ROMPETROL RAFINARE S.A.

COMPANY MANAGED IN A ONE – TIER MANAGEMENT SYSTEM

INDIVIDUAL ANNUAL REPORT
OF THE BOARD OF DIRECTORS

2023

ROMPETROL RAFINARE SA
215 Năvodari Blvd. Administrative Building, 905700, Năvodari, Constanța, ROMANIA
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ANNUAL REPORT
ROMPETROL RAFINARE S.A.
on the individual financial statements of the Company drafted according to the Order no. 2844/2016 of the Ministry of Public Finance as subsequently amended and supplemented, and according to Law no. 24/2017 on the issuers of finance instruments and market operations, republished, and to Annex 15 of Regulation 5/2018 issued by Financial Services Authority (FSA) for the financial year concluded on December 31st, 2023

Report date: March 21, 2024

Registered office: 215 Navodari Blvd., Administrative Pavilion, Navodari, Constanta county

Nr. Telephone/Facsimile No.: +(40) 241 506100 / +(40) 241 506930

Tax Identification Number at the Trade Register Office by the Law Court of Constanţa: 1860712

Registered with the Trade Register under No.: J13/534/1991

The shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the BUCHAREST STOCK EXCHANGE[1]

Subscribed and paid-in share capital: 2,655,920,572.60 lei

The main characteristics of the securities issued by Rompetrol Rafinare S.A.:

- **Dematerialized nominal common shares, the record of which is held by the Depozitarul Central S.A. Bucharest**
  - **Total number of shares:** 26,559,205,726
  - **Nominal value:** 0.10 lei
  - **Symbol of shares at the Bucharest Stock Exchange:** RRC

[1]*Starting 5th of January 2015 the shares of Rompetrol Rafinare S.A. are traded in the Standard Category of the Bucharest Stock Exchange (Bursa de Valori Bucureşti -"BVB"). Up to this date they have been traded within category II of BVB.*

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1. THE ANALYSIS OF THE ACTIVITY OF ROMPETROL RAFINARE S.A.

1.1. OVERVIEW OF THE COMPANY

a) Main activity of ROMPETROL RAFINARE

Rompetrol Rafinare S.A. stands as a testament to operational excellence and strategic importance within the Romanian and wider European energy sector. With a solid foundation built on decades of expertise, a strategic network of subsidiaries, and a commitment to compliance and best practices, Rompetrol Rafinare continues to set benchmarks in the oil refining industry, contributing significantly to energy security and economic stability in Romania and beyond.

Rompetrol Rafinare S.A. (hereinafter referred to as „RRC" or the „Company"), a company member of KMG International Group, is a joint stock company, managed in a one-tier management system, with registered office in Năvodari, bulevardul Năvodari, nr. 215, Pavilion Administrativ, judeţul Constanţa operating Petromidia and Vega refineries, situated in Năvodari, Constanţa County, and Vega in Ploieşti, Prahova County. The company is registered with the Trade Registry under the number J13/534/1991 and Tax Identification Number 1860712.

Starting with 01.01.2014, Rompetrol Rafinare S.A. took over the operational plants (polymer and utilities production) of Rompetrol Petrochemicals S.R.L.

According to the provisions of the Articles of Incorporation of the Company Rompetrol Rafinare S.A. the main field of activity is „*manufacturing of products obtained from the processing of crude oil*" (NACE code 192), and the main object of activity is represented by the "manufacturing of products obtained from the processing of crude oil" (NACE code 1920). Other secondary objects of activity are detailed in the Articles of Incorporation of the Company.

Rompetrol Rafinare holds the quality of authorized warehouse keeper, in accordance with the applicable tax legislation. Petromidia and Vega Refineries are authorized as production tax warehouses, being manufacturers of energy products, according to the tax rules governing the production of energy products.

Rompetrol Rafinare also holds Integrated Environmental Permits, issued by the competent environmental authorities in accordance with the environmental legislation, for the 2 operated refineries: Petromidia and Vega.

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The shares of Rompetrol Rafinare are traded freely within the Standard category of the Bucharest Stock Exchange, under market symbol RRC. The stock market capitalization as of 31 December 2023 amounted to RON 2,230.97 million.

Rompetrol Rafinare is the parent company for the subsidiaries Rompetrol Quality Control S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Logistics S.R.L., (together with its subsidiary Rompetrol Gas S.R.L.) and Rompetrol Petrochemicals S.R.L.

The stand-alone financial statements of the Company for the year ended as of 31 December 2023 are prepared according to the International Financial Reporting Standards adopted by the European Union (EU IFRS) according to the Order of Public Finance (OMF) no. 2844/2016 disposing that the listed Romanian companies must issue stand-alone financial statements according to IFRS adopted by the European Union (EU).

The annual consolidated financial statements of Rompetrol Rafinare S.A. and those of Rompetrol Quality Control S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Logistics S.R.L., (together with its subsidiary Rompetrol Gas S.R.L.) and Rompetrol Petrochemicals S.R.L. branch offices are also prepared by the Company according to IFRS adopted by EU. On its turn, the parent company Rompetrol Rafinare is part of KMG International Group that issues the consolidated financial statements at the level of KMG International N.V., with registered office in Netherlands.
The stand-alone and consolidated financial statements of Rompetrol Rafinare are public and can be obtained from the Company's website https://rompetrol-rafinare.kmginternational.com/.

2023 FOR ROMPETROL RAFINARE S.A.

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. In 2023, in vast proportion, Petromidia processed Kazakh crude oil – KEBCO and CPC.

In 2023, the total throughput for Petromidia refinery was 5.012 million tons lower by 5% as against last year. The decrease was affected by operation of Petromidia refinery without the Mild Hydrocraking unit (MHC), due to a technical incident that occurred on 21st of June 2023.

The rehabilitation works of MHC unit were carried out by the company's contractor, Rominserv, with the support of specialized subcontractors from the region.

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In 2023 the refining capacity utilization in Petromidia refinery reached 78.2%, lower as against last year, being influenced by MHC incident.

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

- ✓ White finished products yield of 84.1%wt;
- ✓ Technological loss of 0.66%wt;
- ✓ Record for RON 98 gasoline production and special diesel grades production (Diesel 55, EFIX Diesel, Super Diesel Euro 5)

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 374,327 tons in 2023, higher by 0.38%, compared with last year when the total throughput was 372,920 tons for full year 2022.

In 2023 the refining capacity utilization for Vega refinery was higher by 0.43% compared with the same periods last year.

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

- ✓ Technological loss of 0.58%;
- ✓ Energy consumption of 2.33 GJ/t;
- ✓ Mechanical Availability of 98.50%.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania’s fiscal budget with over USD 1.65 billion in 2023 of which USD 128 million representing solidarity contribution for year 2022, paid on June 23, 2023.

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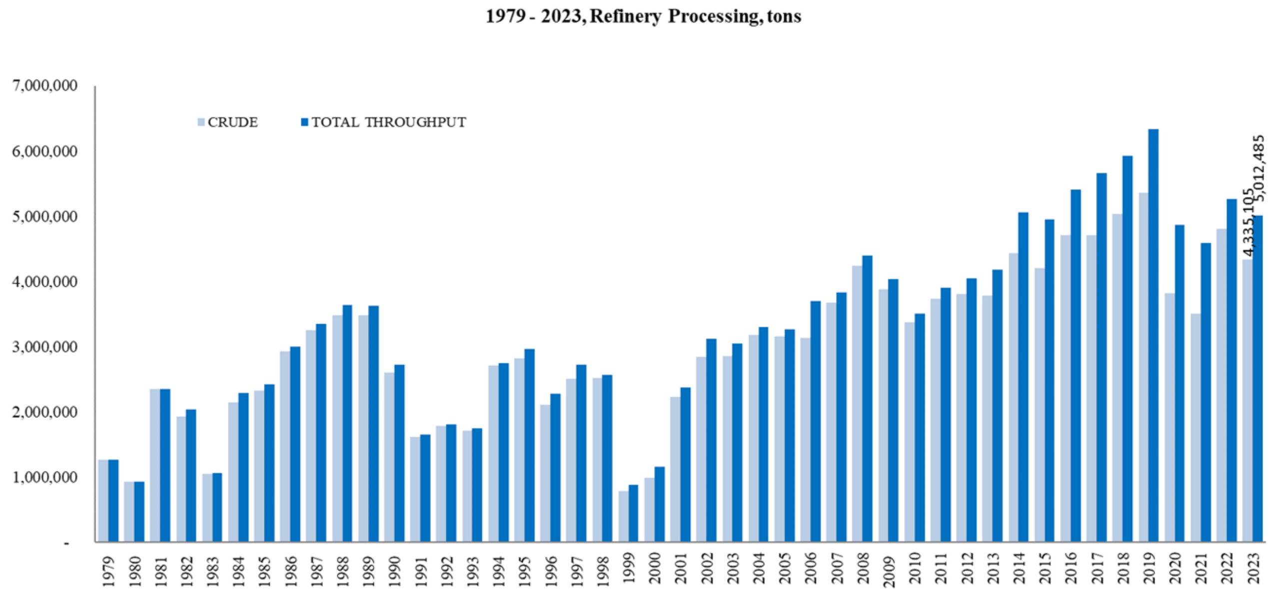
The evolution of the processed feedstock starting from 1979 (the year of starting up the first installation within the Petromidia Refinery - Atmospheric and Vacuum Refinement) up to 2023 is rendered by the graphic below:



b) Date of establishment

Rompetrol Rafinare S.A. is the most important asset of KMG International N.V. in Romania, with a significant economic impact on and contribution to energy security. The Company has an experience nearly 40 years in the field of making products obtained from crude oil processing and a history that began in 1979, upon the commissioning of the first unit, the AD unit (atmospheric distillation unit).

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The most important moments in the history of the Company can be summarized as follows:

1975 - 1977	• **Midia Navodari Petrochemical Plant** (the first name of Rompetrol Rafinare S.A.) was deigned on the basis of Romanian refining technologies and of certain foreign licenses.
1979	• The first unit - the Atmospheric Distillation Unit - is commissioned
1991	• Midia Petrochemical Plant turns into a joint stock company, the assets of the former unit being entirely taken over. The newly-formed company, under the name of **PETROMIDIA S.A.**, was established under Government Decision No. 1176/1990, issued under Law No. 15/1990 on the reorganization of State economic operators as regies autonomes and business companies. Annex No. 1 to the regulatory act mentions the headquarters of the joint stock company, as being located in Constanta, DN 228 km 23, Constanta County. • The Company is registered with the Constanta Trade Registry under No. J13/534/1991 and has sole registration code 1860712.
2000	• Government Decision No. 540/2000 on the approval of the classification into functional categories of public roads and private utility roads open to public

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	traffic, road DN 228 was re-categorized as a county road under the name of County Road 226. The regulatory act resulted in the amendment of the Company's Articles of Incorporation and Registration Certificate.
2001	• Change of the Company's name from **"PETROMIDIA S.A."** into **"ROMPETROL RAFINARE-COMPLEXUL PETROMIDIA S.A."**
2003	• The Company changes its name to **„ROMPETROL RAFINARE S.A."**
2004	• Shares listing at the Bucharest Stock Exchange, under the "RRC" symbol"
2007	• The Extraordinary General Meeting of the Shareholders of September 17, 2007, decided to acquire the full ownership over the machinery and equipment within the Vega Refinery, located on 146 Valeni str., Ploiesti, Prahova County. • Acquiring the ownership over and resuming the possession of the plot of land and all the assets from the premises of the Vega Refinery, the Company established its own Work Point at Ploiesti and obtained effective December 1, 2007, the capacity of Warehouse keeper authorized for the production of energy products also in relation to the Vega Refinery from Ploiesti.
2010	• Decision No. 2 of the Board of Directors dated October 19, 2010 approved the change of the address of the registered headquarters from Navodari, County Road 226, km 23, Constanta county to **215 Navodari Blvd, Administrative Building, Navodari, Constanta County** further to Decision No. 187/24.07.2009 issued by the Navodari Local Council on the granting of names to streets and alleys which are not included in the list of street names, and to the addresses communicated by the City Hall of Navodari City in relation to the assignment of street numbers to the Company's property located in Navodari.
2012	• The modernization process of Petromidia refinery is completed, following an investment of over USD 380 million. Petromidia thus became the largest refinery in Romania, with a processing capacity of 5 million tons/year.
2013	• Decision No. 6/2013 issued by the Extraordinary General Meeting of the Shareholders approved the obtainment, by means of purchasing, of the ownership right over the assets consisting in intangible assets, tangible assets, fixed assets (buildings and constructions, technological equipment, measurement machinery and plants, office equipment, IT equipment, transportation means, other tangible assets), investments in progress and stocks, assigned or related to the main activity of petrochemistry, found in the property of Rompetrol Petrochemicals SRL

