,001,771**	**2,426,994,284**	**2,436,936,294**
Non-Controlling interest		17,528,871	16,782,749	82,147,301	78,650,676
Total equity		**535,409,181**	**536,784,519**	**2,509,141,585**	**2,515,586,970**
Long-term borrowings from banks	13	265,900,000	-	1,246,113,760	-
Obligations under lease agreements	14	244,926,111	120,283,737	1,147,821,727	563,697,705
Deferred tax liabilities	15	56,950,487	56,950,487	266,892,762	266,892,762
Provisions	19	115,340,643	115,340,643	540,532,390	540,532,390
Other non-current liabilities		418,359	165,353	1,960,598	774,910
Total non-current liabilities		**683,535,600**	**292,740,220**	**3,203,321,237**	**1,371,897,767**
Trade and other payables	16	1,518,415,098	1,295,310,569	7,115,900,520	6,070,343,464
Contract liabilities	17	49,926,090	41,914,153	233,973,628	196,426,487
Derivative financial instruments	32.5	-	4,592,619	-	21,522,850
Obligations under lease agreements	14	7,553,218	4,723,011	35,397,401	22,133,919
Short-term borrowings from banks	18	33,046,642	86,210,918	154,869,783	404,018,846
Profit tax payable		37,175,436	130,551,489	174,218,963	611,816,498
Total current liabilities		**1,646,116,484**	**1,563,302,759**	**7,714,360,295**	**7,326,262,064**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,865,061,265**	**2,392,827,498**	**13,426,823,117**	**11,213,746,801**

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

	Notes	September 30, 2023	September 30, 2022	September 30, 2023	September 30, 2022
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
Revenues from contracts with customers	20	3,194,430,211	3,982,253,354	14,970,377,739	18,662,432,118
Cost of sales	21	(2,877,232,429)	(3,594,261,337)	(13,483,862,055)	(16,844,146,330)
Gross profit		**317,197,782**	**387,992,016**	**1,486,515,684**	**1,818,285,788**
Selling, general and administrative expenses, including logistic costs	22	(206,730,687)	(172,320,411)	(968,822,690)	(807,562,374)
Other operating income	23	33,342,899	155,642,636	156,258,162	729,403,649
Other operating expenses	23	(43,454,456)	(181,061,088)	(203,644,963)	(848,524,683)
Operating profit/(loss)		**100,355,538**	**190,253,154**	**470,306,193**	**891,602,380**
Finance cost	24	(108,988,055)	(77,114,335)	(510,761,621)	(361,388,620)
Finance income	24	51,905,135	35,070,034	243,248,225	164,352,207
Foreign exchange loss, net	24	(4,753,501)	17,383,206	(22,276,807)	81,464,657
(Loss)/Profit before income tax		**38,519,117**	**165,592,059**	**180,515,990**	**776,030,624**
Income tax	25	(42,055,084)	(4,348,246)	(197,086,946)	(20,377,620)
(Loss)/Profit for the period		**(3,535,967)**	**161,243,814**	**(16,570,956)**	**755,653,004**
Attributable to:					
Equity holders of the parent		(4,282,089)	164,101,870	(20,067,582)	769,047,004
Non-Controlling interests		746,122	(2,858,057)	3,496,626	(13,394,000)
Earnings per share *(US cents/share)*					
Basic	28	(0.016)	0.618	(0.075)	2.896

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

	Notes	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
				(supplementary info – see Note 2(e))	
(Loss)/Profit for the period		**(3,535,967)**	**161,243,814**	**(16,570,956)**	**755,653,004**
Other comprehensive income *Other comprehensive income to be reclassified to income statement in subsequent periods (net of tax):*					
Net gain/(loss) on cash flow hedges	32.5	2,160,629	(59,360,449)	10,125,572	(278,186,808)
Net other comprehensive income to be reclassified to income/(loss) statement in subsequent periods		**2,160,629**	**(59,360,449)**	**10,125,572**	**(278,186,808)**
Net other comprehensive income/(loss) not to be reclassified to income statement in subsequent periods		**-**	**-**	**-**	**-**
Total other comprehensive income/ (loss) for the period, net of tax		**2,160,629**	**(59,360,449)**	**10,125,572**	**(278,186,808)**
Total comprehensive result for the period, net of tax		**(1,375,338)**	**101,883,365**	**(6,445,384)**	**477,466,196**
Attributable to:					
Equity holders of the parent		(2,121,460)	104,741,422	(9,942,010)	490,860,196
Non-Controlling interests		746,122	(2,858,057)	3,496,626	(13,394,000)
Total comprehensive result for the period		**(1,375,338)**	**101,883,365**	**(6,445,384)**	**477,466,196**

BATYRZHAN TERGEUSSIZOV
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RAMONA-GEORGIANA GALATEANU
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	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
				(supplementary info – see Note 2(e))	
(Loss)/Profit before income tax		**38,519,117**	**165,592,059**	**180,515,990**	**776,030,624**
Adjustments for:					
Depreciation and amortization of property, plant and equipment and intangibles assets	21, 22	94,354,102	101,052,209	442,181,064	473,571,072
Depreciation of right-of-use assets	7	9,635,168	5,838,078	45,154,251	27,359,569
Provisions for receivables and inventories (incl write-off)	23	3,375,041	21,089,640	15,816,792	98,834,489
Impairment for property, plant and equipment (incl write-off)	23	7,191,823	-	33,703,759	-
Late payment interest	24	3,275,056	3,189,297	15,348,222	14,946,321
Other financial income	24	(618,970)	(884,868)	(2,900,741)	(4,146,845)
Unwinding of discount leasing	24	11,114,811	5,667,125	52,088,450	26,558,415
Interest income	24	(51,286,165)	(34,185,166)	(240,347,484)	(160,205,362)
Interest expense and bank charges		90,819,144	64,513,964	425,614,836	302,338,241
Adjustments for gain loss on disposals of property, plant and equipment	23	(21,472)	(71,184)	(100,626)	(333,597)
Unrealised foreign exchange (gain)/loss		(2,966,716)	(19,320,754)	(13,903,218)	(90,544,782)
Cash from operations before working capital changes		**203,390,939**	**312,480,399**	**953,171,295**	**1,464,408,145**
Net working capital changes:					
Receivables and prepayments		19,491,325	(47,869,720)	91,344,145	(224,336,656)
Inventories		(96,696,434)	(77,717,343)	(453,158,168)	(364,214,556)
Adjustments for increase (decrease) in trade and other payables and adjustments for increase (decrease) in contract liabilities		124,112,996	(120,249,633)	581,643,145	(563,537,884)
Change in working capital		**46,907,887**	**(245,836,696)**	**219,829,122**	**(1,152,089,096)**
Income tax paid		(127,380,136)	(4,575,754)	(596,954,269)	(21,443,814)
Net cash inflow from operating activities		**122,918,690**	**62,067,950**	**576,046,148**	**290,875,235**
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(19,004,036)	(52,391,874)	(89,060,514)	(245,529,278)
Purchase of intangible assets	3	(84,608)	(234,757)	(396,507)	(1,100,165)
Proceeds from sale of property, plant and equipment		109,592	100,455	513,592	470,772
Net cash (outflow) from investing activities		**(18,979,052)**	**(52,526,176)**	**(88,943,429)**	**(246,158,671)**
Cash flows from financing activities					
Cash flows from (used in) cash pooling, classified as financing activities	10,16	(97,784,850)	76,424,885	(458,258,921)	358,157,581
Long - term loans received from banks	18	306,770,363	48,270,948	1,437,648,629	226,216,971
Long - term loans repaid to banks		(40,870,363)	-	(191,534,869)	-
Proceeds from current borrowings from banks	18	301,310,133	141,792,006	1,412,059,807	664,494,057
Repayments of current borrowings from banks	18	(354,802,295)	(194,900,168)	(1,662,745,475)	(913,380,147)
Lease repayments	14	(17,641,147)	(9,302,627)	(82,673,471)	(43,595,831)
Interest and bank charges paid, net		(38,952,087)	(30,402,392)	(182,545,061)	(142,477,770)
Net cash inflow (outflow) from financing activities		**58,029,754**	**31,882,652**	**271,950,639**	**149,414,861**
Net increase (decrease) in cash and cash equivalents		**161,969,392**	**41,424,426**	**759,053,358**	**194,131,425**
Cash and cash equivalents at the beginning of the year		**16,973,215**	**50,091,261**	**79,543,275**	**234,747,686**
Cash and cash equivalents at the end of the period		**178,942,607**	**91,515,686**	**838,596,633**	**428,879,111**

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RAMONA-GEORGIANA GALATEANU
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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 gain for 2022	-		164,101,870					164,101,870	(2,858,057)	161,243,814
Hedging reserves	-	-	-	-	-	-	(59,360,449)	(59,360,449)	-	(59,360,449)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(59,360,449)**	**(59,360,449)**	**-**	**(59,360,449)**
Total comprehensive income	**-**	**-**	**164,101,870**	**-**	**-**	**-**	**(59,360,449)**	**104,741,422**	**(2,858,057)**	**101,883,365**
30 September 2022	**881,102,250**	**74,050,518**	**(1,134,366,537)**	**371,331,557**	**(59,695,226)**	**(596,832,659)**	**1,014,736,262**	**550,326,164**	**14,137,687**	**564,463,851**
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	-	-	(4,282,089)	-	-	-	-	(4,282,089)	746,122	(3,535,967)
Hedging reserves	-	-	-	-	-	-	2,160,629	2,160,629	-	2,160,629
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**2,160,629**	**2,160,629**	**-**	**2,160,629**
Total comprehensive income	**-**	**-**	**(4,282,089)**	**-**	**-**	**-**	**2,160,629**	**(2,121,460)**	**746,122**	**(1,375,338)**
30 September 2023	**881,102,250**	**74,050,518**	**(1,162,345,436)**	**321,550,886**	**(51,797,932)**	**(596,832,659)**	**1,052,152,683**	**517,880,310**	**17,528,871**	**535,409,181**

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

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

	Share capital	Share premium	Accumulated losses	Revaluation reserves	Deferred income tax related to revaluation, recognised in equity	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
31 December 2021	**4,129,197,584**	**347,030,348**	**(6,085,142,347)**	**1,740,208,209**	**(279,755,707)**	**(2,796,996,573)**	**5,033,646,822**	**2,088,188,336**	**79,648,855**	**2,167,837,191**
Net gain for 2022	-	-	769,047,004	-	-	-	-	769,047,004	(13,394,000)	755,653,004
Hedging reserves	-	-	-	-	-	-	(278,186,808)	(278,186,808)	-	(278,186,808)
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**(278,186,808)**	**(278,186,808)**	**-**	**(278,186,808)**
Total comprehensive income	**-**	**-**	**769,047,004**	**-**	**-**	**-**	**(278,186,808)**	**490,860,196**	**(13,394,000)**	**477,466,196**
30 September 2022	**4,129,197,584**	**347,030,348**	**(5,316,095,343)**	**1,740,208,209**	**(279,755,707)**	**(2,796,996,573)**	**4,755,460,014**	**2,579,048,532**	**66,254,855**	**2,645,303,387**
31 December 2022	**4,129,197,584**	**347,030,348**	**(5,427,148,070)**	**1,506,916,072**	**(242,745,829)**	**(2,796,996,573)**	**4,920,682,762**	**2,436,936,294**	**78,650,676**	**2,515,586,970**
Net loss for 2023	-	-	(20,067,582)	-	-	-	-	(20,067,582)	3,496,626	(16,570,956)
Hedging reserves	-	-	-	-	-	-	10,125,572	10,125,572	-	10,125,572
Total other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**10,125,572**	**10,125,572**	**-**	**10,125,572**
Total comprehensive income	**-**	**-**	**(20,067,582)**	**-**	**-**	**-**	**10,125,572**	**(9,942,010)**	**3,496,626**	**(6,445,384)**
30 September 2023	**4,129,197,584**	**347,030,348**	**(5,447,215,652)**	**1,506,916,072**	**(242,745,829)**	**(2,796,996,573)**	**4,930,808,334**	**2,426,994,284**	**82,147,301**	**2,509,141,585**

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

RAMONA-GEORGIANA GALATEANU
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 September 2023 and December 2022 was 1,986 and 1,882 respectively.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These consolidated financial statements as of 30 September 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 30 September 2023 and 31 December 2022 the Group reported net assets including non-controlling interest, of USD 535.4 million and 536.8 million respectively. For the period ended 30 September 2023, the Group recorded losses in amount of USD 4.3 million (30 September 2022: profit of USD 164.1 million) and net current liabilities of USD 227.1 million (2022: net current liabilities of USD 567.5 million). The loss incurred during 2023 was affected by a lower operational profit of USD 100.3 million (30 September 2022: operational profit USD 190.3 million) and financial losses of USD 61.8 million (30 September 2022: USD 24.6 million). The accumulated losses recorded until present are due to the fact that the Group was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

New and amended standards and interpretations

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

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

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

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

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

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

- **IFRS 17: Insurance Contracts**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Foreign currency translation

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

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

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

Romanian lei translation for information purposes basis

Amounts in Romanian lei for both 2023 and 2022 are provided for information purpose basis only and are translated by multiplying the values in USD with the 30 September 2023 closing exchange rate published by Romanian national Bank of RON 4.6864 = USD 1. Translation is performed for all primary statements using the closing exchange rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Revaluation of property, plant and equipment

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

- Impairment of Goodwill on acquisitions

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

- Impairment of non- financial assets

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Provision for environmental liability

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

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

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

- Deferred tax assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Carrying value of trade and other receivables

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

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

- Provision for litigations

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

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

g) Basis of consolidation

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

h) Business combinations and goodwill

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets at fair value through profit or loss

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

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

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

Derecognition

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

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

Or

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

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

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

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

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Derecognition

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

iii. Offsetting of financial instruments

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

j) Property, plant and equipment

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

k) Intangible assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Impairment of non-financial assets

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

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

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

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

Goodwill

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

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

m) Provisions

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

Provisions are not recognized for future operating losses.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Additional comments on the following specific liabilities are:

- *Environmental provisions*

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

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

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

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

n) Leases

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

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

i. Right-of-use assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

ii. Lease liabilities

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

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

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

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

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

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

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

o) Inventories

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Trade receivables

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

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

q) Cash and cash equivalents

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

r) Revenue from contracts with customers

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

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

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

(i) Variable consideration

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

(ii) Volume rebates

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

s) Interest bearing loans and borrowings

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

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

t) Borrowings costs

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Retirement benefit costs

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

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

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

v) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- *Sales and acquisition tax*

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

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

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

w) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Foreign Currency Transactions

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

y) Derivative Financial Instruments

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Hedge effective is assessed based on:

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

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

Fair value hedge

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

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

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

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

Cash Flow Hedge

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Cash flow hedge is accounted as following:

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

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

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

z) Emission Rights

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

aa) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

ab) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Group classifies all other liabilities as non-current.

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

ac) Contingencies

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

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Additions	17,000	2,188	499,931	519,119
Transfers from CIP	227,248	504,603	(731,850)	-
Transfers and reclassifications*	-	-	193,395	193,395
Closing balance as of December 31, 2022	**41,886,412**	**44,627,231**	**1,879,761**	**88,393,404**
Additions	-	-	84,608	84,608
Transfers from CIP	19,374	424,204	(443,578)	-
Transfers and reclassifications*	262,543	(252,499)	(99,903)	(89,859)
Closing balance as of September 30, 2023	**42,168,329**	**44,798,936**	**1,420,888**	**88,388,153**
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	(1,119,731)	(868,429)	-	(1,988,160)
Reclassification between categories*	(935,518)	935,518	-	-
Closing balance as of September 30, 2023	**(41,182,441)**	**(41,731,860)**	**(523,380)**	**(83,437,681)**
Net book value				
As of December 31, 2022	**2,759,220**	**2,828,283**	**1,356,381**	**6,943,884**
As of September 30, 2023	**985,888**	**3,067,076**	**897,508**	**4,950,472**

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

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

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

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**195,151,837**	**206,766,035**	**8,989,856**	**410,907,728**
Additions	79,669	10,254	2,342,877	2,432,800
Transfers from CIP	1,064,975	2,364,771	(3,429,746)	-
Transfers and reclassifications*	-	-	906,326	906,326
Closing balance as of December 31, 2022	**196,296,481**	**209,141,060**	**8,809,313**	**414,246,854**
Additions	-	-	396,507	396,507
Transfers from CIP	90,794	1,987,990	(2,078,784)	-
Transfers and reclassifications*	1,230,382	(1,183,311)	(468,185)	(421,114)
Closing balance as of September 30, 2023	**197,617,657**	**209,945,739**	**6,658,851**	**414,222,247**
Accumulated amortization				
Opening balance as of January 1, 2022	**(178,564,414)**	**(185,511,711)**	**(2,452,768)**	**(366,528,893)**
Charge for the year	(4,801,259)	(10,374,886)	-	(15,176,145)
Closing balance as of December 31, 2022	**(183,365,673)**	**(195,886,597)**	**(2,452,768)**	**(381,705,038)**
Charge for the year	(5,247,507)	(4,069,807)	-	(9,317,314)
Reclassification between categories*	(4,384,212)	4,384,212	-	-
Closing balance as of September 30, 2023	**(192,997,392)**	**(195,572,192)**	**(2,452,768)**	**(391,022,352)**
Net book value				
As of December 31, 2022	**12,930,808**	**13,254,463**	**6,356,545**	**32,541,816**
As of September 30, 2023	**4,620,265**	**14,373,547**	**4,206,083**	**23,199,895**

4. GOODWILL

The carrying value of goodwill as of 30 September 2023 and 31 December 2022 was USD 82,871,706 (RON: 388,369,964).