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2014	• In May, the Petromidia refinery registered a record amount of over 465,000 tons of processed raw materials, the highest level reached since its commissioning in 1979, until that moment.
2015	• Rompetrol Rafinare puts into operation the first Particle Separation Plant (ESP) in Romania
2019	• **Celebrating of four decades of performance and professionalism** In 2019, Petromidia Refinery from Navodari celebrated 40 years of activity, time frame when from one idea it reached to be the largest such unit in Romania and one of the most modern in the Black Sea region. • From 3.8 million tons processed at the Petromidia refinery in 2007, **in 2019, before the outbreak of the pandemic, it reached a record level of 6.33 million tons.**
2020	• **Vega Ploiesti, 115 years of performance in the refining industry** In 2020, Vega Ploiesti Refinery, operated by Rompetrol Rafinare, celebrated 115 years of activity in the oil product processing industry. Having a rich history full of events that marked its development, the unit of Ploiesti represents an important reference in the Romanian energy field. At present, the refinery does not process crude oil anymore, but only medium distilled products, resulted from Petromidia Refinery of Navodari. Thus, even if it is the smallest unit in this field in the country, having an annual production output of approximately 400,000 tons, Vega Ploiesti develops exclusively high value-added products.
2021	• The Decarbonization Strategy is developed, with clear directions for finding viable economic solutions for emissions reduction
2022	• **The 10th anniversary of the commissioning of the MHC-HPP and New SRU facilities** In 2022, the Petromidia Refinery in Navodari celebrated 10 years since the commissioning of the MHC-HPP and New SRU facilities
2023	• Rompetrol Rafinare continues the large-scale project for the rehabilitation and modernization of the Petromidia Refinery tank farm. There have been invested over 10 million USD up till now. Overall, there are planned rehabilitation and construction of about 50 tanks. During the Company's journey in 2023, alongside with the companies from the KMG International Group, we faced challenges, we learned

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	precious lessons, developed solutions, and, of course, celebrated the projects implemented together.
... and our story continues, with even more ambitious plans and innovative projects. Together with the companies of the KMG International Group we have the energy to move forward!	

c) Significant mergers or reorganizations

During the financial year 2023, there were no significant mergers or reorganizations within RRC or in its controlled companies. The company makes part of KMG International Group. RRC controls directly branch offices of Rompetrol Downstream S.R.L. (in a percentage of 99.994688898%), Rompetrol Quality Control S.R.L. (in a percentage of 70.91%), Rom Oil S.R.L. (in a percentage of 99.9998505%), Rompetrol Logistics S.R.L. (in a percentage of 66.1911%), Rompetrol Petrochemicals S.R.L. (in a percentage of 100%) and indirectly Rompetrol Gas S.R.L and Global Security Sistem S.A. through Rompetrol Logistics S.R.L.

d) Assets acquisitions and sales

In 2023, the company has not acquired shares in other companies, purchased assets such as fixed assets and did not sell non-current assets. During the analyzed financial year, there were no asset purchases, except for those that were necessary for the operation and development of the activity, reflected in the investment plan and in the budgets approved for this purpose. The total expenditures for investments during 2023 amounted to approximately Lei 238 million.

Assets alienations did not take place, except for the obsolete ones according to the law.

e) The main results of the assessment of activity of the company

Rompetrol Rafinare S.A. recorded a turnover of **Lei 17,120,703,327** in 2023, this being mainly impacted by the volatility of the international oil and natural gas market environment transposed into lower quotations for oil products sold in 2023 compared to the previous year, on the ground of decreased production and petroleum products volumes sold in 2023 compared with the ones from 2022. Due to the technical incident occurred in June 2023 at the Mild Hydrocraking unit (MHC) from Petromdia refinery the feedstock processed in Petromidia refinery in 2023 was lower by 5% against last year affecting the production of oil products for 2023.
In the 2023 financial year the company recorded a net loss of **Lei (550,355,167)**, due to the significantly decreased refinery margins recorded during 2023 compared to the levels registered in 2022, on the ground of the decrease in international quotations for petroleum products.

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Rompetrol Rafinare has the obligation to comply with the CO2 emission rights quota. Thus, Refinery CO2 emissions are offset with EUA certificates. The actual emissions from 2023 have exceeded the free allocated certificates and in this respect Rompetrol Rafinare recognized in environmental expenses the counter value of the required certificates for compliance at the level of 2023, an aspect that impacted the net result of the company.

According to the accounting policy adopted by the Company starting with the financial period ended at 31.12.2021, Rompetrol Rafinare SA perfomed the valuation process of property, plant and equipment as of 31.12.2023. Considering this, a net loss from revaluation was recorded in amount of RON 687 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve was recorded or revaluation reserve previously recorded was lower. Therefore, the result of the revaluation has a significant impact on the net result of the Company in 2023.

The net result was impacted positively in 2023 by the gains from exchange rate differences recorded by the company generated by the appreciation of the national currency against the USD during 2023. A significant positive impact was also generated by the positive adjustment of the value of the financial investments of the company recognized at fair value on 31.12.2023, according to the accounting policy adopted by Rompetrol Rafinare starting with 31.12.2021.

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of RON 141 million (2022: RON 578 million). The registration of this tax has a significant impact to the company's net result for 2023. Additionally, the Company registered in 2023 a solidarity contribution in amount of RON 2.1 million related to the year 2022 as a result of submitting a rectification declaration regarding the profit tax calculated for the year 2022.

A positive impact in net result of the period ended at 31.12.2023 is coming from the recognition of a revenue from deferred income tax in the amount of Lei 130 million.

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1.1.1. ELEMENTS OF GENERAL ASSESSMENT

ECONOMIC ENVIRONMENT

		2023	2022	%
Brent Dated	USD/bbl	82.6	101.3	-18%
CPC Blend CIF	USD/bbl	79.7	94.2	-15%
Brent-CPC Differential	USD/bbl	2.9	7.2	-59%
Premium Unleaded 10 ppm FOB Med	USD/ton	843	985	-14%
Diesel ULSD 10 ppm FOB Med	USD/ton	815	1,037	-21%
RON/USD Average exchange rate		4.58	4.69	-2%
RON/USD Closing exchange rate		4.50	4.63	-3%
RON/EURO Average exchange rate		4.95	4.93	0%
RON/EURO Closing exchange rate		4.97	4.95	1%
USD/EURO Closing rate		1.11	1.07	4%
Inflation in Romania*		6.61%	16.37%	-60%

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

In 2023, **Dated Brent** decreased by -18.6$/bbl. (-18%) compared to 2022 reaching an average of 82.6$/bbl.

During the same period, the **CPC** quotation also registered a decline, dropping by -14.5$/bbl. (-15%), averaging at 79.7$/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.

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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 the Russian Federation, 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.

In Q4 the price of Dated Brent had a downward trend of 11%, dropping from 95$/bbl. at the beginning of October to 75$/bbl. by the end of December. This decrease was primarily influenced by the temporary suspension of sanctions on Venezuelan oil, gas, and gold production by the United States. Additionally, there were uncertainties surrounding OPEC+'s to effectively implement planned production cuts, which raised concerns about oversupply in the market. The situation worsened due to the increased crude oil shipments from the Russian Federation and the significant rise in US crude exports, nearing a record of 6 million barrels per day. Amidst these factors, the market witnessed increased volatility and downward pressure on oil prices throughout the quarter.

Concerns about the global economy and uncertainties surrounding the Israel-Hamas conflict have led to a decline in crude oil prices, particularly in the Mediterranean region from where Israel imports about 70% of its crude oil needs. Additionally, the United States' decision to increase its oil production to an average of 12.93 million barrels per day in 2023 has emphasized the perception of a global crude oil market heading towards oversupply.

Goldman Sachs has adjusted its forecast range for 2024 Brent crude oil prices by 10$/bbl. to $70-$90. This adjustment reflects their expectation of only a modest deficit and slightly lower long-term prices. Goldmans Sachs now forecasts that Brent crude oil will rise to $85 by June 2024, and average $80-81 in 2024-2025, which is $5-6 higher than current forward prices.

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 5^{th} of February, weak macroeconomic indicators which have reduced expectations of demand in the

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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.

In Q4, the refinery margins had an upward trend, rising from 52$/MT at the beginning of October to 80$/MT by the end of the year, with peaks reaching 101$/MT in late November. This increase was attributed to various factors, including a decrease in crude prices and unplanned outages across Europe.

Compared to 2022, European margins decreased by -37.5$/MT (-27.5%) in 2023 and settled to an average level of 98.6$/MT.

Amid the challenges faced by European refiners including concerns of a looming recession and a slowing demand recovery, factors such as crude feedstock, refinery delays and low inventories levels may help sustain profits through the first quarter of 2024. While margins are expected to gradually return to more typical levels after the peaks of the past two years, Goldman Sachs expects them to remain above historical averages.

Gasoline cracks remained high throughout 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.

Gasoline cracks underwent a significant decline during Q4 primarily due to the conclusion of the summer driving season and a decrease gasoline consumption across the US. This decline resulted in the lowest level observed since September 2022. Contributing to this trend were seasonal factors such

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as the transition to winter-grade gasoline and diminished trans-Atlantic flows, which applied additional pressure and lead to inventory builds.

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.

Diesel cracks demonstrated a steady increase throughout Q4, driven by tight supply and resilient demand. The anticipation of a 1.22 million barrels per day deficit in the extremely tight Q4 balance further contributed to the increased Diesel cracks.

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.

Jet cracks strengthened in Q4 as Europe's need for winter-grade diesel influenced kerosene blending, thus reducing jet yields, and reinforcing cracks.

In 2023, the **EU Allowances (CO2 certificates)** price averaged 83.5 EUR/EUA, reflecting a year of notable volatility.

The EUA market in Q1 experienced fluctuating prices, ranging between 75-97 EUR/EUA. This was primarily driven by subdued demand owing to unseasonably warm temperatures. February witnessed a surge following the European Parliament's commitment to phasing out internal combustion vehicles by 2035. However, March saw a downturn due to the significant bankruptcy of the Silicon Valley Bank, introducing unexpected shifts in market dynamics.

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Moving into Q2, April marked a robust rebound, driving the EUA price to 95 EUR/EUA, fueled by regulatory communications and market anticipation. May, however, witnessed a retreat influenced by negative auction results and declining energy prices.

In Q3, June recorded the highest monthly increase, surging from 77 to 93 EUR/EUA due to various factors including gas price hikes and favorable auction outcomes. July, however, saw a dip triggered by a decline in fossil energy production. August's EUA price of 81 EUR/EUA was driven by sales pressure, technical breaches, and speculators unwinding positions.

Entering Q4, September witnessed downward pressure, dipping below 80 EUR/EUA, influenced by typical auction volumes, and weakened energy markets. October and November saw further declines, attributed to various factors including temperature fluctuations, market sentiment, and regulatory expectations.

December saw a decline followed by a recovery to 77 EUR/EUA, rounding out the complex journey of the EUA market in 2023 amidst global uncertainties.

Analysts have subsequently revised down price forecasts for EU carbon permits for 2024 to 2026, with expectations averaging 74.1 EUR in 2024 and 83.3 EUR in 2025 (January 2024 Reuters survey).

Forex & Interest Rates

US zone

In 2023, monetary policy and forex rates stabilized compared to the volatile conditions of 2022. Central banks maintained high interest rates without further adjustments throughout the year. Despite a global decrease in inflation rates, they weren't significant enough to prompt central banks to consider rate cuts. The economic environment remained unstable, characterized by minimal changes in the forex market.

In 2023, the U.S. Dollar declined from its 2022 highs but remained strong due to steady interest rates.

Following significant rate hikes in 2022, the Federal Reserve held rates steady since July 2023 as inflation eased from its peak. Despite a slowdown in economic growth, the USD depreciated about 3% against the EUR throughout 2023, averaging 1.08 compared to 1.05 in 2022.

Euro zone

In the last quarters of 2023, the European Central Bank pushed back against expectations of interest rate cuts by reaffirming its commitment to maintaining record-high borrowing costs. Despite lower

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inflation expectations, the ECB remained focused on combating the most severe inflationary pressures in decades, opting to keep rates unchanged without suggesting any potential reductions.

In December 2023, consumer price inflation in the Euro Area was confirmed at 2.9% year-on-year, up from November's 2.4%, exceeding the European Central Bank's target of 2.0%.

Romania

In 2023, the Romanian Leu (RON) appreciated against the U.S. Dollar (USD) by almost 3%. The yearly average USD/RON exchange rate was lower than in 2022, at 4.58 compared to 4.69.

Regarding EUR/RON, the RON slightly depreciated by 1% against the Euro (EUR), with the exchange rate at 4.97 in 2023 compared to 4.95 in 2022.

In January 2023, the National Bank of Romania (NBR) raised the monetary policy rate to 7% p.a. from 6.75% p.a. and maintained existing minimum reserve requirement ratios. The interest rate remained unchanged thereafter, with no plans for cuts.

Romania's annual inflation rate decreased to 6.61% in December 2023 from 6.72% in November. This was the lowest level since September 2021, driven by moderation in food prices due to lower oil, lard, and fat costs. However, inflation slightly increased for non-food products and services.

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STATEMENT
OF THE MAIN ECONOMIC-FINANCIAL INDICATORS AND OTHER INFORMATIVE DATA, AS AT 31.12.2023, AS COMPARED TO THE INCOME AND EXPENDITURE BUDGET APPROVED IN THE GENERAL MEETING OF THE SHAREHOLDERS OF THE COMPANY 2023

Ref. no.	INDICATOR'S NAME	RON	
		OMFP no. 2844/2016	
		Achieved 2023	Budgeted 2023*
1	Crude oil processed and other raw materials (tons)	5,012,485	5,682,983
2	Net turnover	17,120,703,327	20,144,686,258
3	Cost of sold production	(16,688,163,711)	(19,851,194,257)
4	**Gross profit**	**432,539,616**	**293,492,000**
5	Distribution and general administrative expenses	(423,197,026)	(223,944,312)
6	Other operating income/(expenses)	(668,830,546)	158,225,188
7	**Operating Profit / (Loss)**	**(659,487,956)**	**227,772,877**
8	Financial expenses	(460,970,175)	(217,817,270)
9	Financial income	458,110,750	-
10	(Losses)/ Gains on exchange rate variations, net.	124,797,627	-
11	**Gross profit/ (Loss)**	**(537,549,754)**	**9,955,606**
12	Income tax	(12,805,413)	(5,973,364)
13	**Profit/(Loss) of the year**	**(550,355,167)**	**3,982,243**

** Equivalent in LEI at exchange rate of 4.41 USD/RON of the values provided in the 2023 Income and Expense Budget*

Ref. no.	INDICATOR'S NAME	RON
		OMFP no. 2844/2016
		Balance at 31.12.2023
1	Non-current assets	6,532,549,534
2	Inventories	1,411,718,964
3	Receivables	1,719,861,179
4	Cash	613,521,713
5	Total debts (including provisions)	8,315,037,704
6	**Equities**	**1,962,613,686**
7	**Average number of employees**	**1,124**

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From the data presented in the above table, comparing the results recorded at 31.12.2023 with those approved in the Income and Expense Budget (IEB), the following results:

1. In 2023, Rompetrol Rafinare processed a quantity of crude oil and other raw materials of 5,012,485 tonnes, down with 12% compared with that provided in the Income and Expenditure Budget, i.e. 670,498 tonnes less than budgeted, due to the technical incident occurred in June 2023 at the Mild Hydrocraking unit (MHC) from Petromdia refinery that affected the refinery production capacity.

2. Turnover achieved in 2023 was at a level of 15% lower compared to the budgeted value, the positive variation being mainly determined by the decrease in international quotations for oil products compared to the previous year, on the ground of reduced quantities of products sold compared to the budgeted ones.

3. The cost of goods sold recorded in 2023 was 16% below the budgeted level, the variation being mainly determined by the volatility of the international oil and natural gas market environment that generated decreased quotations during 2023 compared to the budgeted ones, on the background of a level of processed raw materials lower by 7% compared to the budgeted level.

4. Financial expenditure registered higher values than those budgeted by 112%, on the background of higher loans and debts exposure by the Company.
   In 2023 the Company recorded financial incomes in the amount of lei 458 million. RON due mainly to the recognition of incomes in the amount of Lei 369 million from the revaluation of investments in subsidiaries as a result of the change in the accounting policy regarding the recognition of the Company's financial investments from the cost method to the fair value method starting with the financial year ended 31.12.2021.

5. Net exchange rate differences recorded during 2023 are favourable, their value reaching Lei 124,797,627, due to the apreciation of the national currency against USD during 2023.

6. Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of RON 141 million. The solidarity contribution is included in the indicator "Profit tax" which is also positively impacted by the recognition of a revenue from deferred income tax in the amount of Lei 130 million.

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Additionally, the Company registered in 2023 a solidarity contribution in amount of RON 2.1 million related to the year 2022 as a result of submitting a rectification declaration regarding the profit tax calculated for the year 2022.

7. **At the end of 2023, Rompetrol Rafinare recorded a negative net result, a loss of Lei (550,355,167).**

8. The total amount paid during 2023 to the state and local budgets was Lei 7,571,248,041 (equivalent to about USD 1.65 billion) consisting mainly of excise duties, VAT, payroll taxes, local taxes and others, out if which RON 580 million representing solidarity contribution for year 2022 after submitting rectifying Corporate Income Tax declaration for 2022. From the taxes paid by the Company to the state budget, large amounts, quotas established by the legislation governing local budgets, are directed to the local authorities within the range of which the company operates.

The income of the company originates mainly from the production and delivery of petroleum products obtained from the processing of crude oil and other raw materials: Lei 17,120,703,327.

Financial results

Indicators (LEI)	**2023**
Loss	(550,355,167)
Operating result - loss	(659,487,956)
Net turnover, of which:	17,120,703,327
Export	5,669,992,812
Cost of sold production	(16,688,163,711)
Market share (%)[2]	25%
Liquidity (effective amounts in accounts and cash equivalents)	613,521,713

a) Loss

At the end of 2023, Rompetrol Rafinare registered a negative result, a loss of **Lei (550,355,167)**.

[2]*Fuels sales (gasoline and diesel) on the domestic market segment are exclusively delivered by the Group authorized trader – ROMPETROL DOWNSTREAM S.R.L.- which owns a 25% market share of Romanian fuel distribution.*

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b) Turnover

In 2022, the company's net turnover was **17,120,703,327** lei. Turnover in 2023 was mainly impacted by the volatility of the international oil and natural gas market environment transposed into lower quotations for oil products sold in 2023 compared to the previous year, on the ground of decreased production and petroleum products volumes sold in 2023 compared with the ones from 2022. Due to the technical incident occurred in June 2023 at the Mild Hydrocraking unit (MHC) from Petromdia refinery the feedstock processed in Petromidia refinery in 2023 was lower by 5% against last year affecting the production of oil products for 2023.

c) Export

In 2023, the share of international sales in total sales represented approximately 33% (35% previous year). The volumes sold on the foreign market have decreased, as a result of lower levels of the quantity of raw materials processed in 2023 compared to 2022, while the Company has focused more on maximizing sales on the domestic market, in order to ensure the country's energy and implicitly the consumption on the domestic market and to achive better refining margins.

The total amount realized during 2023 from the external sales of finished products was Lei 5,669,992,812, 30% less that of the previous year (2022: Lei 8,139,859,729), related to the two Petromidia and Vega refineries and the Petrochemical Plant. The lower value of sales in 2023 compared to the previous year is due mainly to the decrease of quotations on international markets, quotations that constitute the basis for calculating the selling prices both on the domestic and on the foreign market and due to reduced volumes sold in 2023 vs. 2022.

d) Cost of sold production

The cost of production registered a decrease of about 21% compared to 2022 due to the decrease in quotations on the oil and natural gas market, on the ground of decreased production and petroleum products volumes sold in 2023 compared with the ones from 2022

e) Market share owned

From the data which we hold, the market share we estimated in the year 2023 reached about 25% (throught distribution to retail).

f) Liquidity

The company has made sustained efforts to maintain the capacity to hedge current liabilities from current assets, with the current liquidity indicator registering an increase from 0.44 in 2022 to 0.57 in 2023.

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1.1.2. THE ASSESSMENT OF THE TECHNICAL LEVEL OF THE COMPANY, INCLUDING PRODUCTION

THE PRODUCTION ACTIVITY DURING YEAR 2023

Rompetrol Rafinare is the owner of three production capacities: Petromidia (located in Navodari) and Vega (located in Ploiesti) refineries and Petrochemical plant (located in Navodari).

Rompetrol Rafinare –Petromidia Refinery work point

The production plan of ROMPETROL RAFINARE – Petromidia Refinery work point for 2023 was performed with a total processing of 5,682,983 tons, out of which 5,313,229 tons crude oil and 369,755 tons other raw materials.

This program formed the basis for the preparation of the 2023 income and expense budget.

Total feedstock processed in 2023 was 5,012,485 tons, out of which 4,335,105 tons crude oil and 677,380 tons other raw material.

This processing represents 88.20 % as compared to the schedule set up for the 2023 budget.

[tons]

2023	Budget	Achieved
Total throughput	5,682,983	5,012,485
Crude Oil	5,313,229	4,335,105
Other feedstocks	369,755	677,380

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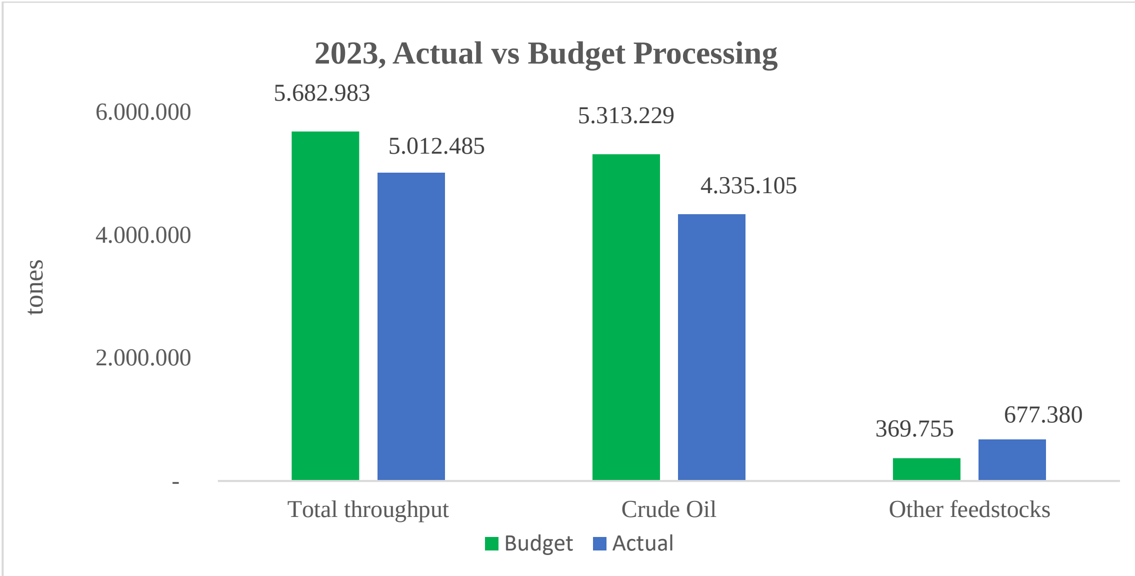
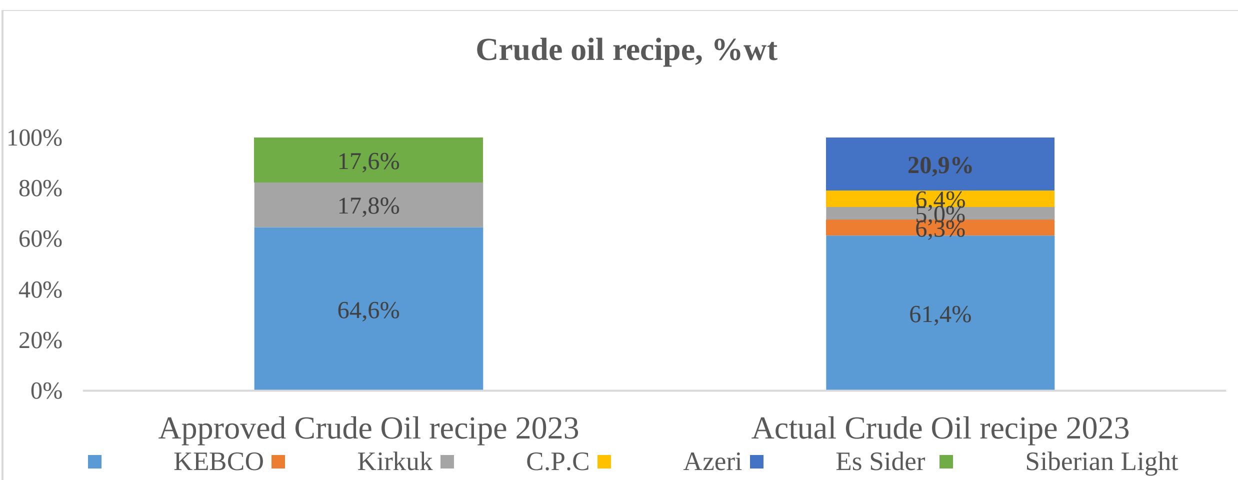


The Refinery throughput was 13,985 tons per day, related to actually worked time, Refinery throughput being influenced mainly due to: unplanned shutdown of the Mild-Hydrocracker ("MHC") caused by the incident occurred on 21st of June 2023 and to lower availability of crude in winter period due to weather conditions from the loading port.

During the year, crude recipe was in accordance with crude availabilities in the market.

Also, to assure the domestic market demand, it was imported Jet and Diesel components with low density, low Sulphur, and low aromatics to cover market needs and sustain internal production.