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

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

Impairment test

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

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

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Acquisitions	-	421,710	854,148	684,434	67,516,473	69,476,765
Transfers from CIP	-	27,889,297	27,265,592	3,914,960	(59,069,849)	-
Disposals	-	(50,449)	(100,513)	(220,398)	(6,068,720)	(6,440,080)
Transfers and reclassifications*	-	154,776	(382,500)	208,795	(470,939)	(489,868)
As of December 31, 2022	**91,780,532**	**571,065,298**	**725,869,830**	**31,400,426**	**98,768,789**	**1,518,884,876**
Additions	-	674,735	232,877	187,525	17,908,899	19,004,036
Transfers from CIP	-	8,964,715	23,052,867	3,400,467	(35,418,049)	-
Disposals	(46,177)	(64,099)	(115,473)	(217,128)	-	(442,877)
Transfers and reclassifications*	-	-	-	(12,500)	98,285	85,785
As of September 30, 2023	**91,734,355**	**580,640,649**	**749,040,101**	**34,758,790**	**81,357,924**	**1,537,531,819**
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	(880,094)	(28,053,856)	(58,857,447)	(4,574,545)	-	(92,365,942)
Accumulated depreciation of disposals	-	29,079	95,585	214,939	-	339,603
Impairment	-	(2,874,011)	(4,286,280)	(16,378)	-	(7,176,669)
As of September 30, 2023	**7,714,641**	**(187,382,971)**	**(213,237,305)**	**(14,385,371)**	**(32,198,343)**	**(439,489,349)**
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 September 30, 2023	**99,448,996**	**393,257,678**	**535,802,796**	**20,373,419**	**49,159,581**	**1,098,042,470**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 86 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	**430,120,285**	**2,543,074,791**	**3,272,199,614**	**125,654,733**	**453,933,257**	**6,824,982,680**
Acquisitions	-	1,976,302	4,002,879	3,207,531	316,409,199	325,595,911
Transfers from CIP	-	130,700,401	127,777,470	18,347,069	(276,824,940)	-
Disposals	-	(236,424)	(471,044)	(1,032,873)	(28,440,449)	(30,180,790)
Transfers and reclassifications*	-	725,342	(1,792,548)	978,497	(2,207,009)	(2,295,718)
As of December 31, 2022	**430,120,285**	**2,676,240,412**	**3,401,716,371**	**147,154,957**	**462,870,058**	**7,118,102,083**
Additions	-	3,162,078	1,091,355	878,817	83,928,264	89,060,514
Transfers from CIP	-	42,012,240	108,034,956	15,935,949	(165,983,145)	-
Disposals	(216,404)	(300,394)	(541,153)	(1,017,553)	-	(2,075,504)
Transfers and reclassifications*	-	-	-	(58,580)	460,603	402,023
As of September 30, 2023	**429,903,881**	**2,721,114,336**	**3,510,301,529**	**162,893,590**	**381,275,780**	**7,205,489,116**
Accumulated depreciation & Impairment						
As of January 1, 2022	**46,946,026**	**(511,602,146)**	**(294,603,450)**	**293,420**	**(153,446,439)**	**(912,412,589)**
Charge for the year	(6,667,660)	(206,661,289)	(382,639,935)	(47,013,159)	-	(642,982,043)
Accumulated depreciation of disposals	-	109,816	253,755	439,252	-	802,823
Impairment	-	(15,193,857)	(26,856,863)	(627,504)	2,552,129	(40,126,095)
As of December 31, 2022	**40,278,366**	**(733,347,476)**	**(703,846,493)**	**(46,907,991)**	**(150,894,310)**	**(1,594,717,904)**
Charge for the year	(4,124,473)	(131,471,591)	(275,829,540)	(21,438,148)	-	(432,863,752)
Accumulated depreciation of disposals	-	136,276	447,950	1,007,287	-	1,591,513
Impairment	-	(13,468,765)	(20,087,223)	(76,754)	-	(33,632,742)
As of September 30, 2023	**36,153,893**	**(878,151,556)**	**(999,315,306)**	**(67,415,606)**	**(150,894,310)**	**(2,059,622,885)**
Net book value as of December 31, 2022	**470,398,651**	**1,942,892,936**	**2,697,869,878**	**100,246,966**	**311,975,748**	**5,523,384,179**
Net book value as of September 30, 2023	**466,057,774**	**1,842,962,780**	**2,510,986,223**	**95,477,984**	**230,381,470**	**5,145,866,231**

**) Includes, transfer from property plant and equipment to inventories and intangible assets and other adjustments in amount of RON 402 thousand (2022: RON 2.3 million).*

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Construction in progress*

In 2023, out of the total acquisitions for construction in progress the most significant refers to the following projects in respect of Rompetrol Rafinare SA: State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting USD 2.5 million, Refinery MHC unit restart amounting to USD 0.9 million, Catalyst Replacement amounting USD 4.2 million, Tank rehabilitation amounting to USD 3.6 million, Emergency Shutdown of 100 CDU, 120 NHT, amounting USD 0.9 million, Replacement static equipment Refinery and Petrochemicals amounting USD 0.5 million.
Total acquisitions for construction in progress for Vega refinery in amount of USD 0.6 million, and for Rompetrol Downstream in amount of USD 1.2 million. Part of these projects have been transferred to the other property, plant and equipment categories.

At the end of September 2023 the main projects remaining in construction in progress refers to the following: Refinery MHC unit restart and reliability amounting to USD 2.3 million, Replacement of Petromidia strategic equipment amounting to USD 4.5 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 2.5 million, Refinery Catalyst Replacement amounting to USD 7.5 million, Tank rehabilitation amounting to USD 3.2 million, Replace cut/drilling system DCU unit amounting to USD 1.1 million, Preparing to 2024 general repair and 2020 HPP Unit amounting to, USD 1.8 million, and other refinery ongoing projects (approximately USD 8.5 million).
For Vega refinery the projects remaining in construction in progress refers to refinery ongoing projects (Emergency replacement of Vega equipment, Rehabilitation tank A63, JET working point in Vega, Installation of water-cooling system for metal tanks) approximately USD 2 million.

In Rompetrol Downstream at the end of September 2023 the main projects remaining in construction in progress refers to the following: construction of new stations (RBI, Cuves, Doex, STB) amounting to USD 2.1 million, acquisition Fill&GO devices amounting to USD 0.8 million, capital maintenance amounting to USD 2.4 million like replacement of electrical circuits in stations and acquisitions of new equipment such as: CCTV system; air conditioner etc.

In Romoil at the end of September 2023 the main projects remaining in construction in progress refers to the following: Compliance to OMAI firefighting amounting to USD 3.8 million, Replacement of truck loading skids in Mo amounting to USD 0.45 million, Reconstruction sewage system Mogosoaia amounting to USD 0.25 million, Upgrade facilities for storage tanks amounting to USD 0.25 million, Replacement of product pumps in all depos amounting to USD 0.24 million.

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

At the end of 2022 the main projects remaining in construction in progress refers to the following: Refinery Restart_ 2021 Incident amounting to USD 1.1 million, Replacement of Petromidia strategic equipment amounting to USD 5.9 million, State Inspection for Control of Boilers, Pressure Vessels and Hoisting (ISCIR) authorizations amounting to USD 9.2 million, Refinery Catalyst Replacement amounting to USD 3.6 million, Preparing to 2024 general repair and 2020 HPP Unit amounting to USD 1.9 million, tank

5. PROPERTY, PLANT AND EQUIPMENT (continued)

rehabilitation amounting to USD 5.2 million, Mild Hydrocracking Unit Reliability amounting to USD 1.4 million, and other refinery ongoing projects (approximately USD 9.4 million).

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

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

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

- *Disposals*

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

- *Borrowing costs capitalized*

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

- *Impairment*

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

petrochemicals operational activity, USD 0.28 million was assessed as scrap, and for the remaining of USD 5.4 million an impairment adjustment was recorded as of 31 December 2022.

- *Revaluation of Property, plant and equipment*

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

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

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

- *Pledged property, plant and equipment*

As at September 30, 2023 the Group has pledged property, plant and equipment with a carrying value of USD 381.5 million (31 December 2022: USD 399.6 million) net, for securing banking facilities granted to Group entities.

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

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

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

The last hearing was set for December 6, 2021 and a decision issued on December 20, 2021 in favour of the company by releasing the seizure. The decision was appealed by ANAF to Supreme Court. The first term was set in the appeal for May 25, 2023 when the Court postponed a decision for June 22, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

6. IMPAIRMENT TEST

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

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Additions	22,472,286	-	192,457	22,664,743
Disposals	-	-	(61,853)	(61,853)
Reclassifications and other transfers	-	-	(2,894)	(2,894)
Re-measurement	420,812	190,574	-	611,386
As of December 31, 2022	**148,295,772**	**591,867**	**1,870,763**	**150,758,402**
Additions	136,073,315	-	20,961	136,094,276
Disposals	(34,022)	-	(1,843)	(35,865)
Re-measurement	1,957,960	23,491	159,540	2,140,991
As of September 30, 2023	**286,293,025**	**615,358**	**2,049,421**	**288,957,804**
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	(9,234,049)	(86,943)	(314,176)	(9,635,168)
Accumulated depreciation of disposals	34,037	-	1,868	35,905
As of September 30, 2023	**(33,519,386)**	**(541,269)**	**(1,527,773)**	**(35,588,428)**
Net Book value at December 31, 2022	**123,976,398**	**137,541**	**655,298**	**124,769,238**
Net Book value at September 30, 2023	**252,773,639**	**74,089**	**521,648**	**253,369,376**

(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	**587,687,087**	**1,880,624**	**8,168,644**	**597,736,355**
Additions	105,314,121	-	901,930	106,216,051
Disposals	-	-	(289,868)	(289,868)
Reclassifications and other transfers	-	-	(13,562)	(13,562)
Re-measurement	1,972,093	893,106	-	2,865,199
As of December 31, 2022	**694,973,301**	**2,773,730**	**8,767,144**	**706,514,175**
Additions	637,693,983	-	98,232	637,792,215
Disposals	(159,441)	-	(8,637)	(168,078)
Re-measurement	9,175,784	110,088	747,668	10,033,540
As of September 30, 2023	**1,341,683,627**	**2,883,818**	**9,604,407**	**1,354,171,852**
Depreciation and Impairment:				
As of January 1, 2022	**(78,723,652)**	**(1,555,477)**	**(3,804,504)**	**(84,083,633)**
Depreciation	(35,244,629)	(573,676)	(2,195,086)	(38,013,391)
Accumulated depreciation of disposals	478	-	289,868	290,346
Reclassifications and other transfers	(2,507)	-	13,567	11,060
As of December 31, 2022	**(113,970,310)**	**(2,129,153)**	**(5,696,155)**	**(121,795,618)**
Depreciation	(43,274,447)	(407,450)	(1,472,354)	(45,154,251)
Accumulated depreciation of disposals	159,511	-	8,754	168,265
As of September 30, 2023	**(157,085,246)**	**(2,536,603)**	**(7,159,755)**	**(166,781,604)**
Net Book value at December 31, 2022	**581,002,991**	**644,577**	**3,070,989**	**584,718,557**
Net Book value at September 30, 2023	**1,184,598,381**	**347,215**	**2,444,652**	**1,187,390,248**

Total additions from the first nine months of 2023 of USD 136.1 million are in respect of Rompetrol Downstream for 10 stations built and opened in accordance with the contract with CNAIR and Rompetrol Development SRL.

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

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

Land, buildings and special construction category includes mainly:

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

USD	Net book value at September 30, 2023	Net book value at December 31, 2022
Rent agreements for gas stations	239,069,449	111,048,874
Rental of administrative buildings	1,845,673	280,678
Rent for usage of maritime port	11,796,685	12,196,669
Depots rent	61,832	450,178
Total	**252,773,639**	**123,976,398**

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

7. RIGHT OF USE ASSETS (continued)

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

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

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

8. INVESTMENTS

Investments in Consolidated Subsidiaries

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

Company name	Country of incorporation	Range of activity	Effective ownership 30 September 2023	Control 30 September 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:

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Crude oil and other feedstock materials (at lower of cost and net realisable value)	195,880,266	150,187,088	917,973,277	703,836,770
Petroleum and petrochemical products (at lower of cost and net realisable value)	143,252,985	120,884,520	671,340,789	566,513,215
Work in progress (at cost)	59,513,605	32,881,936	278,904,558	154,097,905
Spare parts (at cost less inventories write-down)	4,545,276	4,713,148	21,300,981	22,087,697
Consumables and other raw materials (at cost less inventories write-down)	5,037,645	5,320,012	23,608,420	24,931,704
Merchandises (at cost less inventories write-down)	18,227,657	17,512,960	85,422,092	82,072,736
Other inventories (at cost less inventories write-down)	1,933,002	2,370,394	9,058,821	11,108,614
	428,390,436	**333,870,058**	**2,007,608,938**	**1,564,648,641**

Movements in inventories reserve:

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(38,665,890)**	**(26,934,093)**	**(181,203,827)**	**(126,223,933)**
Accrued provision	(29,934,311)	(39,447,604)	(140,284,155)	(184,867,251)
Reversal of provision	27,768,982	27,715,807	130,136,557	129,887,358
Reserve as of the end of the period	**(40,831,219)**	**(38,665,890)**	**(191,351,425)**	**(181,203,826)**

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 437.6 million (2022: USD 273 million) to secure banking facilities.

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

10. TRADE AND OTHER RECEIVABLES

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

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade receivables	217,794,522	245,406,406	1,020,672,248	1,150,072,582
Advances to suppliers	17,770,705	24,948,120	83,280,632	116,916,870
Sundry debtors	81,652,606	74,226,928	382,656,773	347,857,075
VAT to be recovered	71,276	101,922	334,028	477,647
Cash pooling receivables	466,454,907	267,473,915	2,185,994,276	1,253,489,755
Fuel subsidy	25,805,421	39,501,703	120,934,525	185,120,781
Other receivables	37,438,252	26,862,483	175,450,624	125,888,340
Provision for expected credit losses related to trade receivables	(36,405,518)	(36,144,539)	(170,610,821)	(169,387,768)
	810,582,171	**642,376,936**	**3,798,712,285**	**3,010,435,282**

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

Fuel subsidy in amount of USD 25.8 million is in relation to 0.25 RON fuel subvention according to Government Emergency Ordinance OUG 106; the subsidy is to be offset with Rompetrol Downstream tax liabilities.

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

Another amount included in Sundry debtors refers to USD 2.56 million in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident.

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

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

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

Also, included in Sundry debtors category is an amount of USD 63.4 million (2022: USD 62.2 million) relating to Rompetrol Petrochemicals SRL receivables against KMG International N.V. (“KMGI”) as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12). Following the contract agreement in place Rompetrol Petrochemicals SRL charges interest for late payment from KMGI. As of 30 September 2023, the interest receivable is in amount of USD 0.53 million, during 2023 the interest accrued and received was in amount of USD 4.6 million.

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

10. TRADE AND OTHER RECEIVABLES (continued)

On 28 February 2011, Rompetrol Rafinare S.A. won the court case against the Romanian Government and the Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO_2 emission certificates for the entire period 2008 - 2012 (Decision 69/CA/2011). On October 30, 2012, the Supreme Court confirmed this resolution. In June 2020 the court admitted the Company' claim (the countervalue of the said 2.5 million CO_2 certificates in amount of EUR 36 million). During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows USD 7.5 million in 2020, USD 11 million in 2021 and USD 17.4 million in 2022.

In 2023, out of the total amount of USD 17.8 million (2022: 24.9 million) representing advances to suppliers, USD 14.6 million (2022: 20.5 million) are in respect of other raw materials, investment projects, and CO_2 certificates acquisition in Rompetrol Rafinare and USD 2.4 million (2022: 2.1 million) are in respect of investment projects related to the construction of new stations, rebranding process, advance for utilities and petroleum product in Rompetrol Downstream and USD 0.4 million in Romoil.

Cash pooling receivables refers to: Rompetrol Downstream USD 216.2 million (2022: USD 84.7 million), Rompetrol Rafinare USD 147.1 million (2022: USD 84.8 million), Rompetrol Gas USD 75.4 million (2022: USD 74.5 million), Rompetrol Quality Control USD 2.8 million (2022: USD 3.1 million), Rompetrol Logistics USD 6 million (2022: USD 6.4 million) and Rompetrol Petrochemicals USD 18.9 million (2022: USD 14 million).

Also, in other receivables an amount of USD 16.57 million (2022: USD 14.36 million) refers to excise receivables in Rompetrol Rafinare.

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Sundry debtors	81,652,606	74,226,928	382,656,773	347,857,075
Other receivables	37,438,252	26,862,483	175,450,624	125,888,340
Provision for sundry debtors and other receivables	(2,299,172)	(2,317,828)	(10,774,840)	(10,862,269)

Out of the total amount of other receivables and sundry debtors of USD 119.1 million (2022: USD 101.1 million) an amount of USD 2.3 million (2022: USD 2.3 million) is provisioned.

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

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

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(36,144,539)**	**(40,343,673)**	(169,387,768)	(189,066,589)
Charge for the year	(3,616,794)	(2,399,026)	(16,949,743)	(11,242,795)
Utilised	2,157,281	33,621	10,109,880	157,561
Unused amounts reversed	587,488	1,387,519	2,753,204	6,502,469
Recalssification between categories trade receivables and other receivables	-	2,946,175	-	13,806,955
Exchange rate differences	611,046	2,230,844	2,863,606	10,454,632
Balance at the end of the year	**(36,405,518)**	**(36,144,539)**	**(170,610,821)**	**(169,387,768)**

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

10. TRADE AND OTHER RECEIVABLES (continued)

Trade receivables totaling USD 124.1 million as at 30 September 2023 and USD 149 million as at 31 December 2022 are pledged to obtain credit facilities (see Notes 13 and 18).