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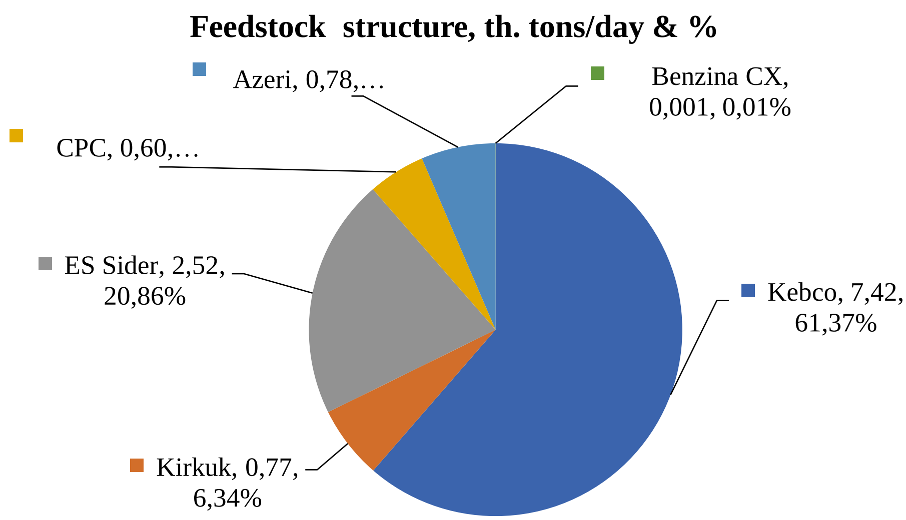

The situation of processing, per quarters, is presented in the below table:

2023	Q1	Q2	Q3	Q4	2023
Budget, tons	1,186,417	1,490,442	1,513,337	1,492,787	5,682,983
Actual, tons	1,278,510	1,402,982	1,158,433	1,172,560	5,012,485
Actual/Budget (%)	107.76	94.13	76.55	78.55	88.20

For Quarter 1- the level of total throughput processed was above budget, by 92 ktons, coming from higher crude oil processed and import of diesel component of 24 ktons. In February 2023, Rompetrol Rafinare carried out a series of planned technological operations, in order to support the corresponding operational activity of the Petromidia refinery (for approximately 10 days); thus, work was carried out to change and regenerate the catalysts, decoking and other specific maintenance operations; during these operations Crude unit was stopped but some of the units (Mild Hydrocracker, FCC, MTBE, 125 Diesel Hydrotreater, SRU, Hydrogen plant) were operating at reduced capacity using unfinished products from inventory, as such resulting in higher production compared with budget (this being a measure that company took to improve its production).

For Quarter 2 - lower crude oil processed by 87.5 ktons (6%) compared with budget, due to shutdown of the Naphtha Hydrotreater, the technical conditions of the available storage tank for SR Naphtha (B5 tank), short delay of some crude oil vessels in April and unplanned shutdown of the MHC unit due to the incident occurred in June.

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For Quarter 3 - the refinery throughput was significantly affected by refinery running without MHC unit, nevertheless Petromidia Refinery continued to operate properly all the other units so to ensure proper production so to cover mainly Romanian market needs, as following:

- Reduced refinery runrate at 9.8-10.6 ktons/day, to balance unfinished products.
- 125 Diesel Hydrotreater (HDV) switched from Diesel mode to VGO to assure FCC unit feedstock.
- Maintaining minimum Delayed Coker feed rate to produce less cracked materials in the refinery (cracked materials increase reactors temperature) and as consequence, to assure feedstock for Vacuum Distillation / Bitumen plants in Vega refinery.
- 121 Kerosene Hydrotreater operated in campaigns (kerosene & diesel modes).
- Importing Diesel component 182 ktons and blended with biocomponents corresponding with current legislation.

For Quarter 4 - lower crude oil processed by 320 ktons (21%) compared with budget, the throughput being affected by refinery running without MHC unit. Petromidia Refinery continued to import Diesel component to cover the Romanian market needs, 322 ktons.
In order to maximize the Jet production, a new initiative was implemented, as part of the Delfin project. Through this measure, part of the gasoline obtained in the Catalytic Cracking unit (FCC) was separated and sent for processing in the Kerosene Hydrothreater unit (KHT), obtaining an additional approximately 1,500 tons Jet per month.

The Diesel yield reached at the level of 42.85% in 2023 while the yields for fuels (gas, Diesel, Jet, automotive LPG fuel) reached the level of 74.12% in 2023. Jet yield reached at the level of 6.12%. Petromidia technological loss reached in 2023 the lowest level in history of 0.66% after ,,Package 2010'' implementation.

Energy Intensity Index achieved in 2023 was 101.3 higher than previous year negatively impacted by lower refinery run rate and also operation of the refinery without MHC unit.

In 2023, it has been recorded a consumption of energy of 3.06 GJ/ton, higher than the energy consumption registered in 2022 by ~ 1.2% correlated with lower throughput of the refinery.

In 2023, utilities cost was 20.56$/mt higher with 2.8% (~0.58$/mt) compared to the previous year, correlated with lower refinery runrate.

The Mild-Hydrocracker Unit ("MHC") was shutdown caused by the incident occurred on 21st of June 2023. After this date all the equipments functioned in 2023 at a high level of safety, featuring a mechanical availability of 92.44%.

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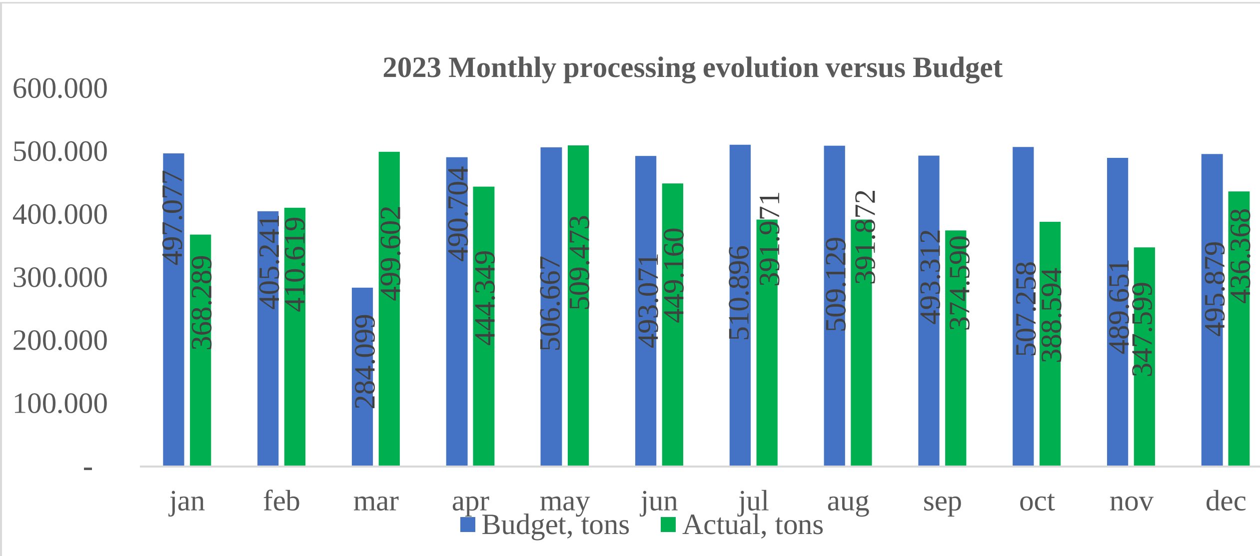
The operation of the refinery facilities is carried out in accordance with the highest performance standards ensuring at the same time the fulfilment of the commitments assumed relating to the environmental protection.



The structure of the physical production as compared to the Budget, in 2023, is as follows:

2023 Year	Budget		Actual	
	tone	%	tone	tone
Finished Products:	**5,540,279**	97.49	**4,848,254**	96.72
Gasoline	1,522,470	26.79	1,371,199	27.36
Diesel auto	2,482,422	43.68	2,147,650	42.85
Jet	339,434	5.97	306,941	6.12
Fuel Oil	182,199	3.21	164,974	3.29
Propylene	143,343	2.52	117,287	2.34
LPG	271,473	4.78	213,406	4.26
Coke	257,450	4.53	245,918	4.91
Sulfur	47,036	0.83	50,762	1.01
Other products	294,451	5.18	230,118	4.59
Total Loss:	142,704	2.51	121,965	2.43
White products		**85.14**		**84.07**

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Rompetrol Rafinare –Vega Refinery work point

The production schedule of ROMPETROL RAFINARE - work point Vega Refinery for the year 2023 has been designed with a total processing capacity of 474,477 tonnes, of wich 474,465 tonnes raw materials of the Group and 12 tonnes raw materials outside the Group.

This schedule has been the basis for the preparation of the income and expenditure budget for the year 2023.

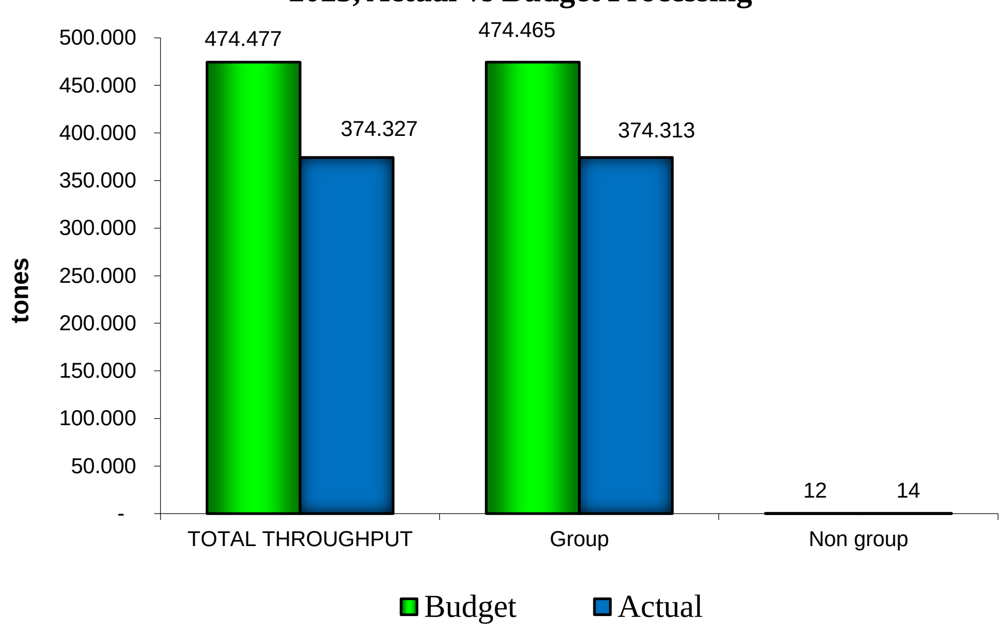
The processing carried out in 2023 is of 374,327 tonnes, out of wich 374,313 tonnes from the Group şi 14 tonnes outside the Group.

This processing represents 78.89% of the program set up for the 2023 budget, in accordance with the raw materials available in Petromidia refinery and the market demand.

[tonns]

2023	Budget	Achieved
TOTAL THROUGHPUT	**474,477**	**374,327**
Group	474,465	374,313
Non group	12	14

2023, Actual vs Budget Processing



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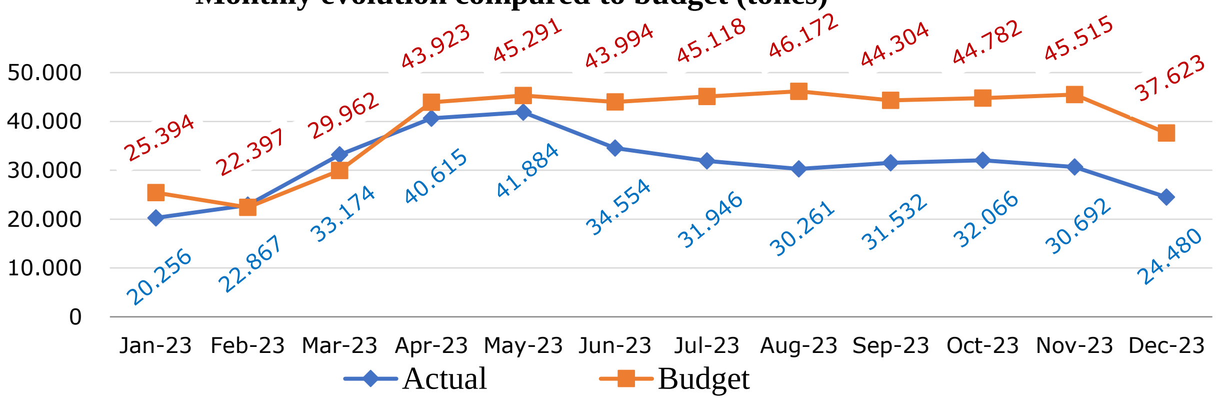
The situation of the processing, on quarters, is mentioned in the table below:

Throughput	Quart I	Quart II	Quart III	Quart IV	All
Achieved,tonnes	76,297	117,053	93,739	87,239	374,327
Budget,tonnes	77,754	133,209	135,594	127,921	474,477
Achived/Budget (%)	98.1%	87.9%	69.1%	68.2%	78.9%

In 2023, the processed quantity was approximately 21.1% lower than budgeted amount, the monthly average being 31,194 tonnes as compared to 39,540 tonnes provided under the budget.

Monthly evolution compared to budget (tones)



The structure of the physical production as compared to the budget, in 2023, is as follow:

YEAR 2023	Budget tonnes	Actual tonnes
FINITE PRODUCTS	**471,622**	**372,271**
Gasoline & Solvents	194,943	140,229
n-Hexan	99,826	81,784
White spirit & Petroleum	4,871	5,944
Calor Extra I	6,035	3,394
Light liquid fuel	9,010	14,486
Fuel oil	13,721	21,754
Bitumen	143,216	104,680
Other products	-	-

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White products obtained,%	BUDGET	ACTUAL
Related to total throughput	63.2	51.6
Related to comercial products	63.5	60.4

From the comparison budget – carried out, the concern is noted regarding the obtaining of products in accordance with the market requirements.

In 2023, the ratio of energy consumption to the tonne decreased by approximately 0.4% as compared to 2022, due to the higher throughput and lower specific consumptions.

Rompetrol Rafinare –Năvodari work point (the Petrochemicals area)

The production plan for Petrochemicals area in 2023 was prepared for the operation of the Polymers plants: Polypropylene plant (PP) and Low Density Polyethylene plant (LDPE), with a production of 168,270 tons polymers as follows: PP – 90,870 tons and LDPE – 77,400 tons.

This schedule formed the basis for the preparation of the 2023 income and expenses budget.

The polymer production achieved in 2023 was 104,602 tone, out of which PP – 86,619 tons and LDPE – 17,983 tons.

The structure of the physical production as compared to the 2023 Budget is as follows:

YEAR 2023	Budget tons	Achieved tons
Finished products	**189,394**	**109,593**
Polymers production	168,270	104,602
PP	90,870	86,619
LDPE	77,400	17,983
Polymerizable propylene production	21,124	4,991

In 2023, achieved PP production was 95% compared to the budget and LDPE production was 23% compared to the budget.

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The situation of polymer production, as per quarters is presented in the table below:

		Q I	Q II	Q III	Q IV	2023
PP	Budget (tons)	20,540	23,270	23,530	23,530	90,870
	Achieved (tons)	22,027	22,119	20,514	21,958	86,619
	Achieved/Budget (%)	107%	95%	87%	93%	95%
LDPE	Budget (tons)	17,550	19,800	20,025	20,025	77,400
	Achieved (tons)	4,317	9,184	0	4,482	17,983
	Achieved/Budget (%)	25%	46%	0%	22%	23%

The main deviations at the level of quarters of 2023, are:

In Quarter 1:
- the actual PP production obtained was above budget by 1,487 tons coming from continuous operation vs 10 days of shutdown planned in March 2023.
- lower production for LDPE due to plant shutdown based on high polymer stock and economics.

In Quarter 2:
- lower production by 1,151 tons for PP Plant, due to shutdowns and slowdowns based on cooling capacity constraints and mechanical interventions at Z502 and M402.
- lower production for LDPE due to plant shutdown based on high polymer stock and economics.

In Quarter 3:
- lower production by 3,016 tons for PP Plant, due to shutdowns and slowdowns based on mechanical interventions at Z501, Z502 and M301 and technological intervention - plugging of transfer line between D201 and D202 reactors.
- no production for LDPE based on economics.

In Quarter 4:
- lower production by 1,572 tons for PP Plant, due to slowdowns based on cooling capacity constraints, mechanical interventions at Z501, M402 and M301 and technological intervention - plugging of transfer line between D201 and D202 reactors.
- lower production for LDPE due to plant shutdown based on high polymer stock and economics.

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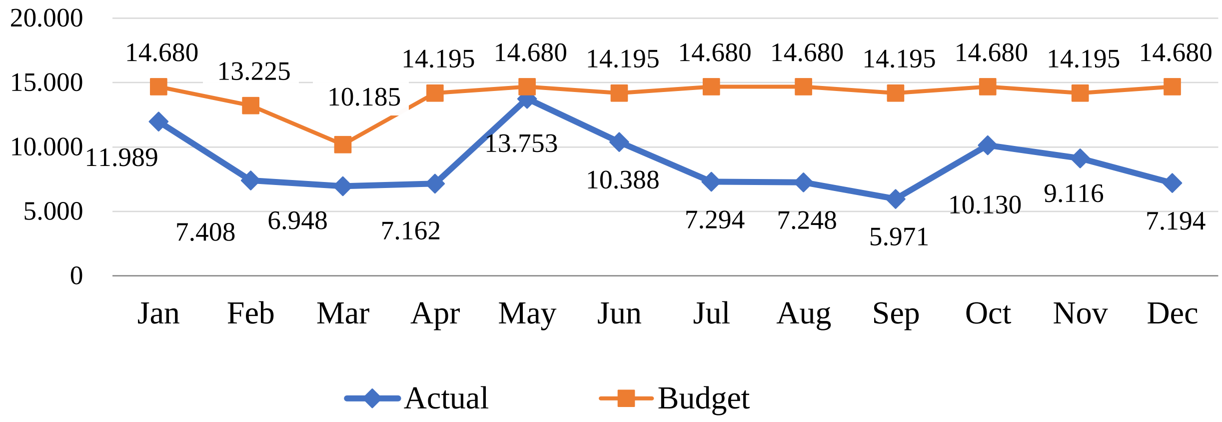
2023 Monthly polymers production evolution versus Budget (tons)



The structure of processed raw materials as compared to the 2023 Budget is as follows:

YEAR 2023	Budget [tons]	Achieved [tons]
Raw materials	222,523	135,721
Propane propylene mixture	143,343	117,300
Ethylene	79,180	18,421

The average sale price for finished products, in 2023, was for:

-Propane-propylene mixture – budgeted at 994 USD/tone and 854 USD/tone was achieved

- Ethylene - budgeted at 1,492 USD/tone and 954 USD/tone was achieved

The average sale price for finished products, in 2023, was for:

-PP - budgeted at 1,744 USD/tone and 1,065 USD/tone was achieved

-LDPE - budgeted at 1,987 USD/tone and 1,211 USD/tone was achieved

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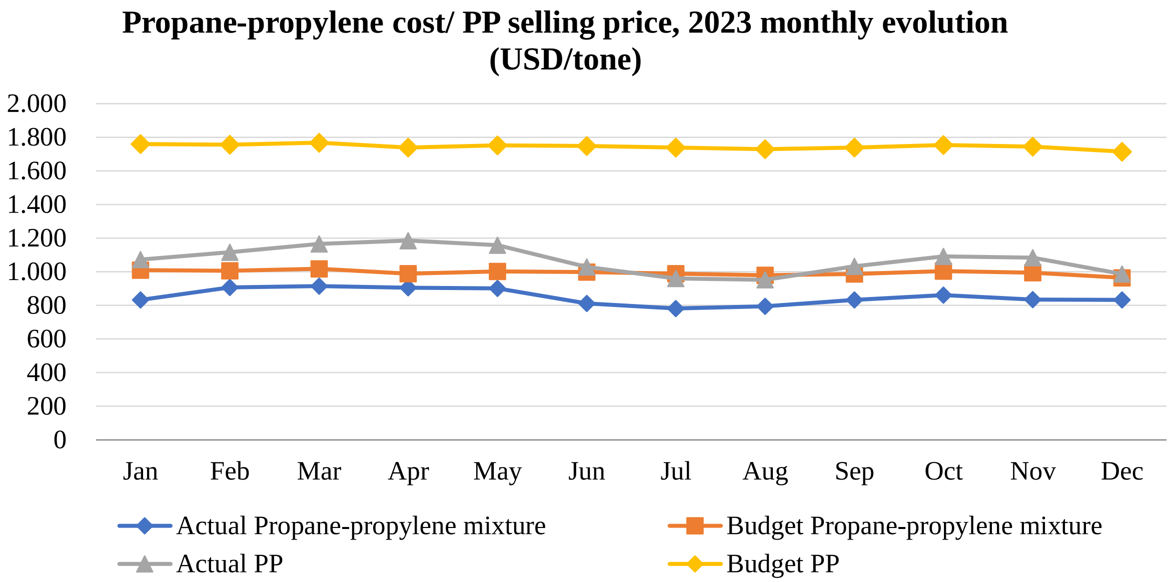

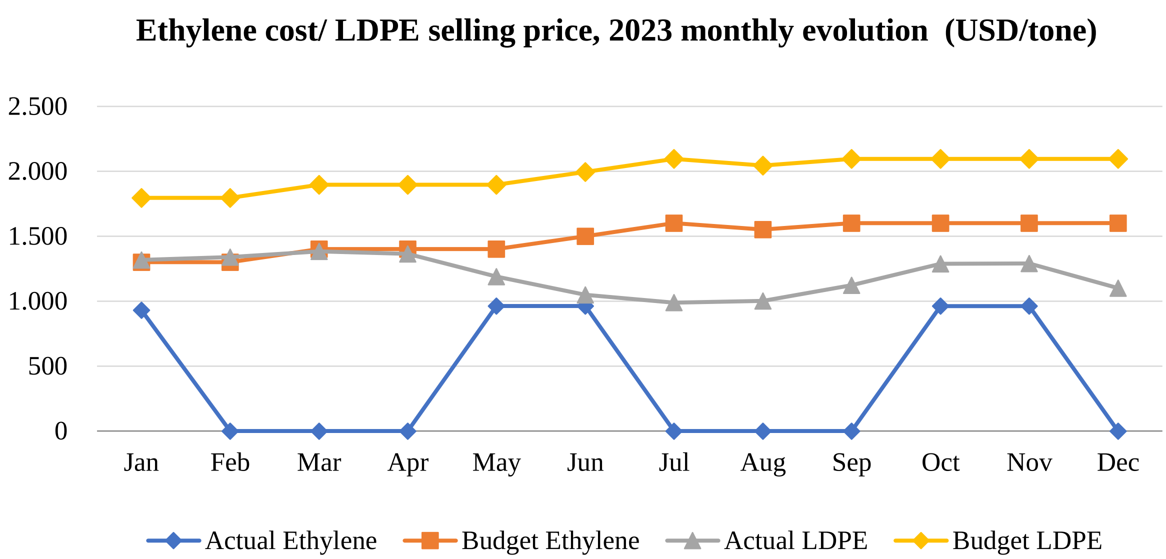

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The main products produced by Rompetrol Rafinare S.A. in 2023

The Production Nomenclature of *Rompetrol Rafinare S.A.* includes a wide range of finished products.

The products marketed in 2023 by Rompetrol Rafinare – Petromidia Refinery work point, are grouped in the following categories:

1. Liquid fuels

a) Gasoline

- Gasoline Euro Super 98
- EFIX Gasoline 95
- Natural Gasoline RON 92
- Gasoline RON 98
- Gasoline Efix S RON 98
- EuroPlus Gasoline with Bioethanol
- EuroPlus Unleaded Gasoline Euro 5
- Raffinate

b) Diesel fuels

- Diesel Euro 5
- 51 EFIX Diesel
- Super Diesel Euro 5
- Super Diesel Euro 5 marked
- 55 Diesel
- 55 Efix S Diesel
- Slurry
- SRGO

c) Jet

- Aviation Turbine Fuel Jet A1

d) Fuel Oil

- Fuel Oil type 1
- Fuel Oil type 1 marked
- Fuel Oil

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- FCC Residues

2. Gaseous fuels
a) Liquefied Petroleum Gas

- LPG
- Automotive LPG
- Propane fuel
- Commercial Propane-Butane

b) Chemical grade gas

- C5-C6 cut
- Fuel gas
- Propylene/Propane-Propylene mix

3. Solid products

- Petroleum Coke
  - Petroleum Coke
  - Sorted Petroleum Coke for domestic use
- Petroleum Sulphur

The products marketed in 2023 by Rompetrol Rafinare – Vega Refinery work point, are grouped in the following categories:

1. Liquid fuels
a) Solvents

- Ecological solvents
- N-Hexane
- Naphtha gasoline
- Light naphtha type II
- Aromatic extract

b) White spirit and petrol

- White spirit

c) Diesel

- Calor Extra I

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- Diesel -15

d) Fuels

- Light liquid fuel type III
- Calor Economic 3

e) Fuel oil

f) Bitumen

- Road bitumen
- Special bitumen
- Polymer modified bitumen

The production classification of *Rompetrol Rafinare S.A. - Navodari work point – Petrochemical complex*, contains a large array of petrochemical finished products, grouped into the following categories:

1. Polypropylene (PP)

a) Injection grades - J500, J600, J700, J800, J900, J1000, J1100, J1200, J1300, J1400, J1450, RHC40, J1500, J1550, J1600, J1600 RH
b) Raffia grades - F301, F401, F501
c) Thermoforming grades - RTF-3
d) Film grades - F500, F600, RCF9, F400BO
e) Fiber grades - S711, S1001
f) Nonwoven fiber grades - RSB25, RSB35H, RSB40H, RSB45H, RMB30H

2. Low density polyethylene (LDPE)

a) Thin film grades - B20/2, B21/2, B20/3, B21/3
b) Thick bags film grades - B20/03
c) Liquid packaging film grades - B21/05
d) Heat-shrinkable film grades - B22/025, B22/07
e) Greenhouse film grades - RGH-035 UV

Main services rendered by Rompetrol Rafinare in 2023

During 2023, the company provided the following services within the Utilities Unit, for the companies located on the Petromidia platform as well as for other companies outside the platform:

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- electricity distribution, service provided by the Electric Department;
- utility distribution, service provided by the Thermo-Hydro Section consisting in the distribution of: instrumental air, technical air, fire water, potable water, hot water, returned condensate, raw water, filtered water, fuel refinery gases, thermal energy;
- wastewater treatment in the wastewater treatment plant of the Thermo-Hydro Section.