11. CASH AND CASH EQUIVALENTS

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Cash at bank	172,758,715	12,907,647	809,616,441	60,490,397
Cash on hand	3,793,419	3,919,676	17,777,479	18,369,170
Cash equivalents	2,390,473	145,892	11,202,713	683,708
	178,942,607	**16,973,215**	**838,596,633**	**79,543,275**

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

12. EQUITY

Shareholders' structure as at 30 September 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	1,986,703,700
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,845,582,263
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	267,179,442
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,057,643
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	27,674,536
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,129,197,584**

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	1,986,703,700
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,845,582,263
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	267,179,442
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	2,057,643
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	27,674,536
Total	**100%**	**2,655,920,573**	**881,102,250**	**4,129,197,584**

12. EQUITY (continued)

Share premium and effect of transfers with equity holders

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

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

Hybrid Loan

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

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

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

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

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

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

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

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

Revaluation reserve

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

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

13. LONG-TERM BORROWINGS FROM BANKS

	September 30, 2023 USD	December 31, 2022 USD	September 30, 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	266,257,623	-	1,247,789,724	-
Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 13, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.				
Amount payable within one year principal	(357,623)	-	(1,675,964)	-
Total	**265,900,000**	**-**	**1,246,113,760**	**-**

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON (supplementary info – see Note 2(e))	December 31, 2022 RON
One year or less - principal	357,623	-	1,675,964	-
Between two and five years	265,900,000	-	1,246,113,760	-
Total	**266,257,623**	**-**	**1,247,789,724**	**-**

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 381.5 million (2022: USD 399.6), inventories of USD 437.6 million (2022: USD 273 million) and trade receivables of USD: 124.1 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

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
As at 1 January	**125,006,748**	**111,916,989**	**585,831,624**	**524,487,777**
Additions	136,094,226	22,665,080	637,791,981	106,217,631
Re-measurement	2,140,992	611,388	10,033,545	2,865,209
Payments	(17,641,147)	(12,355,932)	(82,673,471)	(57,904,840)
Interest accrued	11,114,811	8,092,995	52,088,450	37,927,012
Exchange rate impact	(4,236,301)	(5,923,772)	(19,853,001)	(27,761,165)
As at 30 September/31 December	**252,479,329**	**125,006,748**	**1,183,219,128**	**585,831,624**
Non-current	244,926,111	120,283,737	1,147,821,727	563,697,705
Current	7,553,218	4,723,011	35,397,401	22,133,919

The following amounts were recognized in profit or loss:

Recognised in profit or loss	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	9,635,168	5,838,078	45,154,251	27,359,569
Interest expense on lease liabilities	11,114,811	5,667,125	52,088,450	26,558,415
Variable lease payments (included in selling and distribution)	5,855,575	5,113,950	27,441,567	23,966,015
Total amount recognised in profit or loss	**26,605,554**	**16,619,153**	**124,684,268**	**77,883,999**

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

	September 30, 2023		December 31, 2022	
	Fixed payments	Variable payments	Fixed payments	Variable payments
Fixed rent	17,641,147	-	12,355,932	-
Variable rent with minimum payment	-	5,855,575	-	6,736,557
Total	**17,641,147**	**5,855,575**	**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:

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Deferred tax liabilities	56,950,487	56,950,487	266,892,762	266,892,762
Deferred tax (asset) / liability, net	**56,950,487**	**56,950,487**	**266,892,762**	**266,892,762**

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

USD

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

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

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	230,749	-	-	230,749
Property, plant and equipment	2,122,382,048	-	-	2,122,382,048
Inventories	387,186	-	-	387,186
Provisions	(454,917,133)	-	-	(454,917,133)
Other	(3,107)	-	-	(3,107)
Total temporary differences (asset)/liability	**1,668,079,743**	-	-	**1,668,079,743**
Deferred tax effect				
Intangible assets	36,919	-	-	36,919
Property, plant and equipment	339,581,132	-	-	339,581,132
Inventories	61,950	-	-	61,950
Provisions	(72,786,742)	-	-	(72,786,742)
Other	(497)	-	-	(497)
Deferred tax (asset)/liability recognized	**266,892,762**	-	-	**266,892,762**

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

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

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

USD

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

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

Deferred tax (asset) / liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare SA	206,759,471	-	-	206,759,471
Rompetrol Downstream S.R.L.	22,115,897	-	-	22,115,897
Rom Oil S.A.	28,031,291	-	-	28,031,291
Rompetrol Gas S.R.L.	3,465,187	-	-	3,465,187
Rompetrol Logistics S.R.L.	6,337,706	-	-	6,337,706
Rompetrol Quality Control SRL	183,210	-	-	183,210
Deferred tax (asset)/liability recognized	**266,892,762**	**-**	**-**	**266,892,762**

(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	230,749	-	-	230,749
Property, plant and equipment	2,462,761,110	(107,086,925)	(233,292,132)	2,122,382,048
Inventories	387,186	-	-	387,186
Provisions	(335,189,572)	(119,727,561)	-	(454,917,133)
Other	(3,107)	-	-	(3,107)
Total temporary differences (asset)/liability	**2,128,186,366**	**(226,814,486)**	**(233,292,132)**	**1,668,079,743**
Deferred tax effect				
Intangible assets	36,919	-	-	36,919
Property, plant and equipment	394,041,777	(17,133,910)	(37,326,735)	339,581,132
Inventories	61,950	-	-	61,950
Provisions	(53,630,332)	(19,156,410)	-	(72,786,742)
Other	(497)	-	-	(497)
Deferred tax (asset)/liability recognized	**340,509,817**	**(36,290,320)**	**(37,326,735)**	**266,892,762**

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

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

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

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

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

16. TRADE AND OTHER PAYABLES

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade payables	931,647,534	770,724,269	4,366,073,007	3,611,922,224
Excise taxes	743	417	3,482	1,954
Special fund tax for oil products	5,880,888	5,946,758	27,560,194	27,868,887
VAT payable	48,832,781	80,795,835	228,849,945	378,641,601
Other taxes payable	8,269	19,160	38,752	89,791
Employees and social obligations	13,339,356	15,125,388	62,513,558	70,883,618
Cash pooling payables	511,204,344	410,008,202	2,395,708,038	1,921,462,438
Other liabilities	7,501,183	12,690,541	35,153,544	59,472,951
Total	**1,518,415,098**	**1,295,310,569**	**7,115,900,520**	**6,070,343,464**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL ("Master Company"). The amounts in balance as of 30 September 2023 are for the following companies: Rompetrol Rafinare S.A. USD 461.8 million (2022: USD 365.4 million), Romoil USD 13.8 million (2022: USD 13.4 million) and Rompetrol Gas USD 35.6 million (2022: USD 31.2 million).

Also, in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 5.29 million (2022: USD 5.51 million).

17. CONTRACT LIABILITIES

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	21,844,353	22,051,856	102,371,376	103,343,819
Short-term advances from other customers	20,884,267	12,705,053	97,872,029	59,540,960
Deferred revenues	7,197,470	7,157,244	33,730,223	33,541,708
Total short-term advances	**49,926,090**	**41,914,153**	**233,973,628**	**196,426,487**

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.

(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	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Banca Transilvania	28,690,043	36,181,181	134,453,018	169,559,487
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.				
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	-	25,000,000	-	117,160,000
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.				
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank	-	25,000,000	-	117,160,000
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.				
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank	3,998,976	-	18,740,801	-
Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 13, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.				
Accrued interest	-	29,737	-	139,359
Current portion of long-term debt	357,623	-	1,675,964	-
	33,046,642	**86,210,918**	**154,869,783**	**404,018,846**

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

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

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

The loans bearing guarantees are secured with pledges on property plant and equipment of USD 381.5 million (2022: USD 399.6), inventories of USD 437.6 million (2022: USD 273 million) and trade receivables of USD: 124.1 million (2022: USD 149 million).

The movement in loans is presented below:

USD	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Reclassification between LT and ST**	**Exchange rate impact**	**September 30, 2023**
Long-term borrowings from banks	-	306,770,363	(40,870,363)	-	-	-	265,900,000
Short-term borrowings from banks	86,181,181	301,310,133	(355,168,372)	-	-	366,077	32,689,019
Interest Long-term borrowings banks	-	-	(9,065,484)	9,065,484	-	-	-
Interest Short-term borrowings from banks	29,737	-	4,315,885	(3,987,999)	-	-	357,623
Total	**86,210,918**	**608,080,496**	**(400,788,334)**	**5,077,485**	**-**	**366,077**	**298,946,642**

RON (supplementary info – see Note 2(e))	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Reclassification between LT and ST**	**Exchange rate impact**	**September 30, 2023**
Long-term borrowings from banks	-	1,437,648,629	(191,534,869)	-	-	-	1,246,113,760
Short-term borrowings from banks	403,879,487	1,412,059,807	(1,664,461,057)	-	-	1,715,583	153,193,820
Interest Long-term borrowings banks	-	-	(42,484,484)	42,484,484	-	-	-
Interest Short-term borrowings from banks	139,359	-	20,225,963	(18,689,359)	-	-	1,675,963
Total	**404,018,846**	**2,849,708,436**	**(1,878,254,447)**	**23,795,125**	**-**	**1,715,583**	**1,400,983,543**

(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	898,519,029	226,216,971	-	-	(1,124,736,000)	-	-
Short-term borrowings from banks	198,574,643	1,312,771,455	(2,228,894,711)	-	1,124,736,000	(3,307,900)	403,879,487
Interest Short-term borrowings from banks	230,857	-	(52,542,202)	52,450,704	-	-	139,359
Total	**1,097,324,529**	**1,538,988,426**	**(2,281,436,913)**	**52,450,704**	**-**	**(3,307,900)**	**404,018,846**

(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:

	September 30, 2023 USD	December 31, 2022 USD	September 30, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	115,340,643	115,340,643	540,532,390	540,532,390
Total Provisions	**115,340,643**	**115,340,643**	**540,532,390**	**540,532,390**

The movement in provisions is presented below:

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

RON (supplementary info – see Note 2(e))	At 1 January 2023	At 30 September 2023
Provision for retirement benefit	56,160,497	56,160,497
Environmental provisions	455,246,137	455,246,137
Other provisions	29,125,756	29,125,756
Total	**540,532,390**	**540,532,390**

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

19. PROVISIONS (continued)

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

RON (supplementary info – see Note 2(e))	At 1 January 2022	Charged to equity	Arising during the year	Utilised	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2022
Provision for retirement benefit	58,901,628	(7,776,331)	8,063,734	(3,028,534)	-	-	56,160,497
Environmental provisions	335,518,576	-	175,883,488	(50,988,899)	(5,167,028)	-	455,246,137
Other provisions	2,078,353	-	13,240,448	-	-	13,806,955	29,125,756
Total	**396,498,557**	**(7,776,331)**	**197,187,670**	**(54,017,433)**	**(5,167,028)**	**13,806,955**	**540,532,390**

Environmental provision

Vega lagoons

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

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

19. PROVISIONS (continued)

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

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

Vadu cassettes

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

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

Retirement benefit provision

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

Other provisions

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

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

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2023

USD	**Refining**	**Petrochemicals**	**Marketing**	**Consolidation adjustments**	**Consolidated**
Gross revenues from petroleum products production	3,454,042,732	-	-	291,313,364	3,745,356,096
Less sales taxes from petroleum products production	(699,575,511)	-	-	657,576,889	(41,998,622)
Net revenues from petroleum products production	**2,754,467,221**	**-**	**-**	**948,890,253**	**3,703,357,474**
Gross revenues from petroleum products trading	-	-	2,419,668,409	(2,386,991,557)	32,676,852
Less sales taxes petroleum products trading	-	-	(662,451,720)	1,238,829	(661,212,891)
Less commercial discounts petroleum products trading	-	-	(158,745,795)	1,786,250	(156,959,545)
Net revenues from petroleum products trading	**-**	**-**	**1,598,470,894**	**(2,383,966,478)**	**(785,495,584)**
Revenues from petrochemicals production	-	98,303,347	-	-	98,303,347
Revenues from petrochemicals trading	-	10,345	-	-	10,345
Revenues from merchandise sales	411,788	-	159,557,827	(390)	159,969,225
Revenues from utilities sold	4,629,588	-	-	(150,342)	4,479,246
Revenues from transportation fees	-	-	2,675,609	-	2,675,609
Revenues from rents and other services	2,884,309	-	14,325,240	(6,079,000)	11,130,549
Total Net Revenues	**2,762,392,906**	**98,313,692**	**1,775,029,570**	**(1,441,305,957)**	**3,194,430,211**

RON (supplementary info – see Note 2(e))	**Refining**	**Petrochemicals**	**Marketing**	**Consolidation adjustments**	**Consolidated**
Gross revenues from petroleum products production	16,187,025,860	-	-	1,365,210,949	17,552,236,809
Less sales taxes from petroleum products production	(3,278,490,675)	-	-	3,081,668,333	(196,822,342)
Net revenues from petroleum products production	**12,908,535,185**	**-**	**-**	**4,446,879,282**	**17,355,414,467**
Gross revenues from petroleum products trading	-	-	11,339,534,031	(11,186,397,232)	153,136,799
Less sales taxes petroleum products trading	-	-	(3,104,513,741)	5,805,648	(3,098,708,093)
Less commercial discounts petroleum products trading	-	-	(743,946,294)	8,371,082	(735,575,212)
Net revenues from petroleum products trading	**-**	**-**	**7,491,073,996**	**(11,172,220,502)**	**(3,681,146,506)**
Revenues from petrochemicals production	-	460,688,805	-	-	460,688,805
Revenues from petrochemicals trading	-	48,481	-	-	48,481
Revenues from merchandise sales	1,929,803	-	747,751,800	(1,828)	749,679,775
Revenues from utilities sold	21,696,101	-	-	(704,563)	20,991,538
Revenues from transportation fees	-	-	12,538,974	-	12,538,974
Revenues from rents and other services	13,517,026	-	67,133,805	(28,488,626)	52,162,205
Total Net Revenues	**12,945,678,115**	**460,737,286**	**8,318,498,575**	**(6,754,536,237)**	**14,970,377,739**

(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	4,143,303,457	-	-	307,926,411	4,451,229,868
Less sales taxes from petroleum products production	(682,780,992)	-	-	657,590,205	(25,190,787)
Net revenues from petroleum products production	**3,460,522,465**	**-**	**-**	**965,516,616**	**4,426,039,081**
Gross revenues from petroleum products trading	-	-	2,798,073,526	(2,696,708,254)	101,365,272
Less sales taxes petroleum products trading	-	-	(683,696,025)	2,387,607	(681,308,418)
Less commercial discounts petroleum products trading	-	-	(184,632,492)	3,711,018	(180,921,475)
Net revenues from petroleum products trading	**-**	**-**	**1,929,745,009**	**(2,690,609,630)**	**(760,864,621)**
Revenues from petrochemicals production	-	166,399,887	-	-	166,399,887
Revenues from merchandise sales	8,753,041	-	125,651,298	(147)	134,404,192
Revenues from utilities sold	4,218,475	-	-	(126,503)	4,091,972
Revenues from transportation fees	-	-	2,057,148	-	2,057,148
Revenues from rents and other services	2,858,441	-	13,449,243	(6,181,989)	10,125,694
Total Net Revenues	**3,476,352,421**	**166,399,887**	**2,070,902,698**	**(1,731,401,652)**	**3,982,253,354**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	19,417,177,313	-	-	1,443,066,333	20,860,243,646
Less sales taxes from petroleum products production	(3,199,784,841)	-	-	3,081,730,737	(118,054,104)
Net revenues from petroleum products production	**16,217,392,472**	**-**	**-**	**4,524,797,070**	**20,742,189,542**
Gross revenues from petroleum products trading	-	-	13,112,891,778	(12,637,853,562)	475,038,216
Less sales taxes petroleum products trading	-	-	(3,204,073,052)	11,189,281	(3,192,883,771)
Less commercial discounts petroleum products trading	-	-	(865,261,711)	17,391,315	(847,870,396)
Net revenues from petroleum products trading	**-**	**-**	**9,043,557,015**	**(12,609,272,966)**	**(3,565,715,951)**
Revenues from petrochemicals production	-	779,816,430	-	-	779,816,430
Revenues from merchandise sales	41,020,251	-	588,852,243	(689)	629,871,805
Revenues from utilities sold	19,769,461	-	-	(592,844)	19,176,617
Revenues from transportation fees	-	-	9,640,618	-	9,640,618
Revenues from rents and other services	13,395,798	-	63,028,532	(28,971,273)	47,453,057
Total Net Revenues	**16,291,577,982**	**779,816,430**	**9,705,078,408**	**(8,114,040,702)**	**18,662,432,118**

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

	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	2,435,683,112	2,892,199,215	11,414,585,336	13,554,002,397
Consumables and other materials	9,907,553	10,262,416	46,430,756	48,093,786
Utilities	153,938,576	162,695,213	721,417,743	762,454,846
Staff costs	32,284,068	22,278,720	151,296,056	104,406,993
Transportation	155,780	156,197	730,047	732,002
Maintenance and repairs	22,528,544	19,542,276	105,577,769	91,582,922
Insurance	1,916,123	1,641,363	8,979,719	7,692,084
Environmental expenses	11,186,817	20,975,019	52,425,899	98,297,329
Other	8,307,935	8,203,665	38,934,307	38,445,656
Total	**2,675,908,508**	**3,137,954,084**	**12,540,377,632**	**14,705,708,015**
Depreciation and amortization	66,012,502	68,058,162	309,360,989	318,947,770
Total	**2,741,921,010**	**3,206,012,246**	**12,849,738,621**	**15,024,655,785**
Plus: Change in inventories	(31,612,721)	(42,791,866)	(148,149,856)	(200,539,801)
Less: Own production of property, plant & equipment	(231,971)	(2,930,991)	(1,087,109)	(13,735,796)
Cost of petroleum products trading	36,622,750	104,101,361	171,628,856	487,860,618
Cost of petrochemicals trading	9,329	-	43,719	-
Cost of merchandise sold	127,886,302	110,663,896	599,326,366	518,615,282
Cost of utilities resold	3,624,636	1,713,008	16,986,494	8,027,841
Realized (gains)/losses on derivatives	(986,906)	217,493,684	(4,625,036)	1,019,262,401
Total	**2,877,232,429**	**3,594,261,337**	**13,483,862,055**	**16,844,146,330**

During the first nine months of 2023 the positive Realized hedging impact of USD 0.99 million resulted from Rompetrol Downstream, mainly from auctions hedging program which protects against market price increase.