All these utilities are transported and distributed through the own pipeline network operated by the Utilities Plant. Tariffs for the distribution of electricity, drinking water and wastewater treatment are regulated by the competent authorities:

- electricity - electricity distribution tariffs on the two voltage levels, respectively low and medium voltage, regulated by the National Energy Regulatory Agency;
- drinking water - distribution tariffs regulated by the National Regulatory Agency for Public Utilities Community Services;
- wastewater treatment service - tariffs regulated by ANRSC (National Regulatory Agency for Public Utilities Community Services).

The sales prices for the rest of the utilities are established taking into account the production cost of the respective utilities as well as the distribution expenses.

1.1.2.1. The main distribution markets for each product and methods of distribution

In the year 2023, sales on domestic market accounted 66% of total sales, the share being slighty higher than that of the year 2022. Share of motor fuels (gasoline and diesel) reached 80% of total finished products sales. Domestic market absorbed about 76% of total motor fuels sold in 2023. Sales of gasoline and diesel for domestic market intended for national consumption through the gas stations network covered all Romanian areas. The highest share (abt 78%) of total motor fuels sold nationwide was represented by diesel sales.

The external sales had as final destination both European Community area and Non European Community areas. Intra-Community deliveries accounted for about 9% of the total finished products sold on the external market, lower than in 2022 (15%).

By country, sales had the following main destinations:

Gasolines - Libya, Georgia, Gibraltar, Moldova, Cyprus, Tunisia, Ukraine

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Diesel - Moldova, Bulgaria, Georgia, Ukraine
Jet fuel - Moldova
Petcoke - Moldova, Turkey
Sulphur - Egypt, Morocco
Carbon black feedstock - Hungary

The distribution of oil products sold on the domestic market was mostly carried out by road and rail, but also by barges. On the external sales channel, the largest share of distribution was achieved by sea through Midia and Constanta ports, but also by road and rail.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 87% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.

The most important distribution channels for polymers (PP, PE) are: Romania (50%), Bulgaria (18%), Italy (6%) and Republic of Serbia (5%).

The distribution of petrochemical products sold by Rompetrol Rafinare SA was done by means of auto and railway in the case of sales on the domestic market and, in the case of sales on the foreign market, the distribution of these products was made both by means of automotive and maritime transport through the ports of Agigea and Constanta.

1.1.2.2. The share of each category of products or services in the revenue and in the total turnover of the company, for the last 3 years

Indicators	Value-million RON			% in turnover		
	2021	2022	2023	2021	2022	2023
Net turnover, of which:	**12,150**	**23,027**	**17,121**	**100.0%**	**100.0%**	**100.0%**
Gasoline and diesel fuels	9,334	18,017	13,574	76.8%	78.2%	79.3%
Other petroleum products	1,746	3,993	2,931	14.4%	17.3%	17.1%
Petrochemical products	770	939	569	6.4%	4.1%	3.3%
Goods	271	44	2	2.2%	0.2%	0.0%
Utilities	12	17	27	0.1%	0.1%	0.2%
Services	17	17	17	0.1%	0.1%	0.1%

The most part of the Rompetrol Rafinare S.A. income is represented by the sale of petroleum products, mainly automotive fuel.

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1.1.2.3. The new products taken into account in the future financial year as well as the development stage of these products

In the year 2023, **Rompetrol Rafinare** continued the delivery on the domestic market of Euro 5 fuels (sulphur content max. 10 mg/kg) and with a biofuel content of at least 8% by volume for gasoline and at least 6.5% by volume for diesel (according to GEO 33/2023).

In 2024, **Rompetrol Rafinare** will continue to deliver to the domestic market only Euro 5 fuels (sulphur content max. 10 mg/kg) and does not consider increasing the automotive fuel portfolio.

In 2023, the new grades produced by the **Petrochemical Division** within Rompetrol Rafinare represented 21.2% of the total polymer production, slightly decreasing by 0.3% compared to previous year.
New grades developed for special applications, representing a total of 8 grades from the extended range of Polypropylene plant portfolio, brought an additional benefit of around 830,000 USD (calculated as the difference between the sale price of special grades and the price of general purpose grades).
In order to find an alternative to the current catalyst used in the Polypropylene production plant, starting with 2023 a study for the possibility of using a new catalytic complex was started. The benefits of the initiative consist in obtaining finished products with improved characteristics and increasing the operational availability of the plant. In 2023, a first industrial trial with positive results was carried out, and in 2024 the trial for the use of the new catalytic complex will be extended to the entire PP portfolio.

In 2023, **Vega Refinery** continued to be focused on the production of solvents (SE 30/60, n-Hexane, White spirit), naphtha, light and heavy liquid fuels for heating, normal road bitumen and polymer modified bitumen.

For the year 2024 was not foreseen the introduction of new products in the manufacture program of **Vega Refinery**.

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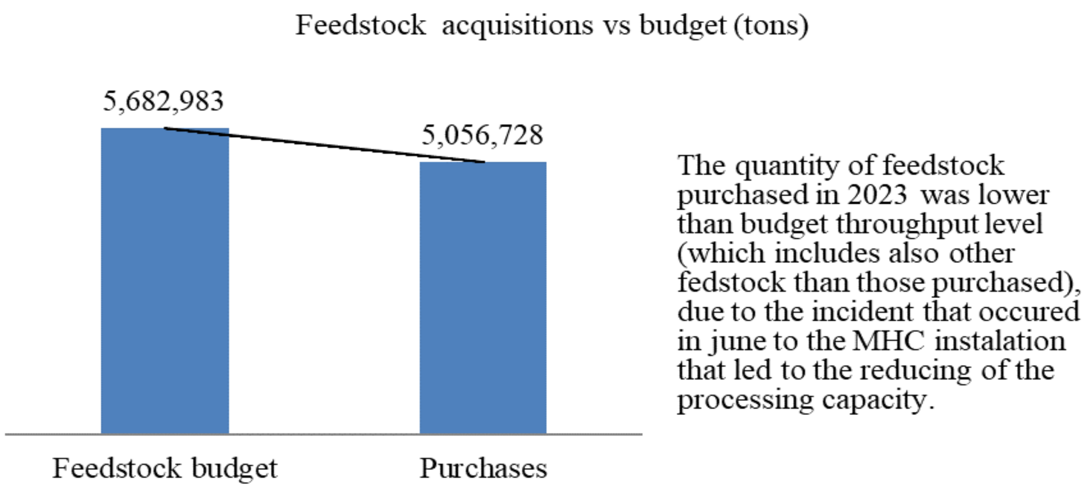
1.1.3. THE TECHNICAL AND MATERIAL SUPPLY ACTIVITY

The technical-material supply regarding materials and products necessary to develop the activities is achieved by both internal and import sources.

RRC has the supply sources for the development under good conditions of its activity, and the inventories of raw material and materials are accordingly dimensioned to ensure the continuation of operation of the two Refineries in Navodari and Ploiesti, respectively as well as the Petrochemicals Plant activity.

Raw material supply activity for Rompetrol Refining – Năvodari work point (Petromidia Refinery)



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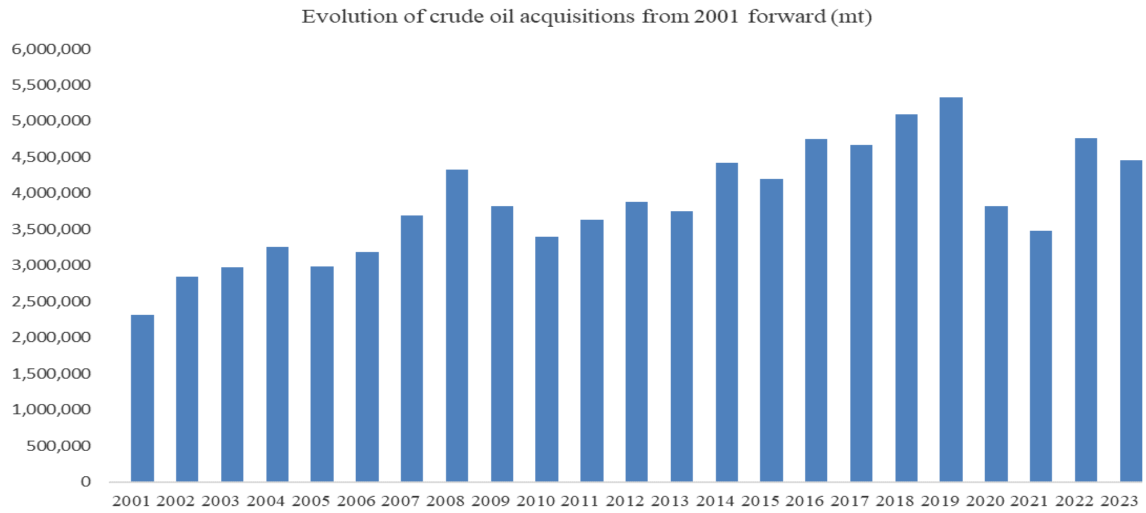

In the year 2023, crude oil acquisitions were lower (4,459,830 tons) than in last year (4,764,543 tons). Crude acquisitions have been exclusively carried out by the trading company of the KMG International Group - KazMunayGas Trading A.G.

All feedstock volumes purchased in 2023 from external sources (5,056,728 tons) were lower than in 2022 (5,145,318 tons).

In 2023, average price of acquisition for crude was lower (592 $/ton) than in 2022 (669 $/ton). In 2023, the average for Brent was 83 $/bbl (625 $/ton) compared to 101 $/bbl (767 $/ton) in 2022.

Domestic acquisitions in 2023 amounted to 135,324 mt, compared to 91,047 tons in the previous year. Added to these, there were also volumes tranferred from Vega refinery in amount of 51,672 tons compared to 28,365 tons in 2022.

Domestic rawmaterials suppliers have been:

- Socar Petroleum S.A. – methanol
- Bunge Biocombustibil S.R.L.; Expur S.A. - biodiesel
- Lukoil Romania S.R.L. - MTBE
- OMV Petrom S.A. - diesel component

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Information regarding the safety of sources of purchase, the prices of raw material and to the dimensions of raw material stocks and materials

The acquisition of feedstock needed for refinery production process is based on ferm contracts both from external and domestic markets. Crude oil – the main refinery raw material is purchased from import sources only, being secured by a firm contract that was concluded in 2021 for a period of 5 years, this ensuring the stability and safety of the refinery's operating process under optimal conditions. The main source for crude oil is Kazachstan market, and when it's not sufficient for operating at high or maximum capacity, the complementary sources are those from the Black Sea area (with the exception of Russia), Azerbaidjan, the Mediterranean Sea, North and West Africa, as well as the Middle East area; these contracts are executed through KazMunayGas Trading AG based in Paradiso, Switzerland, following a market analysis process and auctions for spot and term contracts.

The volumes of crude oil purchased are received through the Midia Marine Terminal S.R.L., being discharged in the modern marine terminal owned by the KMG International Group and located in the immediate vicinity of the Petromidia Refinery. The other raw materials come from both external and internal sources

The acquisition prices for all raw materials are calculated based on international quotations considered as benchmarks on the oil market. The level of quotations on the international markets is induced by the fluctuation and the global situation influenced by economic and geopolitical factors and this fact is also reflected in the level of the purchase prices of raw materials. These prices are established by mutual agreement between the Supply Chain & Trading and Refinery and are based on technical and economic foundations.

For the loading and unloading of raw materials and oil products in Constanta and Midia ports, contracts are also concluded with service providers, such as Conpet S.A., Oil Terminal S.A. and Midia Marine Terminal S.R.L, respectively Decirom S.A. (for solid products).

The other raw materials needed in the process of operating the refinery are purchased both from external sources and from the domestic market. And in their case, firm annual contracts are concluded in order to ensure the safety of the refinery's operating process. Among other raw materials, biocomponents (bioethanol and biodiesel) are purchased for the production of automotive fuels required for consumption on the domestic market, in line with the legal regulations that establish the obligation of suppliers to sell gasoline and diesel with a minimum content of biofuels to final consumers.

Ethylene is a raw material for polyethylene (LDPE, HDPE) and is purchased from the foreign market at prices that follow the trend of quotations.