On the other hand, during January – September 2022 the negative realized hedging was USD 221.8 million following the higher exposure of Rompetrol Rafinare and Rompetrol Downstream hedge instruments, and especially because the market increased to the highest levels, last time seen in 2008, following Ukraine geopolitical context.

- The main negative impact resulted from Rompetrol Rafinare SA Urals-Dated Brent differential Swaps (USD -106.8 million). With the swap instruments, the Urals-Dated Brent differential was set in January – September '22 at -2.03 USD / bbl. compared to the budget of -0.83 USD / bbl. for 10.3 million barrels (approx. 50% of Urals processed in the first nine months of 2022). However, during this period the Urals-Dated Brent differential collapsed to un-precedented level of -17.14 USD/bbl., triggered by the drop in demand for Russian crude oil because of geopolitical context.
- The other negative hedging impact resulted from Rompetrol Rafinare Futures for Around BOS stocks (-35.2 million USD) and Rompetrol Downstream Futures for Around benchmark stocks (-23.5mil USD). When prices decrease the stocks depreciate, but the hedging instruments creates positive effect, offsetting the physical loss. In the first nine months of 2022, Dated Brent increased by 74% from USD 79 (1st Jan) to USD 137.6 (8th Mar) per bbl., generating a loss on hedging instruments.

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

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

	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Staff costs	24,941,339	19,273,248	116,885,091	90,322,149
Utilities	7,537,109	6,729,745	35,321,908	31,538,277
Transportation	61,086,242	45,568,724	286,274,564	213,553,263
Professional and consulting fees	23,061,533	21,163,513	108,075,568	99,180,687
Royalties and rents	7,528,041	3,164,172	35,279,411	14,828,576
Consumables	151,724	29,411	711,039	137,832
Marketing	1,904,827	2,183,748	8,926,781	10,233,917
Taxes	2,323,466	1,452,679	10,888,691	6,807,835
Communications	490,264	475,625	2,297,573	2,228,969
Insurance	1,418,758	1,067,542	6,648,867	5,002,929
IT related expenditures	7,140,647	6,633,044	33,463,928	31,085,097
Environmental expenses	1,018,977	4,204,774	4,775,334	19,705,253
Maintenance and repairs	9,968,872	8,343,943	46,718,122	39,103,054
Other expenses	20,182,120	13,198,120	94,581,487	61,851,670
Costs before depreciation	**168,753,919**	**133,488,287**	**790,848,364**	**625,579,508**
Depreciation and amortisation	37,976,768	38,832,124	177,974,326	181,982,866
Total	**206,730,687**	**172,320,411**	**968,822,690**	**807,562,374**

(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

	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	21,472	71,184	100,626	333,597
Reserve for impairment of tangible assets, net	(7,176,669)	-	(33,632,742)	-
Provision for receivables and write-off, net	(1,194,911)	(449,032)	(5,599,831)	(2,104,344)
Provision for inventories, net	(2,180,130)	(20,640,608)	(10,216,960)	(96,730,146)
Tangible and intangible assets write-off	(15,154)	-	(71,018)	-
Other provisions, net	(348,756)	(9,319,483)	(1,634,410)	(43,674,825)
Other, net	782,591	4,919,487	3,667,534	23,054,684
Total	**(10,111,557)**	**(25,418,452)**	**(47,386,801)**	**(119,121,034)**

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

24. FINANCE COST, FINANCE INCOME AND FOREIGN EXCHANGE

	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(3,275,056)	(3,189,297)	(15,348,222)	(14,946,321)
Interest expense	(58,387,061)	(46,057,507)	(273,625,123)	(215,843,901)
Unwinding of discount - lease	(11,114,811)	(5,667,125)	(52,088,450)	(26,558,415)
Other financial expense	(36,211,127)	(22,200,406)	(169,699,826)	(104,039,983)
Total	**(108,988,055)**	**(77,114,335)**	**(510,761,621)**	**(361,388,620)**
Finance income				
Interest income	51,286,165	34,185,166	240,347,484	160,205,362
Other financial income	618,970	884,868	2,900,741	4,146,845
Total	**51,905,135**	**35,070,034**	**243,248,225**	**164,352,207**
Finance income/(cost) net	**(57,082,920)**	**(42,044,301)**	**(267,513,396)**	**(197,036,413)**
Unrealized net foreign exchange (losses)/gains	2,966,716	14,180,879	13,903,218	66,457,267
Realized net foreign exchange (losses)/gains	(7,720,217)	3,202,328	(36,180,025)	15,007,390
Foreign exchange gain/(loss), net	**(4,753,501)**	**17,383,206**	**(22,276,807)**	**81,464,657**
Total	**(61,836,421)**	**(24,661,094)**	**(289,790,203)**	**(115,571,756)**

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

25. INCOME TAX

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

	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	7,980,596	4,348,246	37,400,265	20,377,620
Solidarity tax	34,074,488	-	159,686,681	-
Total tax expense/(income)	**42,055,084**	**4,348,246**	**197,086,946**	**20,377,620**

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

c) Other taxes – Solidarity contribution

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for the first nine months of 2023 of USD 34.1 million.

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

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

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

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

26. OPERATING SEGMENT INFORMATION (continued)

Income Statement information for the period January – September 2023

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,326,805,188	98,313,692	-	1,769,311,331	-	3,194,430,211
Net revenues "Inter segment"	1,435,587,718	-	-	5,718,239	(1,441,305,957)	-
Cost of sales	(2,567,174,460)	(158,409,717)	-	(1,617,668,676)	1,466,020,424	(2,877,232,429)
Gross margin	**195,218,446**	**(60,096,025)**	**-**	**157,360,894**	**24,714,467**	**317,197,782**
Selling, general and administrative expenses	(49,917,202)	(8,662,946)	-	(116,774,983)	(31,375,556)	(206,730,687)
Other operating income/(expenses), net	(9,631,272)	(3,485)	-	(505,755)	28,955	(10,111,557)
Operating margin (EBIT)	**135,669,972**	**(68,762,456)**	**-**	**40,080,156**	**(6,632,134)**	**100,355,538**
Financial expenses, net	-	-	(51,854,159)	(5,224,816)	(3,945)	(57,082,920)
Net foreign exchange result	-	-	(5,376,283)	622,782	-	(4,753,501)
Profit/(loss) before income tax	**135,669,972**	**(68,762,456)**	**(57,230,442)**	**35,478,122**	**(6,636,079)**	**38,519,117**
Income tax	-	-	(34,979,862)	(7,075,222)	-	(42,055,084)
Net Profit/(Loss)	**135,669,972**	**(68,762,456)**	**(92,210,304)**	**28,402,900**	**(6,636,079)**	**(3,535,967)**
Depreciation and amortization	68,506,085	10,146,800	-	23,056,563	2,279,822	103,989,270

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"	6,217,939,833	460,737,286	-	8,291,700,620	-	14,970,377,739
Net revenues "Inter segment"	6,727,738,282	-	-	26,797,955	(6,754,536,237)	-
Cost of sales	(12,030,806,389)	(742,371,298)	-	(7,581,042,483)	6,870,358,115	(13,483,862,055)
Gross margin	**914,871,726**	**(281,634,012)**	**-**	**737,456,092**	**115,821,878**	**1,486,515,684**
Selling, general and administrative expenses	(233,931,975)	(40,598,030)	-	(547,254,280)	(147,038,405)	(968,822,690)
Other operating income/(expenses), net	(45,135,993)	(16,332)	-	(2,370,170)	135,694	(47,386,801)
Operating margin (EBIT)	**635,803,758**	**(322,248,374)**	**-**	**187,831,642**	**(31,080,833)**	**470,306,193**
Financial expenses, net	-	-	(243,009,331)	(24,485,577)	(18,488)	(267,513,396)
Net foreign exchange result	-	-	(25,195,413)	2,918,606	-	(22,276,807)
Profit/(loss) before income tax	**635,803,758**	**(322,248,374)**	**(268,204,744)**	**166,264,671**	**(31,099,321)**	**180,515,990**
Income tax	-	-	(163,929,625)	(33,157,320)	-	(197,086,946)
Net Profit/(Loss)	**635,803,758**	**(322,248,374)**	**(432,134,369)**	**133,107,351**	**(31,099,321)**	**(16,570,956)**
Depreciation and amortization	321,046,917	47,551,964	-	108,052,277	10,684,158	487,335,317

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

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

26. OPERATING SEGMENT INFORMATION (continued)

Statement of financial position information as at September 30, 2023

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,569,031,973	479,447,965	(602,470,571)	1,446,009,367
Total current assets	1,072,000,342	616,683,193	(269,631,637)	1,419,051,898
TOTAL ASSETS	**2,641,032,315**	**1,096,131,158**	**(872,102,208)**	**2,865,061,265**
Total equity	717,114,898	428,260,203	(609,965,920)	535,409,181
Total non-current liabilities	433,680,509	250,027,592	(172,501)	683,535,600
Total current liabilities	1,490,236,908	417,843,363	(261,963,787)	1,646,116,484
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,641,032,315**	**1,096,131,158**	**(872,102,208)**	**2,865,061,265**
Capital expenditure	16,105,834	3,011,174	(28,364)	19,088,644

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,353,111,438	2,246,884,950	(2,823,418,083)	6,776,578,305
Total current assets	5,023,822,403	2,890,024,113	(1,263,601,704)	6,650,244,812
TOTAL ASSETS	**12,376,933,841**	**5,136,909,063**	**(4,087,019,787)**	**13,426,823,117**
Total equity	3,360,687,258	2,006,998,614	(2,858,544,287)	2,509,141,585
Total non-current liabilities	2,032,400,337	1,171,729,309	(808,409)	3,203,321,237
Total current liabilities	6,983,846,246	1,958,181,140	(1,227,667,091)	7,714,360,295
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12,376,933,841**	**5,136,909,063**	**(4,087,019,787)**	**13,426,823,117**
Capital expenditure	75,478,380	14,111,566	(132,925)	89,457,021

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

26. OPERATING SEGMENT INFORMATION (continued)

Income Statement information for the period January – September 2022

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,750,798,388	166,399,887	-	2,065,055,079	-	3,982,253,354
Net revenues "Inter segment"	1,725,554,033	-	-	5,847,619	(1,731,401,652)	-
Cost of sales	(3,162,625,288)	(216,551,508)	-	(1,958,488,558)	1,743,404,016	(3,594,261,337)
Gross margin	**313,727,133**	**(50,151,621)**	**-**	**112,414,140**	**12,002,364**	**387,992,016**
Selling, general and administrative expenses	(46,306,265)	(6,914,774)	-	(94,289,359)	(24,810,013)	(172,320,411)
Other operating income/(expenses), net	(25,588,109)	(291)	-	(40,415)	210,363	(25,418,452)
Operating margin (EBIT)	**241,832,760**	**(57,066,686)**	**-**	**18,084,366**	**(12,597,286)**	**190,253,154**
Financial expenses, net	-	-	(45,508,061)	3,467,688	(3,928)	(42,044,301)
Net foreign exchange result	-	-	33,128,441	(15,745,234)	-	17,383,206
Profit/(loss) before income tax	**241,832,760**	**(57,066,686)**	**(12,379,620)**	**5,806,820**	**(12,601,214)**	**165,592,059**
Income tax	-	-	(221,831)	(4,126,415)	-	(4,348,246)
Net Profit/(Loss)	**241,832,760**	**(57,066,686)**	**(12,601,452)**	**1,680,405**	**(12,601,214)**	**161,243,814**
Depreciation and amortization	71,846,806	10,724,227	-	23,330,455	988,800	106,890,288

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"	8,204,941,562	779,816,430	-	9,677,674,126	-	18,662,432,118
Net revenues "Inter segment"	8,086,636,420	-	-	27,404,282	(8,114,040,702)	-
Cost of sales	(14,821,327,146)	(1,014,846,987)	-	(9,178,260,778)	8,170,288,581	(16,844,146,330)
Gross margin	**1,470,250,836**	**(235,030,557)**	**-**	**526,817,630**	**56,247,879**	**1,818,285,788**
Selling, general and administrative expenses	(217,009,680)	(32,405,397)	-	(441,877,652)	(116,269,645)	(807,562,374)
Other operating income/(expenses), net	(119,916,114)	(1,364)	-	(189,401)	985,845	(119,121,034)
Operating margin (EBIT)	**1,133,325,042**	**(267,437,318)**	**-**	**84,750,577**	**(59,035,921)**	**891,602,380**
Financial expenses, net	-	-	(213,268,977)	16,250,973	(18,409)	(197,036,413)
Net foreign exchange result	-	-	155,253,122	(73,788,465)	-	81,464,657
Profit/(loss) before income tax	**1,133,325,042**	**(267,437,318)**	**(58,015,855)**	**27,213,085**	**(59,054,330)**	**776,030,624**
Income tax	-	-	(1,039,589)	(19,338,031)	-	(20,377,620)
Net Profit/(Loss)	**1,133,325,042**	**(267,437,318)**	**(59,055,444)**	**7,875,054**	**(59,054,330)**	**755,653,004**
Depreciation and amortization	336,702,872	50,258,017	-	109,335,844	4,633,912	500,930,645

(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 487 million in 2023 and USD 720 million in 2022, for the period January - September.

Statement of financial position information as at December 31, 2022

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

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,674,813,590	1,684,851,341	(2,812,786,491)	6,546,878,440
Total current assets	3,083,648,716	2,117,794,053	(534,574,408)	4,666,868,361
TOTAL ASSETS	**10,758,462,306**	**3,802,645,394**	**(3,347,360,899)**	**11,213,746,801**
Total equity	3,469,429,959	1,873,601,983	(2,827,444,972)	2,515,586,970
Total non-current liabilities	787,207,207	585,537,074	(846,514)	1,371,897,767
Total current liabilities	6,501,825,140	1,343,506,337	(519,069,413)	7,326,262,064
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,758,462,306**	**3,802,645,394**	**(3,347,360,899)**	**11,213,746,801**
Capital expenditure	260,922,378	67,106,328	-	328,028,706

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

b. Geographical segments

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

Net revenues	September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
			(supplementary info – see Note 2(e))	
Romania	**2,231,604,946**	**2,670,033,203**	**10,458,193,419**	**12,512,843,603**
Export	**962,825,265**	**1,312,220,151**	**4,512,184,320**	**6,149,588,515**
out of which				
Europa	926,711,281	1,278,622,327	4,342,939,746	5,992,135,673
Asia	36,106,724	33,111,463	169,210,551	155,173,560
America	7,260	486,361	34,023	2,279,282
Total	**3,194,430,211**	**3,982,253,354**	**14,970,377,739**	**18,662,432,118**

27. RELATED PARTIES

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

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

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

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

27. RELATED PARTIES (continued)

	Receivables and other assets			
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	4,036,640	13,924,420	18,917,310	65,255,402
Rominserv S.R.L.	9,122,429	3,409,025	42,751,351	15,976,055
KMG International N.V.	61,456,963	62,247,992	288,011,911	291,718,990
KMG Rompetrol S.R.L	313,404	1,404,469	1,468,737	6,581,904
KMG Rompetrol S.R.L. - cash pooling	466,454,907	267,473,915	2,185,994,276	1,253,489,755
Oilfield Exploration Business Solutions S.A.	1,049,173	1,054,528	4,916,844	4,941,940
Rompetrol Well Services S.A.	85,953	68,995	402,810	323,338
KMG Rompetrol Services Center S.R.L.	12,721	36,958	59,616	173,200
Rompetrol Bulgaria	917,208	1,294,939	4,298,404	6,068,602
Rompetrol Moldova S.A.	2,158,658	188,833	10,116,335	884,947
Rompetrol Financial Group S.R.L.	2,407	2,418	11,280	11,332
Rompetrol Energy S.A.	19,111,197	18,853,747	89,562,714	88,356,200
Byron Shipping S.R.L.	1,661	2,174	7,784	10,188
Midia Marine Terminal S.R.L.	150,691	230,577	706,198	1,080,576
Rompetrol Georgia	1,270	1,277	5,952	5,985
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	58,676	59,334	274,979	278,063
KMG Rompetrol Development S.R.L.	6,895,978	6,973,833	32,317,311	32,682,171
Global Security Sistem S.A.	141,099	131,178	661,246	614,753
Total	**571,971,035**	**377,358,611**	**2,680,485,058**	**1,768,453,401**

	Payables, loans and other liabilities			
	September 30, 2023	December 31, 2022	September 30, 2023	December 31, 2022
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	801,605,099	541,944,575	3,756,642,136	2,539,769,056
Rominserv S.R.L.	19,621,939	25,031,950	91,956,255	117,309,730
KMG International N.V.	1,097,414	1,125,355	5,142,921	5,273,864
KMG Rompetrol S.R.L	6,719,167	9,404,374	31,488,704	44,072,658
KMG Rompetrol S.R.L. - cash pooling	511,204,344	410,008,202	2,395,708,038	1,921,462,438
Oilfield Exploration Business Solutions S.A.	356,264	318,388	1,669,596	1,492,094
Rompetrol Well Services S.A.	252,030	396,773	1,181,113	1,859,437
KMG Rompetrol Services Center S.R.L.	1,372,623	2,670,446	6,432,660	12,514,778
Rompetrol Bulgaria	247,116	207,669	1,158,084	973,220
Rompetrol Moldova S.A.	5,602,433	3,142,021	26,255,242	14,724,767
Byron Shipping Ltd.	2,057	2,069	9,640	9,696
Rompetrol Energy S.A.	5,108,381	9,269,247	23,939,917	43,439,399
Byron Shipping S.R.L.	68	4,087	319	19,153
Midia Marine Terminal S.R.L.	1,266,101	4,165,184	5,933,456	19,519,718
Rompetrol Georgia	50	50	234	234
KMG Rompetrol Development S.R.L.	4,407,555	3,145,027	20,655,566	14,738,855
Global Security Sistem S.A.	188,336	281,238	882,618	1,317,994
Global Security Systems Fire Services S.R.L.	362,454	318,038	1,698,604	1,490,453
TRG Petrol Ticaret Anonim Sirketi	2,538	2,538	11,894	11,894
Total	**1,359,415,969**	**1,011,437,231**	**6,370,766,997**	**4,739,999,438**

(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 September 30, 2023 respectively September 30, 2022, Rompetrol Rafinare Group entered into the following transactions with related parties:

Name of related party	Nature of transaction	Sales and other revenues September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	486,615,243	719,540,712	2,280,473,675	3,372,055,593
Rominserv S.R.L.	Fuel, utilities and other services	663,631	663,040	3,110,040	3,107,271
KMG International N.V.	Interest	5,128,520	4,319,956	24,034,296	20,245,042
KMG Rompetrol S.R.L	Fuel and other services	124,919	142,257	585,420	666,673
Oilfield Exploration Business Solutions S.A.	Fuel	3,285	4,621	15,395	21,656
Rompetrol Well Services S.A.	Fuel and other services	640,088	633,002	2,999,708	2,966,501
Rompetrol Bulgaria	Fuel	16,530,453	33,926,731	77,468,315	158,994,232
Rompetrol Moldova S.A.	Fuel	254,580,757	278,972,526	1,193,067,260	1,307,376,846
KMG Rompetrol Services Center S.R.L.	Rent and other services	91,892	94,195	430,643	441,435
Midia Marine Terminal S.R.L.	Fuel, rent and other services	458,957	479,184	2,150,856	2,245,648
Byron Shipping S.R.L.	Fuel and other services	12,180	15,303	57,080	71,716
Rompetrol Energy S.A.	Other services	26,743,366	31,816,362	125,330,110	149,104,199
Global Security Sistem S.A.	Fuel	67,090	78,248	314,411	366,701
KMG Rompetrol Development S.R.L.	PPE and other services	795	590	3,726	2,765
Total		**791,661,176**	**1,070,686,725**	**3,710,040,935**	**5,017,666,278**

Name of related party	Nature of transaction	Purchases and other costs September 30, 2023 USD	September 30, 2022 USD	September 30, 2023 RON	September 30, 2022 RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	2,274,173,743	2,675,515,712	10,657,687,829	12,538,536,833
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	42,971,942	61,792,593	201,383,709	289,584,808
KMG International N.V.	Management services	2,007,878	6,312,434	9,409,719	29,582,591
KMG Rompetrol S.R.L	Management services	26,434,479	23,381,239	123,882,542	109,573,838
Oilfield Exploration Business Solutions S.A.	Management services	44,266	40,995	207,448	192,119
Rompetrol Well Services S.A.	Other services	109	51	511	239
Rompetrol Bulgaria	Sales intermediary services	122,189	95,524	572,627	447,664
KMG Rompetrol Services Center S.R.L.	Shared services	6,322,901	5,125,399	29,631,643	24,019,670
Midia Marine Terminal S.R.L.	Handling services/Transit	11,286,216	10,174,101	52,891,723	47,679,907
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Acquisition of utilities	-	3,164,345	-	14,829,386
Rompetrol Energy S.A.	Acquisition of utilities	48,238,194	47,136,504	226,063,472	220,900,512
KMG Rompetrol Development S.R.L.	Retail	14,858,474	8,044,771	69,632,753	37,701,015
Global Security Sistem S.A.	Security and protection services	2,590,941	2,938,266	12,142,186	13,769,890
Global Security Systems Fire Services S.R.L.	Fire protection services	1,524,454	1,166,982	7,144,201	5,468,944
Total		**2,430,575,786**	**2,844,888,916**	**11,390,650,363**	**13,332,287,416**

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

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

27. RELATED PARTIES (continued)

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

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

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 30 September 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 3.6 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:

	September 30, 2023 USD	**September 30, 2022 USD**	**September 30, 2023 RON**	**September 30, 2022 RON**
			(supplementary info – see Note 2(e))	
Earnings				
Profit/(Loss) for the period attributable to ordinary equity holders of the parent entity	(4,282,089)	164,101,870	(20,067,582)	769,047,004
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	**(0.0160)**	**0.6180**	**(0.0750)**	**2.8960**

29. CONTINGENCIES

Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

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

In accordance with the above-mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 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. This measure is still in force and it is challenged by the Group. By now the seizure has not produced direct effects on the Company's recurring operations.

Following a first court decision favourable to the Company by which the conversion of bonds into shares that took place in September 2010 was stated as legally, on 15.02.2013 the Group and the Office of the State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the Memorandum, ANAF waived back the litigations started against the Company.

The Memorandum of Understanding includes also the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million USD;
- Establishment of an investment fund which will invest in energy project related to its core activities an amount estimated to reach if the market conditions are appropriate 1 USD billion over 7 years;
- The Ministry of Finance will renounce all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

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

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

On June 15, 2021, Rompetrol Rafinare SA submitted to Court of Appeal Constanta a request to order ANAF-General Directorate for the Administration of Large Tax Payers to issue the decision to lift the seizure and on December 21, 2021, the court admitted the request made by Rompetrol Rafinare SA. The decision was appealed by ANAF. The first term was set for May 25, 2023 and the Court postponed a decision for June 22, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal.

29. CONTINGENCIES (continued)

Contingencies – risk management and internal control

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

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

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

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

30. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

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

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

II. Civil files

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

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

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

30. LEGAL MATTERS (continued)

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

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

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.

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.

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

30. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

The next hearing is scheduled for December 5, 2023 when the witnesses will provide again their statement.

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

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

30. LEGAL MATTERS (continued)

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

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

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

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

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

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the group employees but lifting the interdiction for leaving the country. On March 9, 2023, the court finally lifted also the judicial control. Next hearing is set on November 29, 2023.

Vega lagoons greening Project located on the territory of Vega Refinery

On 16.02.2023 an unplanned inspection was started in the Vega refinery, by the National Environmental Guard - General Commissariat, the National Environmental Guard - Prahova County Commissariat and the Environment Fund Administration.
As a result of the inspection carried out, on 20.03.2023 the Administration of the Environmental Fund concluded the Finding Note no. 4637/20.03.2023, by which it was decided that within 20 working days, the technical project for the closure and post-closure monitoring of the deposit, as well as the proof of the establishment at its disposal of the closure fund of the deposit, should be submitted to this institution by the Company. The Company completed on time the measure.

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

Considering the findings mentioned in the above-mentioned control act, the National Guard requested the Prahova Environmental Protection Agency to issue a prior notification in order to suspend IEA (Integrated Environmental Authorization), a notification that was communicated to the Company on 25.04.2023 and by which the maximum deadline was granted, of 60 days, in order to carry out the measures imposed by the National Environmental Guard - General Commissariat, the National Environmental Guard - Prahova

30. LEGAL MATTERS (continued)

County Commissariat. The Prahova Environmental Protection Agency issued and communicated Notification no. 74/25.04.2023 prior to the suspension of IEA with a 60-day compliance deadline.

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

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

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

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

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

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

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

31. COMMITMENTS

Environmental risks and obligation

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

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

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

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

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

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

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

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

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

Climate change and energy transition

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

31. COMMITMENTS (continued)

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

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

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

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

War and conflict risk

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

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

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

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

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

31.COMMITMENTS (continued)

Cyber risk

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

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

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

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

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

Work safety and safe operations

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

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

32.2. Gearing ratio

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

	September 30, 2023	December 31, 2022
	USD	**USD**
Debt (excluding shareholder loans and related parties)	551,425,971	211,217,666
Cash and cash equivalents	(178,942,607)	(16,973,215)
Net debt	**372,483,364**	**194,244,450**
Equity (including shareholder loans and related parties)	535,409,181	536,784,519
Net debt to equity ratio	**0.70**	**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

	September 30, 2023	December 31, 2022
Financial assets		
Trade and other receivables	748,499,952	562,176,266
Long-term receivables	6,775,343	3,811,865
Derivative financial instruments	1,136,684	2,612,061
Cash and cash equivalents	178,942,607	16,973,215
TOTAL FINANCIAL ASSETS	**935,354,586**	**585,573,407**
Financial liabilities		
Long-term borrowings	265,900,000	-
Derivative financial instruments	-	4,592,619
Other non-current liabilities	418,359	165,353
Trade and other payables	1,450,353,061	1,193,423,012
Short-term borrowings banks	33,046,642	86,210,918
TOTAL FINANCIAL LIABILITIES	**1,749,718,062**	**1,284,391,902**

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Similarly, for trade and other payables the following are not considered as financial liabilities:
- Excises taxes;
- Special found tax for oil products;
- VAT payable;
- Profit tax payable;
- Salary taxes payable;
- Other taxes;

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:
- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 30 September 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.

	September 30, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	748,499,952	-	748,499,952	-
Long-term receivables	6,775,343	-	6,775,343	-
Derivative financial instruments	1,136,684	-	1,136,684	-
Cash and cash equivalents	178,942,607	178,942,607	-	-
TOTAL FINANCIAL ASSETS	**935,354,586**	**178,942,607**	**756,411,979**	**-**
Financial liabilities				
Long-term borrowings	265,900,000	-	265,900,000	-
Other non-current liabilities	418,359	-	418,359	-
Trade and other payables	1,450,353,061	-	1,450,353,061	-
Short-term borrowings banks	33,046,642	-	33,046,642	-
TOTAL FINANCIAL LIABILITIES	**1,749,718,062**	**-**	**1,749,718,062**	**-**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

During the reporting period ending 30 September 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:

	September 30, 2023	December 31, 2022
Derivative financial asset	1,136,684	2,612,061
Derivative financial liability	-	(4,592,619)
Net position – asset / (liability)	**1,136,684**	**(1,980,558)**

Income Statement:

	September 30, 2023	September 30, 2022
Realised (gains)/losses - net	(986,906)	217,493,684
Total position - loss/(gain) - in Cost of sales	**(986,906)**	**217,493,684**

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

	September 30, 2023	December 31, 2022
Derivative asset/(liability) 2022	**(1,980,558)**	**20,479,964**
Cash payments	956,613	3,303,474
Reserves	2,160,629	(25,763,996)
Derivative asset/(liability) 2023	**1,136,684**	**(1,980,558)**

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

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

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

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

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

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

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

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

32.6 Market risk

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

32.7. Foreign currency risk management

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

32.8. Interest rate risk management

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

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.9. Commodity price risk

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

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) 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 Group's refining activity is exposed to the rising prices of EUA certificates. The CO_2 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.

32.10. Credit risk

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

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 15% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

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

33. SUBSEQUENT EVENTS

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

RAMONA-GEORGIANA GALATEANU
FINANCE MANAGER

FLORIAN – DANIEL POP
GENERAL MANAGER

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ROMPETROL RAFINARE S.A.
COMPANY MANAGED IN ONE-TIER MANAGEMENT SYSTEM
ROMANIA
B-DUL NAVODARI NR. 215 PAVILION ADMINISTRATIV, NAVODARI, JUD. CONSTANTA
ROMANIA
Manufacture of products obtained from crude oil processing - CAEN 1920
KMG INTERNATIONAL N.V.
National Welfare Fund “Samruk Kazyna” JSC (87.42%), National Bank of the Republic of Kazakhstan Banca (9.58%) and other shareholders (3%)

ROMPETROL RAFINARE SA

UNAUDITED INTERIM STANDALONE FINANCIAL STATEMENTS

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

30 SEPTEMBER 2023

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	Notes	September 30, 2023	December 31, 2022
Intangible assets	3	8,732,175	13,497,269
Goodwill	4	152,720	152,720
Property, plant and equipment	5	3,864,896,856	4,163,154,164
Rights of use assets	6	51,319,594	53,769,901
Investments in subsidiaries	7	3,170,968,557	3,170,968,557
Total non current assets		**7,096,069,902**	**7,401,542,611**
Inventories, net	8	1,521,881,529	1,226,387,029
Receivables and prepayments, net	9	2,652,139,808	1,676,716,096
Derivative Financial Instruments	30	-	11,856,741
Cash and cash equivalents	10	757,905,973	23,243,490
Total current assets		**4,931,927,310**	**2,938,203,356**
TOTAL ASSETS		**12,027,997,212**	**10,339,745,967**
Subscribed share capital	11	2,655,920,573	2,655,920,573
Share premium	11	232,637,107	232,637,107
Revaluation reserves, net of deferred tax impact	11	1,205,293,893	1,205,293,893
Other reserves	11	3,477,715,645	3,467,988,066
Accumulated losses		(4,641,846,600)	(5,308,123,759)
Current period result		(183,522,830)	666,277,159
Total equity		**2,746,197,788**	**2,919,993,039**
Long-term borrowings from banks	15	1,246,113,760	-
Provisions	17	518,326,405	518,326,405
Long-term lease debts	16	53,077,006	54,700,998
Deferred tax liability	23	214,628,629	214,628,629
Total non-current liabilities		**2,032,145,800**	**787,656,032**
Trade and other payables	12	6,803,986,966	5,648,166,879
Contract liabilities	13	128,363,890	98,232,193
Short-term lease debts	16	2,799,911	2,859,828
Derivatives	30	-	21,584,319
Short-term borrowings from banks	14	154,869,785	283,618,888
Profit tax payable	23	159,633,072	577,634,789
Total current liabilities		**7,249,653,624**	**6,632,096,896**
TOTAL LIABILITIES AND EQUITY		**12,027,997,212**	**10,339,745,967**

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

RAMONA GEORGIANA GALATEANU
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

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

	Notes	**January - September 2023**	**January - September 2022**
Net revenues from contracts with customers	18	13,052,676,191	17,043,651,473
Cost of sales	19	(12,430,735,819)	(15,529,098,182)
Gross profit		**621,940,372**	**1,514,553,291**
Selling, general and administrative expenses	20	(293,198,627)	(320,606,379)
Other operating expenses	21	(178,672,978)	(735,983,907)
Other operating income	21	159,730,848	670,567,095
Operating profit		**309,799,615**	**1,128,530,100**
Financial expenses	22	(317,857,653)	(239,667,023)
Financial revenues	22	67,228,782	18,893,946
Net foreign exchange gains / (losses)	22	(83,060,502)	(644,169,189)
Profit / (Loss) before income tax		**(23,889,758)**	**263,587,834**
Income tax	23	(159,633,072)	-
Net Profit / (Loss) for the period		**(183,522,830)**	**263,587,834**
Earnings per share *(bani/share)* **Basis**	26	(0.69)	0.99

BATYRZHAN TERGEUSSIZOV
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Chief Accountant

	January - September 2023	January - September 2022
Net Profit / (Loss)	**(183,522,830)**	**263,587,834**
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	9,727,579	(284,300,320)
Total comprehensive income to be reclassified to income statement in subsequent periods (net of tax):	**9,727,579**	**(284,300,320)**
Other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):		
Revaluation of property plant and equipment	-	(25)
Total other comprehensive income not to be reclassified to income statement in subsequent periods (net of tax):	**-**	**(25)**
Total other comprehensive result for the period, net of tax	**9,727,579**	**(284,300,345)**
Total comprehensive result for the period, net of tax	**(173,795,251)**	**(20,712,511)**

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Chief Accountant

	Notes	September 30, 2023	September 30, 2022
Net result before income tax		**(23,889,758)**	**263,587,834**
Adjustments for:			
Depreciation and amortisation	19, 20	347,285,923	359,916,371
Provisions for receivables and inventories (incl write-off)	21	(9,385,126)	84,298,207
Impairment for property, plant and equipment (incl write-off), net		31,398,876	-
Expenses with penalties		9,760,602	11,683,055
Unwinding of discount - lease	16	1,375,023	940,980
Interest expenses		316,482,630	238,726,043
Inrerest income		(67,228,782)	(18,893,946)
(Gain)/Loss on sale or disposal of assets		(504)	(798)
Unrealised foreign exchange (gain)/loss	22	129,033,964	230,304,977
Cash generated from operations before working capital changes		**734,832,848**	**1,170,562,723**
Net working capital changes in:			
Receivables and prepayments		(656,700,850)	(831,259,243)
Inventories		(285,853,352)	(526,021,973)
Trade and other payables and contract liabilities		669,152,667	205,650,168
Change in working capital		**(273,401,535)**	**(1,151,631,048)**
Income tax paid		(577,634,789)	-
Net cash inflow / (outflow) from operating activities		**(116,203,476)**	**18,931,675**
Cash flows from investing activities			
Purchase of property, plant and equipment		(72,976,555)	(218,958,570)
Purchase of intangible assets		(50,801)	(49,290)
Receipts from selling of assets		504	798
Net cash (outflow) from investing activities		**(73,026,852)**	**(219,007,062)**
Cash flows from financing activities			
Cash pooling movement		176,193,960	651,192,471
Short - term loans received from / (paid) to banks		(33,231,967)	365,269,988
Long - term loans received from / (paid) to banks		1,100,962,756	(418,023,119)
Lease repayments		(3,549,308)	(3,593,796)
Interest and bank charges paid, net		(316,482,630)	(238,260,692)
Net cash inflow from financing activities		**923,892,811**	**356,584,852**
Increase / (Decrease) in cash and cash equivalents		**734,662,483**	**156,509,464**
Cash and cash equivalents at the beginning of period		**23,243,490**	**87,598,088**
Cash and cash equivalents at the end of the period		**757,905,973**	**244,107,552**