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The chemicals purchased by Rompetrol Rafinare S.A. (for the two refineries) during 2023 can be grouped into:

- catalysts
- additives
- chemical services for water treatment
- other chemicals (inhibitors, process chemicals, etc.)
- reagents
- oils

1.1.4. SALES ACTIVITY

Rompetrol Rafinare –Petromidia Refinery work point

The quantitative structure of the deliveries is summarized in the following table:

OIL PRODUCTS	TOTAL DELIVERIES	DELIVERIES					
		DOMESTIC *		EXPORT		TRANSFER	
	[tons]	[tons]	[%]	[tons]	[%]	[tons]	[%]
Gasoline	1,203,957	383,721	31.87	820,235	68.13	0	0
Gasoline for chemical use	168,464	0	0	0	0	168,464	100
Petroleum	307,466	270,397	87.94	24,798	8.07	12,270	3.99
Auto diesel fuel	2,144,803	1,725,660	80.46	419,144	19.54	0	0
Fuel oil	156,184	13,146	8.42	0	0	143,038	91.58
Propane Propylene	117,287	0	0	0	0	117,287	100
Liquefied Petroleum Gas LPG	216,915	216,915	100	0	0	0	0
Petroleum Coke	245,679	152,925	62.25	92,754	37.75	0	0
Petroleum Sulphur	51,299	59	0.12	51,239	99.88	0	0
Other Products	108,770	43,985	40.44	7,670	7.05	57,116	52.51
TOTAL	**4,720,823**	**2,806,808**	**59.46**	**1,415,840**	**29.99**	**498,175**	**10.55**

** domestic deliveries include oil products sold on the domestic market, deliveries to Vega and Petrochemicals, being entered under the heading "transfer"*

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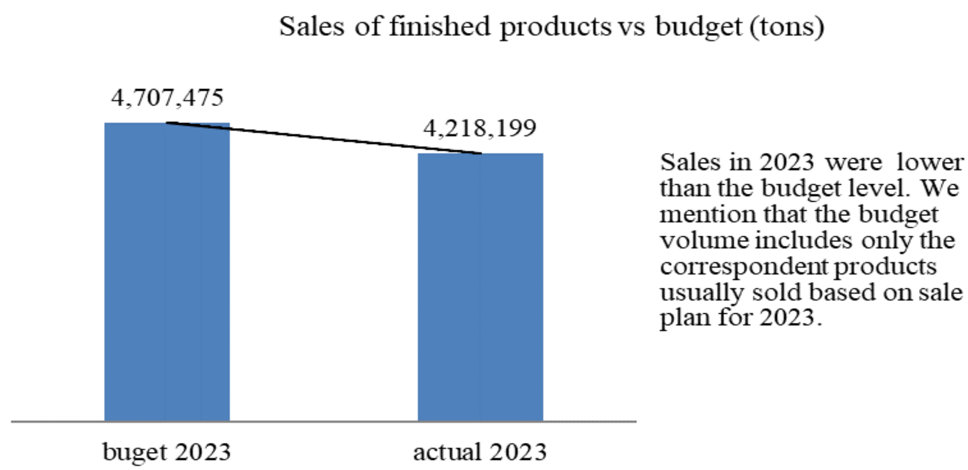
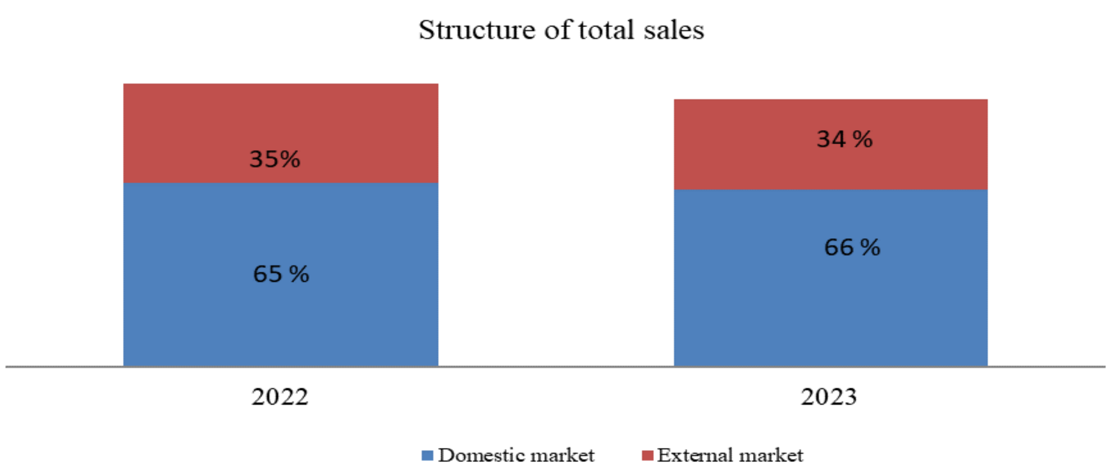
In 2023 the sales were lower than budgetted.





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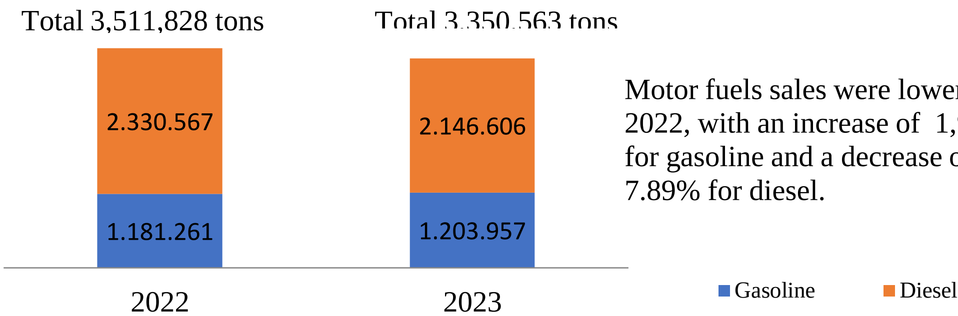
Gasoline + Diesel sales (tons)



Motor fuels sales were lower than 2022, with an increase of 1,92% for gasoline and a decrease of 7.89% for diesel.

Compared to 2022, total sales in 2023 were slighty lower (cca 5%) due to a tehnical incident to the MHC instalation which led to a decrease of the processing capacity.
On the external market, volumes traded were lower than in 2022 at all product categories. Most part of volumes was sold on regional markets.
For the year 2024, the aim is to consolidate the existing markets but also to penetrate other markets.
For the domestic market, the marketing strategies continue to increase the market share through an expanded network of national gas stations.

Rompetrol Rafinare –Vega Refinery work point

The quantitative structure of the deliveries of oil products in 2023 is summarized in the following table:

Products group	Total deliveries 2023		INTERNAL		EXTERNAL	
	Tonnes	% of the total sales	tonnes	%	tonnes	%
Naphtha gasoline	108,223	28.63	48,162	44.50	60,061	55.50
Bitumen	104,696	27.69	104,696	100.00	-	-
Heating oil	18,019	4.77	18,019	100.00	-	-
n-Hexan	83,336	22.04	4,335	5.20	79,001	94.80
Fuel oil	22,268	5.89	22,268	100.00	-	-
White spirit&Petroleum	5,963	1.58	2,404	40.32	3,559	59.68
Ecological Solvents	35,546	9.40	895	2.52	34,651	97.48
Total	**378,051**	**100.00**	**200,779**	**53.11**	**177,272**	**46.89**

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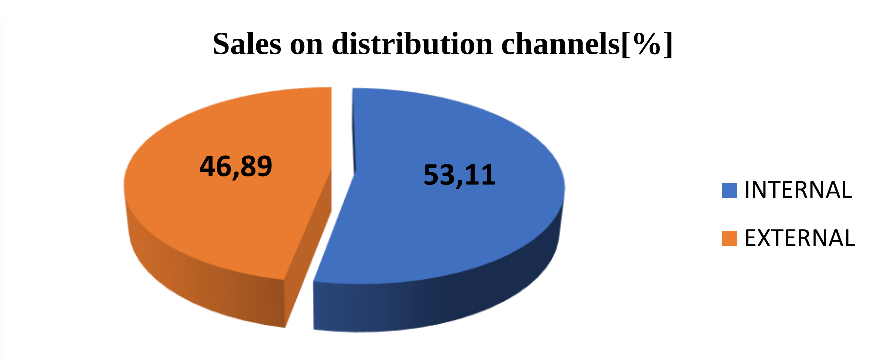
Sales market

The main distribution markets abroad have been:

- Hungary, Austria, Poland, Bulgaria, Moldavia, Holland, Slovakia and Czech Republic for naphtha gasoline
- India, Turkey, Ukraine, Italy, Pakistan, Bulgaria, Bosnia, Belarus, Germany, France, Kazakhstan, Macedonia, Moldovia, Poland, Serbia, Holland, Austria, Slovakia, Hungary and Uzbekistan for hexane
- Germany, Hungary, Italy, Poland, Moldovia, Serbia and Ukraine for ecological solvents
- Bulgaria, Ukraine and Moldovia for white spirit

The sales in 2023 totalled a quantity of 378,051 tonnes (deliveries in 2022: 364,142 tonnes). Within the external distribution channel there were sold 177,272 (2022: 194,974 tonnes) and within the internal distribution channel there were sold 200,779 tonnes (2022: 169.167 tonnes).

The share of finished products sales on distribution market is shown in the graphic below:



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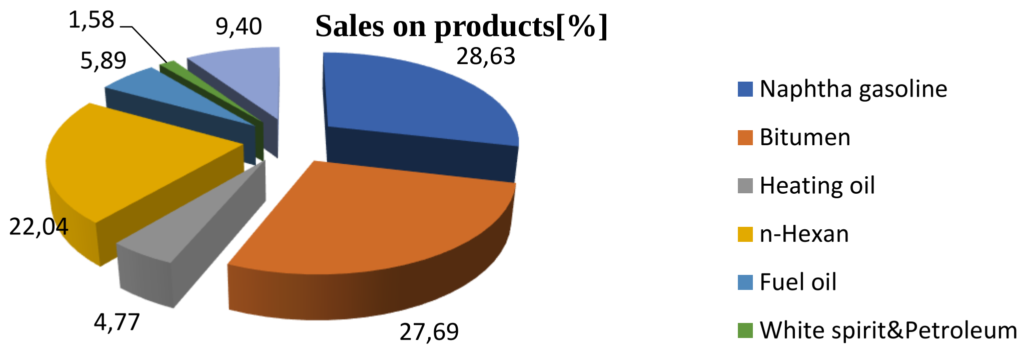
The white products sales (naphtha gasoline, hexane, ecological solvents and white spirit) represents approximately 62% of the total sales of 2023.



Rompetrol Rafinare –Năvodari Work point, Petrochemical complex

The quantitative structure of the deliveries of polymers is summarized in the following table:

Products		Deliveries			
	Total deliveries	Domestic		Export	
	tons	tons	%	tons	%
PP	86,727	40,270	46%	46,457	54%
LDPE	20,902	13,199	63%	7,703	37%

Rompetrol Rafinare – Petrochimicals Area is the single producer of polypropylene (PP) and polyethylene (PE: LDPE and HDPE) in Romania.

Besides its own products, the Company is now actively selling a wide range of petrochemical products which are not currently produced by the Rompetrol Rafinare – the Petrochemical Plant, but which are in demand on the Romanian market, namely: High density polyethylene variants (HDPE pipe variants), linear low density polyethylene (LLDPE), PVC, PET and PP.

The sales of the Petrochemicals Area in 2023 amounted to a total quantity of 117,364 tons.