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	Share capital	Share premium	Acumulated losses	Revaluation reserves	Deferred tax on the revaluation reserve	Other reserves	Total equity
1st of January 2022	**2,655,920,573**	**232,637,107**	**(5,433,027,385)**	**1,621,972,935**	**(259,515,670)**	**3,513,820,106**	**2,331,807,666**
Net profit for Q3 2022	**-**	**-**	**263,587,834**	**-**	**-**	**-**	**263,587,834**
Revaluation reserves	-	-	-	(25)	-	-	(25)
Net gain/(loss) on cash flow hedges	-	-	-	-	-	(284,300,320)	(284,300,320)
Total other comprehensive income for Q3 2022	**-**	**-**	**-**	**(25)**	**-**	**(284,300,320)**	**(284,300,345)**
Total comprehensive income for Q3 2022	**-**	**-**	**263,587,834**	**(25)**	**-**	**(284,300,320)**	**(20,712,511)**
30st of September 2022	**2,655,920,573**	**232,637,107**	**(5,169,439,551)**	**1,621,972,910**	**(259,515,670)**	**3,229,519,786**	**2,311,095,155**
1st of January 2023	**2,655,920,573**	**232,637,107**	**(4,641,846,600)**	**1,434,873,687**	**(229,579,794)**	**3,467,988,066**	**2,919,993,039**
Net loss for Q3 2023	**-**	**-**	**(183,522,830)**	**-**	**-**	**-**	**(183,522,830)**
Net gain/(loss) on cash flow hedges	-	-	-	-	-	9,727,579	**9,727,579**
Total other comprehensive income for Q3 2023	**-**	**-**	**-**	**-**	**-**	**9,727,579**	**9,727,579**
Total comprehensive income for Q3 2023	**-**	**-**	**(183,522,830)**	**-**	**-**	**9,727,579**	**(173,795,251)**
30st of September 2023	**2,655,920,573**	**232,637,107**	**(4,825,369,430)**	**1,434,873,687**	**(229,579,794)**	**3,477,715,645**	**2,746,197,788**

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

RAMONA GEORGIANA GALATEANU
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

1. GENERAL

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

Rompetrol Rafinare SA production facilities are located in Romania. The number of employees of the Company as at 30 September 2023 is 1,218, respectively 1,154 as at 31 December 2022.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b) The going concern

The financial statements of the Company are prepared on a going concern basis. As at 30 September 2023 and 31 December 2022, the Company's net assets amount to 2,746 million and RON 2,920 million, respectively. For the periods ending 30 September 2023 and 31 December 2022 the Company reported a loss of RON 184 million and a profit of RON 666 million, respectively. The accumulated losses recorded until present are due to the fact that the Company was impacted by the refining activity specificity, characterized by a significant volatility and low refinery margins in the past years.

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

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

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

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

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

On the long-term (2030+) road fuels demand will be negatively impacted by the population decline, higher electrification rate, as well as vehicle energy efficiency improvement. Decreasing demand for fuels putting pressure on refining volumes, utilization and margins.

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

- In the short to mid-term, increase vertical integration and start diversification of business;
- In the mid-long term, to continue further transition from diversified downstream player to energy provider.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority for the short to mid-term projects run in the existing markets and current assets.

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

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

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

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

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

The project, worth over 150 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment. Construction began in May 2021 and and at this moment it is in an advanced stage of the works.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in accounting policies

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New and amended standards and interpretations

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

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

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

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

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

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

- **IFRS 17: Insurance Contracts**

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

e) Significant professional judgements, estimates and assumptions

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The Company's carries its property, plant and equipment at fair value, with the reflection of the changes from this revaluation in the financial statements prepared for that year. The fair value is determined on the basis of revaluations usually carried by qualified evaluation professionals, members of a nationally and internationally recognized professional body in the valuation expertise field.
Revaluations are carried out with sufficient regularity so that the carrying amount does not differ materially from that which would be determined using the fair value at the balance sheet date. The frequency of revaluations depends on changes in the fair values of revalued property, plant and equipment. If the fair value of a revalued asset differs materially from its carrying amount, a new revaluation is required. Annual revaluations are needed where there are significant and volatile movements in values. Where fair values are stable over a long period, as might be the case with plant and machinery, valuations might be required less frequently.

The fair value of property, plant and equipment determined after revaluation becomes the depreciable amount of those assets at the beginning of the financial year following the one for which the revaluation was performed.
If the carrying amount of an asset is increased as a result of a revaluation, that increase must be recognized directly in other comprehensive income. However, the increase must be recognized in profit or loss to the extent that it offsets a decrease in the revaluation of the same asset previously recognized in profit or loss.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

- ***Provision for environmental liability***

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- ***Deferred tax assets***

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

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

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

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

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

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

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

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

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

- ***Provision for litigations***

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

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

f) Financial instruments

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

a. Financial assets

Initial recognition and measurement

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition

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

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

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

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

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

Impairment of financial assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

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

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Property plant and equipment

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

h) Intangible assets

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Investments in subsidiaries

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

Environmental provisions

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

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

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

l) Leases

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. Right-of-use assets

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

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

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

ii. Lease liabilities

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Inventories

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

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

n) Trade receivables

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

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

o) Cash and cash equivalents

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

p) Revenue from contracts with customers

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

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

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

(i) Variable consideration

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(ii) Volume rebates

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

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

q) Interest bearing loans and borrowings

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

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

r) Borrowings costs

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Retirement benefit costs

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

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

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

t) Taxes

- ***Current income tax***

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

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

- ***Deferred tax***

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

- ***Sales tax***

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

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

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

u) Dividends

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

v) Foreign Currency Transactions

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

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

Currency	30 September 2023	31 December 2022
RON / USD	4.6864	4.6346
RON / EUR	4.9746	4.9474

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

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

w) Derivative financial instruments

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

Fair value hedge

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash Flow Hedge

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

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

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

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

Cash flow hedge is accounted as following:

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

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

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

x) Emission Rights

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

y) Fair value measurement

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

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

- In the principal market for the asset or liability;

Or

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

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

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

z) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

	Software / Licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**73,588,644**	**5,104,316**	**979,302**	**79,672,261**
Additions	92,025	-	19,688	111,713
Disposals	-	-	(760,444)	(760,444)
Transfers, reclassifications and adjustments*	210,766	-	(198,887)	11,879
Closing balance as of December 31, 2022	**73,891,434**	**5,104,316**	**39,659**	**79,035,409**
Additions	-	-	50,801	50,801
Transfers, reclassifications and adjustments*	-	90,460	(90,460)	-
Closing balance as of September 30, 2023	**73,891,434**	**5,194,776**	**-**	**79,086,210**
Accumulated amortization				
Opening balance as of January 1, 2022	**(54,639,497)**	**(2,196,906)**	**-**	**(56,836,403)**
Charge for the year	(7,710,562)	(991,174)	-	(8,701,736)
Closing balance as of December 31, 2022	**(62,350,060)**	**(3,188,080)**	**-**	**(65,538,140)**
Charge for the year	(4,058,946)	(756,949)	-	(4,815,895)
Closing balance as of September 30, 2023	**(66,409,006)**	**(3,945,029)**	**-**	**(70,354,035)**
Net book value				
As of December 31, 2022	**11,541,374**	**1,916,236**	**39,659**	**13,497,269**
As of September 30, 2023	**7,482,428**	**1,249,747**	**-**	**8,732,175**

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

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

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Furniture and others	Construction in progress	Total
Cost or valuation						
As of January 1, 2022	**283,899,987**	**1,283,155,481**	**2,692,009,440**	**9,387,965**	**156,288,170**	**4,424,741,045**
Acquisitions	-	-	6,696,394	-	260,759,467	267,455,861
Transfers from CIP	-	106,038,690	109,391,929	311,839	(215,754,337)	(11,879)
Transfers and reclassifications*	-	792,263	(792,282)	-	-	(19)
As of December 31, 2022	**283,899,987**	**1,389,986,434**	**2,807,305,482**	**9,699,804**	**201,293,300**	**4,692,185,008**
Acquisitions	-	-	1,409,475	24,366	71,542,714	72,976,556
Transfers from CIP	-	33,177,021	89,014,961	-	(122,191,981)	-
As of September 30, 2023	**283,899,987**	**1,423,163,455**	**2,897,729,918**	**9,724,170**	**150,644,033**	**4,765,161,564**
Accumulated depreciation & Impairment						
As of January 1, 2022	**-**	**-**	**(2,461,464)**	**-**	**(3,171,485)**	**(5,632,949)**
Charge for the year	(8,265,581)	(152,344,001)	(324,364,842)	(923,034)	-	(485,897,457)
Impairment	-	(12,543,115)	(24,956,720)	(597)	-	(37,500,431)
Transfers and reclassifications*	-	(39,492)	39,485	-	-	(6)
As of December 31, 2022	**(8,265,581)**	**(164,926,607)**	**(351,743,540)**	**(923,632)**	**(3,171,485)**	**(529,030,844)**
Charge for the year	(5,173,669)	(94,279,051)	(239,745,131)	(637,137)	-	(339,834,988)
Impairment	-	(15,699,438)	(15,699,438)	-	-	(31,398,876)
As of September 30, 2023	**(13,439,250)**	**(274,905,096)**	**(607,188,109)**	**(1,560,769)**	**(3,171,485)**	**(900,264,708)**
Net book value as of December 31, 2022	**275,634,407**	**1,225,059,827**	**2,455,561,942**	**8,776,172**	**198,121,815**	**4,163,154,164**
Net book value as of September 30, 2023	**270,460,737**	**1,148,258,359**	**2,290,541,809**	**8,163,401**	**147,472,548**	**3,864,896,856**

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- Construction in progress

In first 9 months of the year 2023, the significant contribution to the total acquisitions for construction in progress is represented by the projects of replacement catalysts (approximately RON 19.9 million), Tank rehabilitation projects (about RON 16.4 million), the ISCIR projects within the two refineries (about RON 12.2 million), the project Emergency Shutdown of 100 CDU, 120 NHT (about RON 4.0 million), Refinery MHC unit restart (approximately RON 4.4 million) and other projects totaling RON 14.7 million.

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

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

- Disposal

No asset disposals were recorded in the first 9 months of the year 2023 and 2022.

- *Capitalization of borrowing costs*

In the first 9 months of the year 2023 the capital projects were financed from Company's operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during first 9 months of the year 2023 (2022: RON nil).
The Company's borrowing funds obtained for generally for the business are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in the first 9 months of the year 2023 and 2022 for capitalization by applying a capitalization rate to the expenditure on the asset.

- Impairment

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Rompetrol Rafinare SA has certain items of plant and equipment related to production lines that were no longer used. Related to the assets currently not in use an impairment provision was recognized in amount of RON 37.5 million for Petromidia Refinery (of which HDPE unit amounts RON 23.5 million and the Aromatic complex amounts RON 6.6 million) and RON 2.7 million for Vega Refinery as of December 31, 2022.

In respect of HDPE unit, considering that "Swing HDPE to PP" project was temporary put on hold given the current economic environment, The Company's Management performed a technical assessment of the future use of HDPE components. Following the assessment prepared it was concluded that, out of the total net book value as of 31 December 2022 in amount of RON 63.2 million, RON 38.4 million represent components which were preliminary assessed as being used in the foreseeable future for the current petrochemicals operational activity, RON 1.3 million was assessed as scrap, and for the remaining of RON 23.5 million an impairment adjustment was recorded as of 31 December 2022.

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

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

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

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

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

The company pledged property, plant and equipment in favor of banks with a net carrying amount of RON 1,013,561,164 (2022: RON 1,080,375,504).

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

The last hearing was set for December 6, 2021 and a decision issued on December 20, 2021 in favour of the company by releasing the seizure. The decision was appealed by ANAF to Supreme Court. The first term was set in the appeal for May 25, 2023 when the Court postponed a decision for June 22, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (See Note 28). Also, on the same date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to an asset freeze.
Further prosecutor orders as well statements of defenses were issued and submitted during 2016 – 2019 and finally on December 5, 2019 Prosecutor’s Office of Romania closed the criminal file, discharged all allegations and lifted the criminal seizure over RRC assets, but still kept a precautionary seizures over 4 installations (for a value of $106.5m) in case any alleged civil party is damaged by the said ordinance.

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

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

6. RIGHTS OF USE ASSETS

	Land, building and special constructions	Plant and equipment	Vehicles and others	Total
Initial cost / revalued				
Opening balance at January 01, 2022	**60,534,029**	**1,839,076**	**2,524,362**	**64,897,467**
Additions	-	-	331,800	331,800
Re-measurement and other adjustments	445,545	891,130	-	1,336,675
Disposals	-	(176,224)	(15,458)	(191,681)
Closing balance at December 31, 2022	**60,979,574**	**2,553,982**	**2,840,704**	**66,374,260**
Re-measurement and other adjustments	-	106,795	77,939	184,734
Closing balance at September 30, 2023	**60,979,574**	**2,660,777**	**2,918,643**	**66,558,994**
Accumulated depreciation & Impairment				
Opening balance at January 01, 2022	**(6,978,096)**	**(1,575,365)**	**(719,102)**	**(9,272,563)**
Charge for the year	(2,398,189)	(549,638)	(575,651)	(3,523,478)
Accumulated depreciation of ceased rights of use assets	-	176,224	15,458	191,681
Closing balance at December 31, 2022	**(9,376,286)**	**(1,948,779)**	**(1,279,294)**	**(12,604,359)**
Charge for the year	(1,816,725)	(373,140)	(445,176)	(2,635,041)
Closing balance at September 30, 2023	**(11,193,010)**	**(2,321,920)**	**(1,724,470)**	**(15,239,400)**
Net book value as of December 31, 2022	**51,603,288**	**605,203**	**1,561,410**	**53,769,901**
Net book value as of September 30, 2023	**49,786,563**	**338,858**	**1,194,172**	**51,319,594**

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

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

Land, buildings and special construction category includes mainly:

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

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

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

7. INVESTMENT IN SUBSIDIARIES

	30 September 2023	31 December 2022
Investments in subsidiaries	3,170,968,557	3,170,968,557
Total	**3,170,968,557**	**3,170,968,557**

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

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

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

**Note: all subsidiaries are Romanian companies*

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

The accounting policy change has been applied retrospectively.

8. INVENTORIES, NET

	September 30, 2023	December 31, 2022
Crude oil and other feedstock materials (at lower of cost and net realisable value)	899,287,503	693,636,165
Finished products (at lower of cost and net realisable value)	300,255,147	328,380,857
Work in progress (at cost)	274,687,423	156,235,749
Spare parts (at cost less inventories write-down)	16,739,669	15,821,004
Other consumables (at cost less inventories write-down)	24,634,358	24,684,177
Merchandises (at cost less inventories write-down)	80,960	153,826
Other inventories (at cost less inventories write-down)	6,196,469	7,475,251
Total	**1,521,881,529**	**1,226,387,029**

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

The movement of the provision for inventories in the first 9 months of the year 2023 and 2022 is presented below:

	September 30, 2023	December 31, 2022
Reserve at the beginning of the year	**(158,742,661)**	**(79,792,287)**
Accrued provision	(143,159,151)	(159,230,902)
Reversal provision inventories reserve	152,800,300	80,280,528
Reserve at the end of the period	**(149,101,512)**	**(158,742,661)**

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

9. RECEIVABLES AND PREPAYMENTS, NET

	September 30, 2023	December 31, 2022
Trade receivables	1,673,670,988	1,041,294,686
Advances to suppliers	65,510,112	97,978,601
Sundry debtors	93,791,108	54,625,814
VAT to be recovered	636,065	23,542,812
Other receivables	863,552,213	504,029,942
Reserve for bad and doubtful debts	(45,020,678)	(44,755,759)
Total	**2,652,139,808**	**1,676,716,096**

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

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

Another amount included in Sundry debtors refers to RON 12 million (2022: RON 23.4 million) in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident. As of 31 December 2022 an amount of RON 3.7 million is included in Sundry debtors for payment made by Rompetrol Rafinare SA to Navodari City Hall following the fiscal audit on local taxes (in respect of revaluation of buildings). The inspection team considered that for year 2012, certain buildings were not revalued within three years of the previous revaluation and applied a higher local tax rate of 10% for the buildings, and as a consequence assessed an additional tax on buildings and related penalties in total amount of RON 20.4 million, out of which the principal is RON 11.2 million and the penalties and accessories are RON 9.2 million (calculated until the date of the report).

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

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

On 28 February 2011, Rompetrol Rafinare SA won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2,577,938 CO_2 emission certificates for the entire period 2008 - 2012 (Decision 69/CA/2011). On October 30, 2012, the Supreme Court confirmed this resolution. In June 2020 the court admitted the Company' claim (the countervalue of the said 2.5 million CO_2 certificates in amount of EUR 36 million). During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows RON 30 million in 2020, RON 48.2 million in 2021 and RON 78.9 million in 2022.

At 30 September 2023, out of the total amount of RON 65.5 million (2022: RON 98 million) representing advances to suppliers, RON 65.5 million (2022: RON 98 million) are in respect of other raw materials, utilities, investment projects and CO_2 certificates acquisition.

Out of the total balance for other receivables of RON 863.6 million (2022: RON 504 million), an amount of RON 690 million (2022: RON 392 million) relates to cash pooling receivables. Also, in other receivables an amount of RON 78.9 million (2022: RON 68.3 million) refers to excise receivables.

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

	September 30, 2023	**December 31, 2022**
Sundry debtors	93,791,108	54,625,814
Other receivables	863,552,213	504,029,942
Provision for sundry debtors and other receivables	(1,220,335)	(1,220,335)

Out of the total amount of other receivables and sundry debtors of RON 957.3 million (2022: RON 558.7 million) an amount of RON 1.2 million (2022: RON 1.2 million) is provisioned.

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

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

	September 30, 2023	December 31, 2022
Balance at the beginning of the year	**(44,755,759)**	**(56,472,983)**
Charge for the year	(1,001,827)	(2,264,451)
Utilized	745,805	330,279
Reclassification between balance sheet items	-	13,654,238
Exchange rate differences	(8,897)	(2,841)
Balance at the end of the period	**(45,020,678)**	**(44,755,759)**

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

		Trade receivables					
		Days past due					
30 September 2023	**Total**	**Current**	**1 - 30 days**	**30 - 60 days**	**60 - 90 days**	**90 - 120 days**	**> 120 days**
Expected credit loss rate	**2.29%**	**0.00%**	**1.54%**	**0.20%**	**0.94%**	**29.88%**	**95.07%**
Estimated total gross carrying amount at default	**1,673,653,782**	1,575,166,900	45,652,202	9,394,001	3,860,156	198,164	39,382,357
Expected credit loss	**38,260,200**	-	703,943	18,546	36,096	59,205	37,442,411

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

			Past due but not impaired				
	Total	**Neither past due not impaired**	**1 – 30 days**	**30 – 60 days**	**60 – 90 days**	**90 - 120 days**	**>120 days**
30 September 2023	**1,635,393,581**	1,575,166,900	44,948,259	9,375,455	3,824,061	138,959	1,939,947
31 December 2022	**1,003,282,199**	889,797,851	49,055,808	44,667,670	17,047,290	240,762	2,472,818

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

At 30 September 2023, the trade receivables at the initial value of RON 38.3 million (2022: RON 38.0 milion) have been considered uncertain and provisioned.

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

	Collectively impaired
At January 1, 2022	**(36,058,356)**
Value adjustments for impairment of receivables	(2,264,363)
Reversed provisions	330,279
Exchange rate difference	(2,841)
At December 31, 2022	**(37,995,282)**
Value adjustments for impairment of receivables	(1,001,827)
Reversed provisions	745,805
Exchange rate difference	(8,897)
At September 30, 2023	**(38,260,201)**

10. CASH AND CASH EQUIVALENTS

	September 30, 2023	December 31, 2022
Cash at bank	757,301,096	22,597,466
Cash on hand	28,136	3,585
Transitory amounts	310,691	5,100
Other cash equivalents	266,050	637,339
Total	**757,905,973**	**23,243,490**

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

11. EQUITY

11.1 SHARE CAPITAL

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

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

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

11. EQUITY (continued)

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

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

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

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

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

11.2 SHARE PREMIUM

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

11.3 REVALUATION RESERVES

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

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

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

11. EQUITY (CONTINUED)

11.4 OTHER RESERVES

Hybrid Loan

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

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

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

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

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

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

The addendums have retroactive effects.

12. TRADE AND OTHER PAYABLES

	September 30, 2023	December 31, 2022
Trade payables	4,319,366,575	3,492,866,976
VAT payable	238,601,400	374,084,032
Special found tax for oil products	27,560,632	27,560,632
Taxes payable	5,175	(1,180)
Employees and social obligations	38,947,957	45,277,389
Other liabilities	2,179,505,227	1,708,379,030
Total	**6,803,986,966**	**5,648,166,879**

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

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

The cash pooling debt amounts to RON 2,164.08 million (2022: RON 1,693.27 million) and is recognised in “Other liabilities”.

13. CONTRACT LIABILITIES

	September 30, 2023	December 31, 2022
Short-term advances from other customers	128,363,890	98,232,193
Total short-term advances	**128,363,890**	**98,232,193**

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

14. SHORT-TERM BORROWINGS

Short-term loan from banks

	30 September 2023	31 December 2022
Banca Transilvania	**127,449,280**	**99,581,428**
Revolving credit ceiling on short term credit facility of up to EUR 30 million, for working capital purposes, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG International; mortgage on the delayed coking unit; pledge on machinery and equipment; mortgage on real estate land area of 30,380.96 m2; assignment of rights from insurance compensation.		
Banca Transilvania	**7,003,731**	**68,103,551**
Short-term credit facility type cash and non-cash amounting to EUR 27,961,890 for the current activity, issuing letters of credit and letters of guarantee, due on July 28, 2024; guarantee on the credit balances of all current accounts; Corporate unconditional and irrevocable guarantee issued by KMG I; assignment of rights from insurance compensation; rank mortgage on installations: HDV = EUR 9.3 million; DAV = EUR 14,3 million; DGRS =EUR 7.3 million; AFPE = EUR 16.08 million; GA (G1 + G3) = EUR 5.2 million; ON202 = EUR 5.7 million; warranty on land and buildings - EUR 181,000; warranty on the equipment; pledge on movable production assets EUR 10.9 million.		
Interest due	1,675,965	68,909
	136,128,976	**167,753,888**
Syndicated loan – through Unicredit Bank as payer agent (current portion)	-	115,865,000
Syndicated loan – auxiliary component representing overdraft loan granted by Garanti Bank	14,054,572	-
Syndicated loan – auxiliary component representing overdraft loan granted by OTP Bank Romania	4,686,237	-
TOTAL	**154,869,785**	**283,618,888**

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

15. LONG-TERM BORROWINGS

Long-term loan from banks

	30 September 2023	31 December 2022
Loan facility – through BCR (Banca Comerciala Romana) as payer agent General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. Facility granted by a consortium of banks, namely Banca Comerciala Romana S.A. (BCR), ING Bank N.V Amsterdam – Bucharest Branch, Raiffeisen Bank S.A., UniCredit Bank S.A., Alpha Bank Romania S.A., Garanti Bank S.A. and OTP Bank Romania S.A.The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 13, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.	1,246,113,760	-
TOTAL	**1,246,113,760**	**-**

The movement of loans in the first 9 months 2023 is presented below:

	At January 01, 2023	Movement	At September 30, 2023
Long-term borrowings from banks	-	1,246,113,760	1,246,113,760
Short-term borrowings from banks	283,549,979	(130,356,158)	153,193,821
Total	**283,549,979**	**1,115,757,602**	**1,399,307,581**
Interest short-term borrowings from banks	68,909	1,607,055	1,675,965
Total	**68,909**	**1,607,055**	**1,675,965**

16. OBLIGATION UNDER LEASE AGREEMENTS

	2023	2022
Opening balance at 01 January	**57,560,826**	**58,761,696**
Additions	-	331,800
Re-measurement	184,734	1,336,675
Payments	(3,549,308)	(4,759,636)
Interest accrued	1,375,023	1,866,193
Exchange rate impact	305,642	24,099
As at 30 September / December	**55,876,917**	**57,560,826**
Non-current	53,077,006	54,700,998
Current	2,799,911	2,859,828

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

17. PROVISIONS

The movement of the provisions is presented below:

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

Environmental provision

Vega lagoons

As of 31 December 2022, the Company recognized an environmental provision of RON 426.9 million (2021: RON 290.9 million) based on reassessment of the site restoration provision. Reassessment was performed considering the following change in assumptions as compared with previous period:

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

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

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

17. PROVISIONS (continued)

Vadu cassettes

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

During 2021, a detailed investigation report was provided to the environmental authorities. The feasibility study was also contracted and completed, the next steps for remedial actions will be communicated by the competent authority. Based on the feasibility study and correspondence with environmental authorities, Management concluded that the Company has a constructive obligation for the rehabilitation of the cassettes, thus an assessment of the obligation was performed as of 31 December 2021. In this respect, a provision of RON 21.7 million was recorded as of 31 December 2021. As at 30 September 2023 and 31 December 2022, considering the information available and discussions with environmental authorities, Management assessed the provision recorded as of 31 December 2021 as being appropriate.

Retirement benefit provision

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

Fiscal provision

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

18. NET REVENUES FROM CONTRACT WITH CUSTOMERS

	January - September 2023		TOTAL 2023	January - September 2022		TOTAL 2022
	Refining	Petrochemicals		Refining	Petrochemicals	
Gross revenues from the sale of finished oil products	15,757,843,749	447,844,608	16,205,688,357	19,385,723,394	767,477,977	20,153,201,371
Revenues from petrochemicals trading	-	46,173	46,173	-	-	-
Revenues from other merchandise sales	1,877,268	-	1,877,268	39,501,034	-	39,501,034
Revenues from utilities sold	21,151,947	-	21,151,947	11,904,746	-	11,904,746
Revenues from the sale other products	324,000	-	324,000	343,127	-	343,127
Revenues from other services	13,159,525	-	13,159,525	13,346,437	-	13,346,437
Gross Revenues	**15,794,356,489**	**447,890,781**	**16,242,247,270**	**19,450,818,738**	**767,477,977**	**20,218,296,715**
Less sales taxes	(3,189,571,079)	-	(3,189,571,079)	(3,174,645,242)	-	(3,174,645,242)
Total	**12,604,785,410**	**447,890,781**	**13,052,676,191**	**16,276,173,496**	**767,477,977**	**17,043,651,473**

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

19. COST OF SALES

	January - September 2023	**January - September 2022**
Crude oil and other raw materials	11,111,433,136	13,360,806,495
Consumables and other materials	53,296,717	53,260,296
Utilities	721,405,773	774,679,790
Staff costs	124,183,454	87,516,165
Transportation	159,387	174,883
Maintenance	102,610,905	91,196,700
Insurance	8,833,028	7,252,586
Environmental expenses	51,598,704	102,610,909
Other	45,429,184	43,753,944
Cash production cost	**12,218,950,288**	**14,521,251,767**
Depreciation and amortization	295,674,526	303,233,998
Production costs	**12,514,624,814**	**14,824,485,765**
Less: Change in inventories	(104,939,596)	(235,870,849)
Less: Own production of property, plant & equipment	(1,040,466)	(14,491,271)
Cost of petrochemicals trading	45,469	-
Cost of other merchandise sales	1,834,142	41,576,797
Cost of utilities sold	20,211,456	10,129,715
Realised (gains)/losses on derivatives	-	903,268,024
Total	**12,430,735,819**	**15,529,098,182**

During January - September 2022 the negative realized hedging was RON 903.3 million following the higher exposure of Rompetrol Rafinare hedge instruments, and especially because the market increased to the highest levels, last time seen in 2008, following Ukraine geopolitical context.

- The main negative impact resulted from Rompetrol Rafinare SA Urals-Dated Brent differential Swaps (RON -485.1 million). With the swap instruments, the Urals-Dated Brent differential was set in January - September 2022 at -2.03 USD / bbl. compared to the budget of -0.83 USD / bbl. for 10.3 million barrels (approx.. 50% of Urals processed in the first nine months of 2022). However, during this period the Urals-Dated Brent differential collapsed to un-precedented level of -17.14 USD/bbl., triggered by the drop in demand for Russian crude oil because of geopolitical context.
- The other negative hedging impact resulted from Rompetrol Rafinare Futures for Around BOS stocks (RON -156.2 million). When prices decrease the stocks depreciate, but the hedging instruments creates positive effect, offsetting the physical loss. In the first nine months of 2022, Dated Brent increased by 74% from USD 79 (1st Jan) to USD 137.6 (8th Mar) per bbl., generating a loss on hedging instruments.

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

	January - September 2023	January - September 2022
Staff costs	38,936,536	32,447,576
Utilities	20,143,694	18,980,448
Transportation	49,286,090	37,731,600
Professional and consulting fees	28,863,469	32,493,427
Consumables	573,213	1,247,585
Marketing	2,018	64,707
Taxes	3,554,520	3,189,808
Communications	27,639	21,186
Insurance	2,329,761	2,184,107
IT related expenditures	6,021,002	5,057,140
Environmental expenses	6,155,918	63,209,975
Maintenance	17,963,611	15,415,768
Fees and penalties	24,319,614	26,991,721
Other expenses	43,410,145	24,888,957
Costs before depreciation	**241,587,229**	**263,924,005**
Depreciation and amortisation	51,611,397	56,682,374
Total	**293,198,627**	**320,606,379**

21. OTHER OPERATING (INCOME) / EXPENSES, NET

	January - September 2023	January - September 2022
Loss / (gain) from impairment of property, plant and equipment, net	31,398,876	-
Loss / (gain) from receivables (including provisions and write-off), net	256,022	160,294
Loss / (gain) from provision for inventories and write-off, net	(9,586,024)	84,137,913
Other expenses / (income), net	(3,126,744)	(18,881,395)
Total	**18,942,130**	**65,416,813**

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	January - September 2023	January - September 2022
Finance cost		
Interest expense	57,160,540	39,423,208
Interest expense shareholders and related parties	116,882,874	114,188,036
Unwinding of discount - lease	1,375,023	940,980
Other financial expense	142,439,216	85,114,799
	317,857,653	**239,667,023**
Finance income		
Interest income	(63,417,612)	(16,513,772)
Other financial income	(3,811,170)	(2,380,173)
	(67,228,782)	**(18,893,946)**
Finance cost / (income), net	**250,628,871**	**220,773,077**
Unrealized net foreign exchange losses/(gains)	129,033,964	230,304,976
Realized net foreign exchange losses/(gains)	(45,973,462)	413,864,213
Foreign exchange (gain)/loss, net	**83,060,502**	**644,169,189**
Total	**333,689,373**	**864,942,266**

23. INCOME TAX

a. The current income tax rate in in first 9 months of the year 2023 was 16%, the same as in 2022.

	September 30, 2023 RON	September 30, 2022 RON
Tax expense comprises:		
Current expense with income tax, out of which	**159,633,072**	**-**
Current income tax	-	-
Solidarity contribution	*159,633,072*	-
Deferred tax expense / (income)	**-**	**-**
Total tax expense / (income)	**159,633,072**	**-**

b. Deferred tax

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

23. INCOME TAX (continued)

c. Other taxes – Solidarity contribution

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022 ("GEO 186") adopted by Law 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for the first 9 months of 2023 of RON 159.6 million, taking in account the present norms of the "GEO 186" adopted by Law 119/2023.

Contingencies related to taxation

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

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

24. OPERATING SEGMENT INFORMATION

Geographical segments

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

	September 30, 2023	**September 30, 2022**
Romania	8,744,374,827	11,009,431,498
Europe	4,144,104,289	5,884,885,567
Asia	164,197,074	147,240,516
America	-	2,093,892
Total	**13,052,676,191**	**17,043,651,473**

25. RELATED PARTIES

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

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

25. RELATED PARTIES (continued)

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

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

	Receivables and other assets	
	September 30, 2023	**December 31, 2022**
KazMunayGas Trading AG	258,107,229	235,100,198
Rompetrol Downstream S.R.L	1,132,088,636	393,764,336
Rompetrol Petrochemicals S.R.L.	481	481
Rompetrol Gas SRL	32,490,764	50,798,926
Rompetrol Moldova ICS	10,027,849	-
Rompetrol Bulgaria JSC	152	1,014,345
Rominserv S.R.L.	41,629,148	15,859,443
Rompetrol Quality Control S.R.L.	165,260	191,532
Rompetrol Logistics S.R.L	2,121	1,780
Midia Marine Terminal S.R.L.	658,525	1,024,824
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	274,985	274,985
KMG Rompetrol SRL	690,847,401	398,201,670
Global Security Systems S.A.	607,539	606,080
Rompetrol Energy S.A.	89,539,115	87,258,432
Byron Shipping Ltd.	2,192	2,806
Oilfield Exploration Business Solutions S.A.	2,939,808	2,980,529
Rom Oil S.A.	-	88,313
Rompetrol Financial Group SRL	11,281	11,207
KMG Rompetrol Services Center SRL	46,636	46,238
Total	**2,259,439,122**	**1,187,226,127**

25. RELATED PARTIES (continued)

	Payables, loans and other liabilities	
	September 30, 2023	**December 31, 2022**
KazMunayGas Trading AG	4,015,929,915	2,684,890,824
Rompetrol Downstream S.R.L	42,845,463	37,960,211
Rompetrol Petrochemicals S.R.L.	8,315,590	8,315,590
KMG International N.V.-trade debts	972,246	1,152,218
Rompetrol Gas SRL	2,971,095	2,879,235
Rompetrol Moldova ICS	26,956,835	14,729,346
Rominserv S.R.L.	55,795,728	86,404,563
Rompetrol Quality Control S.R.L.	3,240,503	13,528,786
Midia Marine Terminal S.R.L.-trade debts	5,926,288	19,293,936
Midia Green Energy SA (former Uzina Termoelectrica Midia SA)	415	415
KMG Rompetrol SRL- debt cash pooling	2,149,642,641	1,681,424,077
KMG Rompetrol SRL-interest cash pooling	14,440,530	11,847,300
KMG Rompetrol SRL-trade debts	5,004,525	22,235,373
Global Security Systems Fire Services S.R.L.	1,697,838	1,473,150
KMG Rompetrol Development	351,998	10,014,759
Rompetrol Energy S.A.	24,035,417	30,529,883
Rom Oil S.A.	16,800	-
KMG Rompetrol Services Center SRL	1,293,080	5,053,254
TRG Petrol Ticaret Anonim Sirketi	10,346	10,346
Total	**6,359,447,253**	**4,631,743,267**

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

25. RELATED PARTIES (continued)

B. In the first 9 months of the year 2023, respectively in the first 9 months of the year 2022, Rompetrol Rafinare had the following transactions with the related parties:

0	0	Sales		Purchases	
Name of related party	**Nature of transaction , sales / purchases**	**January - September 2023**	**January - September 2022**	**January - September 2023**	**January - September 2022**
KazMunayGas Trading AG	Raw materials / Petroleum products	2,222,840,432	3,650,769,375	11,286,811,092	13,904,415,769
Rompetrol Downstream S.R.L	Petroleum products, rent, utilities and other	6,192,027,035	7,523,397,978	2,051,762	2,020,113
Rompetrol Petrochemicals S.R.L.	Rent, utilities and other	-	-	821	-
KMG International N.V.	Loan interest, management services	-	-	6,292,303	7,580,261
Rompetrol Gas SRL	Platform operation, propane / Petroleum products, rent, other	356,622,325	526,440,186	693,805	554,632
Rompetrol Moldova ICS	Sales intermediary services	1,151,555,810	1,293,813,619	-	-
Rompetrol Bulgaria JSC	Sales intermediary services	21,172,812	63,745,514	-	-
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	2,478,798	2,471,148	169,466,588	267,232,335
Rompetrol Quality Control S.R.L.	Laboratory analysis/Rent, utilities, other services, dividends	1,379,254	1,334,445	23,869,612	25,255,316
Rompetrol Logistics S.R.L	Transport, rent/Rent, utilities	10,652	11,274	123,243	123,243
Midia Marine Terminal S.R.L.	Handling services/ Rent,utilities, reinvoicing, loan interest ,others	1,806,345	1,951,629	51,360,712	47,685,910
Rompetrol Well Services S.A.	Loan interest	-	-	488	232
Midia Green Energy SA (fosta Uzina Termoelectrica Midia SA)	Acquistion of utilities	-	-	-	21,189,697
Rompetrol Energy S.A.	Acquistion of utilities	272,253,306	146,048,179	169,419,543	186,327,404
KMG Rompetrol S.R.L.	Loan interest, management services	34,363,504	16,050,085	148,670,011	147,077,836
Global Security Systems S.A.	Security and protection services	1,226	1,254	7,398,619	9,234,868
Global Security Systems Fire Services SRL	Security and protection services	-	-	6,940,948	5,433,735
Byron Shipping S.R.L.	Demurrage /Rent, reinvoices of other services	17,528	20,208	-	-
Romoil S.A.	Reinvoicing bank loan fees	-	-	651,530	-
KMG Rompetrol Services Center SRL	Shared services	343,632	351,635	9,193,314	7,780,853
		10,256,872,659	**13,226,406,529**	**11,882,944,391**	**14,631,912,204**

25. RELATED PARTIES (continued)

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

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

26. EARNINGS PER SHARE

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

	September 30, 2023	September 30, 2022
Net profit (+), loss (-)	(183,522,830)	263,587,834
Average number of shares	26,559,205,726	26,559,205,726
Result per share - base (bani/share)	(0.69)	0.99

27. CONTINGENT LIABILITIES

Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

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

In accordance with the above mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 100m, redeemed 2,160,000 Bonds for EUR 54m in August 2010 and converted into shares the remaining bods in September 2010. Therefore from October 1, 2010 the State became therefore shareholder of the Company with 44.69%.

The Ministry of Public Finance publicly took an adverse position against such course of action and challenged it in various course procedures and on 10 September 2010 the National Agency of Fiscal Administration ("**ANAF**") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. and its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories. This measure is still in force and it is challenged by the Group. By now the seizure has not produced direct effects on the Company's recurring operations.

27. CONTINGENT LIABILITIES (continued)

Following a first court decision favourable to the Company by which the conversion of bonds into shares that took place in September 2010 was stated as legally, on 15.02.2013 the Group and the Office of the State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the Memorandum, ANAF waived back the litigations started against the Company .

The Memorandum of Understanding includes also the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million USD;
- Establishment of an investment fund which will invest in energy project related to its core activities an amount estimated to reach if the market conditions are appropriate 1 USD billion over 7 years;
- The Ministry of Finance will renounce all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

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

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

On June 15, 2021, Rompetrol Rafinare SA submitted to Court of Appeal Constanta a request to order ANAF-General Directorate for the Administration of Large Tax Payers to issue the decision to lift the seizure and on December 21, 2021, the court admitted the request made by Rompetrol Rafinare SA. The decision was appealed by ANAF. The first term was set for May 25, 2023 and the Court postponed a decision for June 22, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal.

Risk management and internal control

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

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

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

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

28. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

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

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

II. Civil files

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

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

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

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

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

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.

28. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

The next hearing is scheduled for December 5, 2023 when the witnesses will provide again their statement.

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

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

28. LEGAL MATTERS (continued)

Litigation on Tax Assessments received by Rompetrol Rafinare SA in 2017

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

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

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

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

The Company submitted an appeal in front of the High Court of Justice. The first term was set in the appeal for May 25, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal having the first hearing on December 7, 2023.

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

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian "instalatia Hidrofinare Petrol Motorina" hereinafter HPM plant). As a result of the incident, 3 employees of the company died and one employee was hospitalized due to a hip fracture. The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal, was finalised and communicated to the Company the technical expertise carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies, document analysed both by the criminal lawyers, by the party expert and the company's specialists, objections and point of view of the party expert being submitted as well as requests for clarifications issued by the case prosecutor; the company has the quality of a civilly responsible party, hearings of the employees involved in the incident were performed. At the same time, the collective work accident is being investigated by the Territorial Labour Inspectorate according to the incident legislation, who submitted in front of the criminal investigators their Work Accident Investigation Report.

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

28. LEGAL MATTERS (continued)

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

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

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the 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 November 29, 2023.

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

On 16.02.2023 an unplanned inspection was started in the Vega refinery, by the National Environmental Guard - General Commissariat, the National Environmental Guard- Prahova County Commissariat and the Environment Fund Administration.
As a result of the inspection carried out, on 20.03.2023 the Administration of the Environmental Fund concluded the Finding Note no. 4637/20.03.2023, by which it was decided that within 20 working days, the technical project for the closure and post-closure monitoring of the deposit, as well as the proof of the establishment at its disposal of the closure fund of the deposit, should be submitted to this institution by the Company. The Company completed on time the measure.

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

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

29. COMMITMENTS

Environmental risks and obligation

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

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

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

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

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

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

29. COMMITMENTS (continued)

During 2022, the Company has continued with the greening process of Vega lagoons, progress and status of the project being reported on a regular basis to the environmental competent authorities. As a result of the discussions held with the environmental authorities since 2021, they decided that the environmental agreement revised in January 2021 is in force and produce legal effects; also in the revised integrated environmental permit issued for Vega refinery on November 2022 has been mentioned conditions regarding execution of the rehabilitation works without any term, so that the Company can execute the works according to the technical project of closure and post-closure monitoring, which will be developed and approved by the authorities.

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

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

<u>Climate change and energy transition</u>

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

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

The Company is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned. However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Company’s standalone Financial Statements for the year ended 31 December 2022 reflect the world as it currently exists and what Management reasonably expects in the foreseeable future based on current facts and evidence.

On the mid-term, it is expected a favorable economic outlook with a positive impact for road fuels demand driven by increasing motorization rate and small electrification rates in CEE. Extensive development of retail and wholesale channels in Romania remains an important direction for development until 2025, to ensure mitigation of oil and refinery margin fluctuations and increase profitability through volumes.

On the long-term (2035+) road fuels demand will be negatively impacted by the population decline, higher electrification rate, as well as vehicle energy efficiency improvement. Decreasing demand for fuels will put pressure on refining volumes, utilization and margins.

For updated Company’s strategy regarding climate change and energy transition please refer to Note 2b).

29. COMMITMENTS (continued)

War and conflict riks

In the context of the military conflict between Russia and Ukraine, started on 24 February 2022, the EU, USA, UK, Switzerland and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies, sectoral sanctions, import/export restrictions as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

The war in the Ukraine and its related short- term consequences are creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.

At present, we are monitoring very closely the current situation and developments of sanctions and related restrictions applied to Russian environment by relevant international stakeholders and regularly conduct a risk assessment on this basis. We are in constant dialogue with our customers and suppliers in the region and try to stay in connection with competent authorities in order to identify any potential impact of newly issued sanctions on our business and supply chains at an early stage and act accordingly.

The Company does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Company's sources for crude oil are not from Russia and the Company does not have operations in Russia or Ukraine.

Cyber risk

The progress made toward digitalization certainly brings great benefits, however as the use of new technologies and their capabilities increases, so do the risks derived from their exposure in cyberspace, the reliance on the systems deployed and the information generated by the Company. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Company is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Company rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.

In 2022, the Company was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

The Company continuously improves cyber security capabilities. and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Company continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

29. COMMITMENTS (continued)

Work safety and safe operations

Protecting the employees is a priority of the company, and the company is committed to safe responsible operations to protect the health and safety of our employees, contractors and communities. This commitment is reflected in our safety system design and our focus on continuous learning and development achieved through training in human rights and work safety.

Besides the set of measures and policies in place, work accidents can still occur, however the company's top priorities remain the improvement of industrial safety, reduce work-related injuries and accidents-free operation of production facilities.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

The Company manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Company consists of bank debt and shareholder loans (see Note 15), cash and cash equivalents and equity attributable to equity holders of the Company, comprising issued capital, reserves and retained earnings as disclosed in the "Statement of Changes in the Shareholders' Equity".

B. GEARING RATIO

The debt – to - equity ratio at the end of the year is as follows:

	September 30, 2023	**December 31, 2022**
Debt (excluding shareholder and related parties loans)	1,400,983,545	283,618,888
Cash and cash equivalents	(757,905,973)	(23,243,490)
Net Borrowings	**643,077,572**	**260,375,398**
Equity (including shareholder and related parties loans)	2,746,197,788	2,919,993,039
Gearing ratio	**23.4%**	**8.9%**

<u>The computation method as per 13A appendix from ASF Regulation no. 5/2018</u>

	September 30, 2023	**December 31, 2022**
Long-term borrowings	1,246,113,760	-
Total equity	2,746,197,788	2,919,993,039
Gearing ratio	**45.38%**	**0.00%**

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

C. FINANCIAL INSTRUMENTS

	30 September 2023	31 December 2022
Financial assets		
Investments in subsidiaries	3,170,968,557	3,170,968,557
Trade receivables and other receivables	1,722,441,418	1,051,164,741
Derivatives	-	11,856,741
Cash and bank accounts	757,905,973	23,243,490
TOTAL FINANCIAL ASSETS	**5,651,315,948**	**4,257,233,529**

Financial liabilities	30 September 2023	31 December 2022
Derivatives	-	21,584,319
Commercial liabilities and other liabilities	6,526,541,753	5,235,846,953
Short term loans	154,869,785	283,618,888
Long term borrowings from banks	1,246,113,760	-
Lease debts	55,876,918	57,560,826
Profit tax payable	159,633,072	577,634,789
TOTAL FINANCIAL LIABILITIES	**8,143,035,288**	**6,176,245,776**

Trade and other receivables are at net recoverable value and the following categories are not considered as financial assets:

- VAT to be recovered;
- Profit tax to be recovered;
- Other taxes to be recovered.

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Excises taxes;
- Special fund for oil products (FSPP);
- VAT payable;
- Profit tax payable;
- Salary taxes payable;
- Other taxes;

The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Company enters into derivative financial instruments with various counterparties. As at 30 September 2023, the marked to market value of derivative position is for financial instruments recognised at fair value.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1:** quoted (unadjusted) prices in active markets for identical assets or liabilities;
- **Level 2:** other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly;
- **Level 3:** techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	30 September 2023	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments in subsidiaries	3,170,968,557	-	-	3,170,968,557
Trade receivables and other receivables	1,722,441,418	-	1,722,441,418	-
Derivatives	-	-	-	-
Cash and bank accounts	757,905,973	757,905,973	-	-
TOTAL FINANCIAL ASSETS	**5,651,315,948**	**757,905,973**	**1,722,441,418**	**3,170,968,557**
Financial liabilities				
Commercial liabilities and other liabilities	6,526,541,753	-	6,526,541,753	-
Short term loans	154,869,785	-	154,869,785	-
Long term borrowings from banks	1,246,113,760	-	1,246,113,760	-
Lease debts	55,876,918	-	55,876,918	-
Profit tax payable	159,633,072	-	159,633,072	-
TOTAL FINANCIAL LIABILITIES	**8,143,035,288**	**-**	**8,143,035,288**	**-**

	31 December 2022	**Level 1**	**Level 2**	**Level 3**
Financial assets				
Investments in subsidiaries	3,170,968,557	-	-	3,170,968,557
Trade receivables and other receivables	1,051,164,741	-	1,051,164,741	-
Derivatives	11,856,741	-	11,856,741	-
Cash and bank accounts	23,243,490	23,243,490	-	-
TOTAL FINANCIAL ASSETS	**4,257,233,529**	**23,243,490**	**1,063,021,482**	**3,170,968,557**
Financial liabilities				
Derivatives	21,584,319	-	21,584,319	-
Commercial liabilities and other liabilities	5,235,846,953	-	5,235,846,953	-
Short term loans	283,618,888	-	283,618,888	-
Lease debts	57,560,826	-	57,560,826	-
Profit tax payable	577,634,789	-	577,634,789	
TOTAL FINANCIAL LIABILITIES	**6,176,245,776**	**-**	**6,176,245,776**	**-**

At 30 September 2023, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

The Company uses different commodity derivatives as a part of price risk management in trading of crude oil and products.

The Company performs hedging transactions regarding the risk of increasing USD interest rates.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments for fair value are recognized in profit or loss as they arise.

E. MARKET RISK

The Company's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Company's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Company.

F. FOREIGN CURRENCY RISK MANAGEMENT

For the purpose of preparing these Financial Statements, in accordance with the requirements of the Romanian law, the Company's functional currency is the Romanian leu (RON).

Crude oil imports, loans and a significant part of petroleum products are all denominated principally in US Dollars. Therefore, in respect of liabilities the Company is exposed to the risk of US dollar appreciation to the detriment of local currency, while in respect of foreign currency receivables, exposure arises in the context of depreciation of US dollar currency. Moreover, certain assets and liabilities are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Company Treasury is responsible for handling the Company foreign currency transactions.

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Company is mainly exposed to the USD and EUR fluctuation risk.

The following table details the Company's sensitivity to a 5% increase and decrease in the RON exchange rate against the relevant foreign currencies. The sensitivity analysis includes only the foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in the exchange rates. A positive number below indicates an increase in profit and other equity here generated by a positive exchange rate RON/USD of 5% and generated by a negative exchange rate RON/EUR of 5%. For a 5% weakening of the exchange rate RON against USD and an increase of the exchange rate RON against EUR there would be a negative impact in the profit, with the same value.

	USD		**EUR**	
	30 September 2023	**31 December 2022**	**30 September 2023**	**31 December 2022**
RON				
5%	(226,566,836)	(124,845,115)	9,598,476	(7,952,013)
(5%)	226,566,836	124,845,115	(9,598,476)	7,952,013

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

H. INTEREST RATE RISK MANAGEMENT

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Company's borrowings, are provided in Notes 14, 15.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If the interest rates had varied by + / - 50 points and all the other variables had remained constant, the net result of the Company as at 30 September 2023 would decrease / increase by RON 26.8 million (2022: decrease / increase by RON 26.0 million).

I. OIL PRODUCTS and RAW MATERIAL PRICE RISK

The Company is affected by the volatility of crude oil, oil product and refinery margin prices.

The operating activities of the Company require ongoing purchase of crude oil to be used in its production as well as for the supply of petroleum products to its customers. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Company's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Company started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) can be hedged using future contracts traded on ICE Exchange and some OTC instruments for the secondary risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Company, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Company can sell or buy the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

The Refining activity of the Company is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO2 emissions are offset with EUA certificates. For the current year, the Company has covered the need for certificates. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA market in order to hedge EUA deficit of the Refinery for the remaining years of first part of phase IV (2024-2025) as well as the following years. When the market price will be within the target level of the Company, hedge operations will be carried on.

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J. CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or purchase contracts, which leads to a financial loss. The Company is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

Outstanding customer receivables are regularly monitored. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of aging.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Company's treasury in accordance with the Company's policy.

31. SUBSEQUENT EVENTS

The Company performed an assessment of the events subsequent to the balance sheet date through the date for the financial statements and determined there are no subsequent adjusting events that may require disclosure in the financial statements.

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

RAMONA GEORGIANA GALATEANU
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

Rompetrol Rafinare SA
Financial ratios as at 30 September 2023
13A appendix from ASF Regulation no. 5/2018

Indicator	Result	Calculation method
1. Current ratio	0.68	Current assets/Current liabilities
2. Gearing ratio	45.38%	Borrowed capital/Equity x 100
3. Receivables turnover ratio	34.23	Average balance for receivables/Turnover x 270
4. Non-current assets turnover ratio [1]	2.45	Turnover/Non-current assets

**Note: Economic and financial indicators were computed based on unaudited financial statements.*
*[1] Non-current assets turnover ratio is calculated based on annualized turnover for the period January-September 2023 *(360/270) days.*

CHAIRMAN OF THE BOARD OF DIRECTORS,
Batyrzhan Tergeussizov

FINANCIAL MANAGER,
Galateanu Ramona Georgiana

GENERAL MANAGER,
Florian-Daniel Pop

PREPARED BY (Chief Accountant),
Anton Alexandru Cornel