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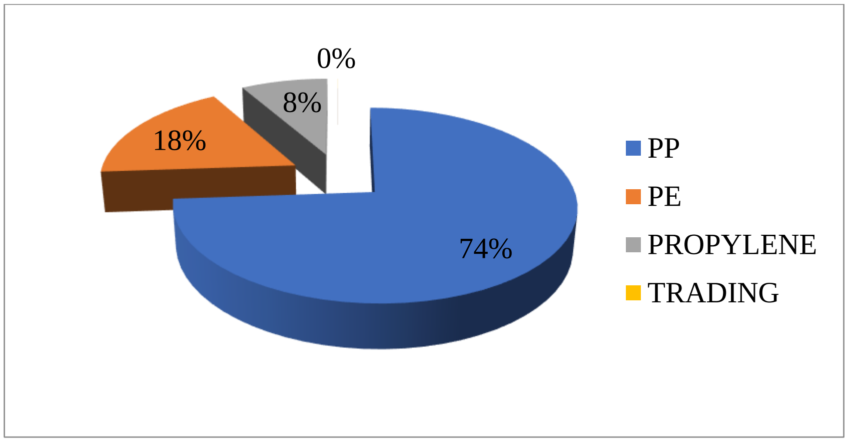
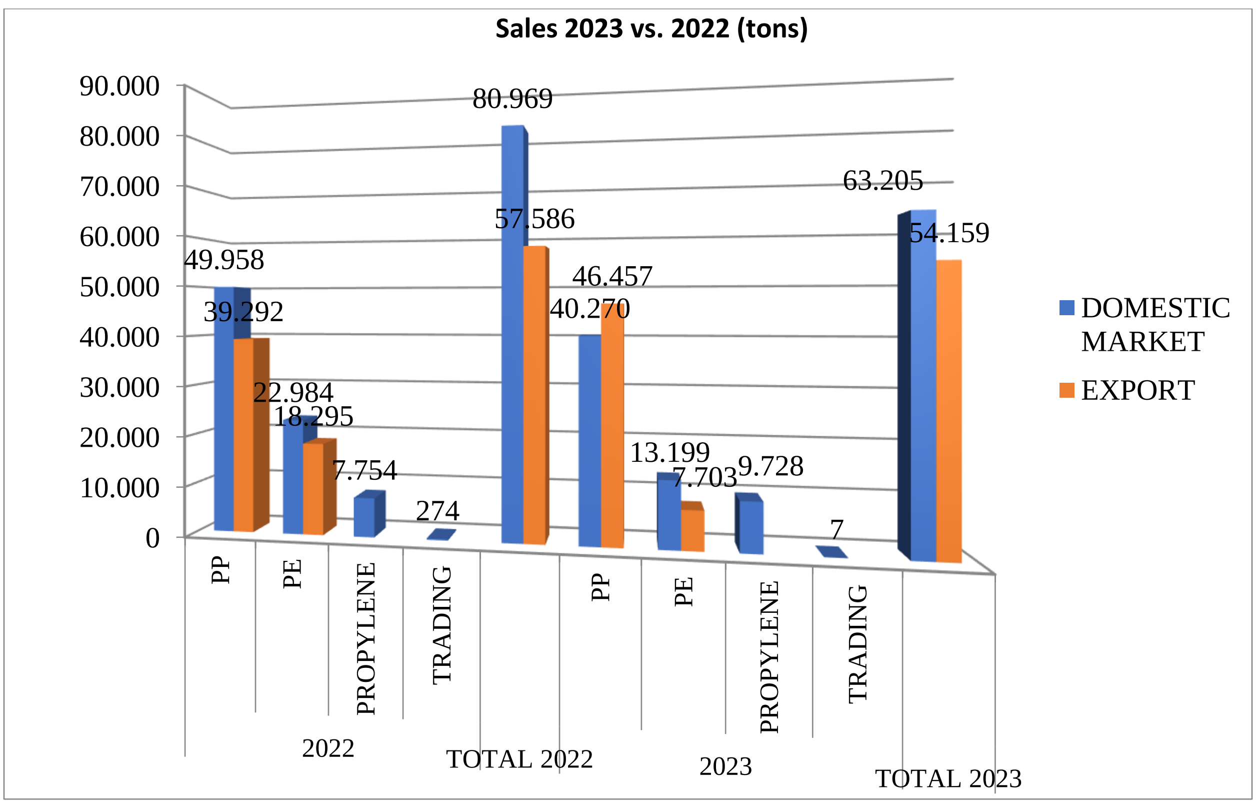
In 2023, 74% of the total sales were represented by polypropylene (PP), 18% by polyethylene (PE) and the remaining 8% represents the sales of propylene and trading activity.





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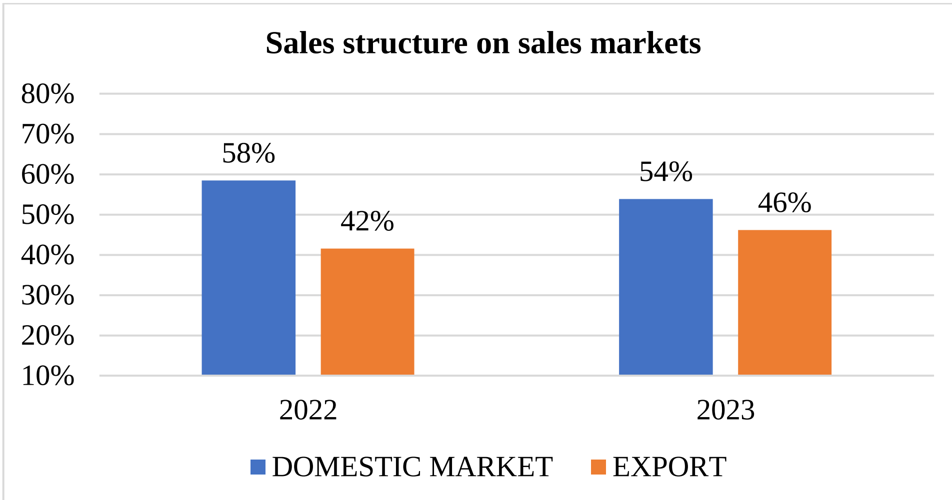
Out of total sales, 54% is the domestic market and the rest of 46% represents exports.



The most important distribution channels for polymers (PP, PE) are Romania -50%, Bulgaria -18%, Italy -6% and Republic of Serbia -5%.

The external sales of polymers were targeted to both the European Union and third countries. The intra-communitarian deliveries represented approx. 87% of the total export sales of finished goods, the difference representing the export sales on the non EU markets.

The distribution of petrochemical products sold by Rompetrol Rafinare S.A. was done by means of auto and railway in the case of sales on the domestic market and, in the case of sales on the foreign market, the distribution of these products was made both by means of automotive and maritime transport through the ports of Agigea and Constanta.

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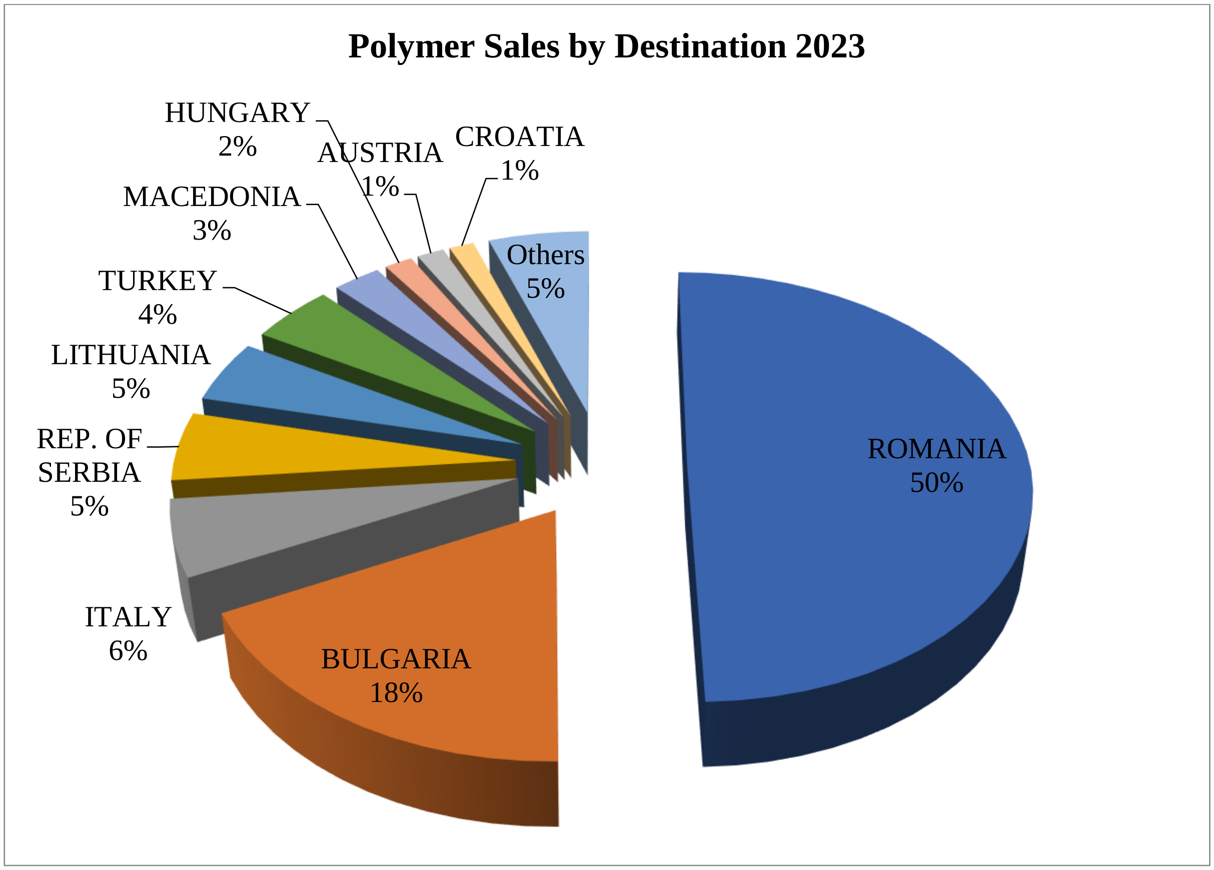

a) *Competition situation, market share of the company products and the main competitors*

The main competitors on the domestic market are the other two producers, OMV Petrom and Petrotel Lukoil, but also the other international companies with subsidiaries in Romania: MOL, SOCAR.

The main **competitors** on the foreign market are:

Regional producers:

- LITASCO (Romania, Bulgaria);
- OMV PETROM (Romania, Austria);
- MOL (Hungary, Slovakia);
- SOCAR (Turkey);
- GASPROM (Serbia)

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International traders, present on all markets: VITOL; TRAFIGURA.

For petrochemical products, the main competitors (who are also producers but are not located in Romania) on the internal and external market are:

- TVK
- Slovnaft
- HIP Pancevo
- Lukoil Burgas
- Borealis
- Sabic
- DOW
- Petkim

b) Significant dependency of the company towards a single customer or group of customers, the loss of which would have a negative impact on the income of the company

From the point of view of significant dependence on a single customer or group of customers:

- ✓ KazMunayGas Trading A.G., related entity of Rompetrol Rafinare S.A.- holds more than 10% of the company's external sales.
- ✓ Customers with more than 10% of the company's sales on the internal market: Rompetrol Downstream S.R.L. (subsidiary of Rompetrol Rafinare S.A.)

Rompetrol Rafinare, as member of KMG International Group, increased its customer base with part of the related entities within KMG International Group. The transactions with these companies are made based on the market value principle and are submitted in the stand-alone financial statements of Rompetrol Refinery and reported to the Bucharest Stock Exchange and the Financial Supervisory Authority (FSA) according to the requirements and regulations of FSA.

1.1.5. HUMAN RESOURCES ACTIVITY

Our mission is to bring people together to find inspiration and create opportunities for them to grow. Their enthusiasm in contributing to people initiatives showed us they are the leaders we are waiting for. We set out to achieve our mission together with the people of KMG International Group, who

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embark on a journey of individual transformation to reach authentic and conscious leadership, catalyzing together our energy toward growing our community.

We strongly believe that education and professional training for young people are the key to a stable future for the energy industry and our community. We continue to support and invest in the development and growth of our current and future employees every year through our program and project.

a) Number, level of training of the company employees and the degree of unionizing the employees

On 31.12.2023, Rompetrol Rafinare, Năvodari Business Unit (Petromidia Refinery) had 987 active employees, of which: 241 - staff with higher education.

On 31.12.2023, at the Vega refinery, Ploiesti, the company had 189 active employees, of which: 50 - staff with higher education.

TOTAL: On 31.12.2023, Rompetrol Rafinare S.A. had a total of 1,176 employees, of which: 291 - staff with higher education.

The unionisation of the workforce was 75% (882 employees are union members).

The following trade union organisations are active in the Company: Free Petrochemical Union (610 members), Vega Free Union (23 members), Midia Năvodari Industrial Platform Workers' Union (249 members).

Breakdown of employees by age group:

- **Rompetrol Rafinare Petromidia Business Unit**

Age Range	Number of employees	Percentage of total staff
< 30	161	17%
30 – 39	219	22%
40 - 49	121	12%
50 - 59	446	45%
>60	40	4%

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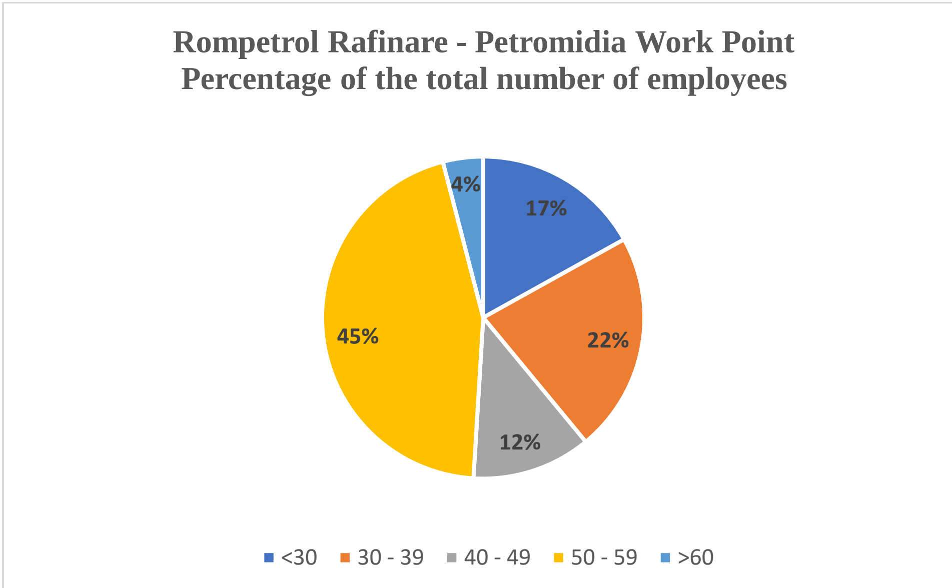

- **Rompetrol Rafinare Vega Business Unit**

Age range	Total Staff	Percentage of total staff
<30	19	10%
30 - 39	22	12%
40 - 49	25	13%
50 - 59	118	62%
>60	5	3%

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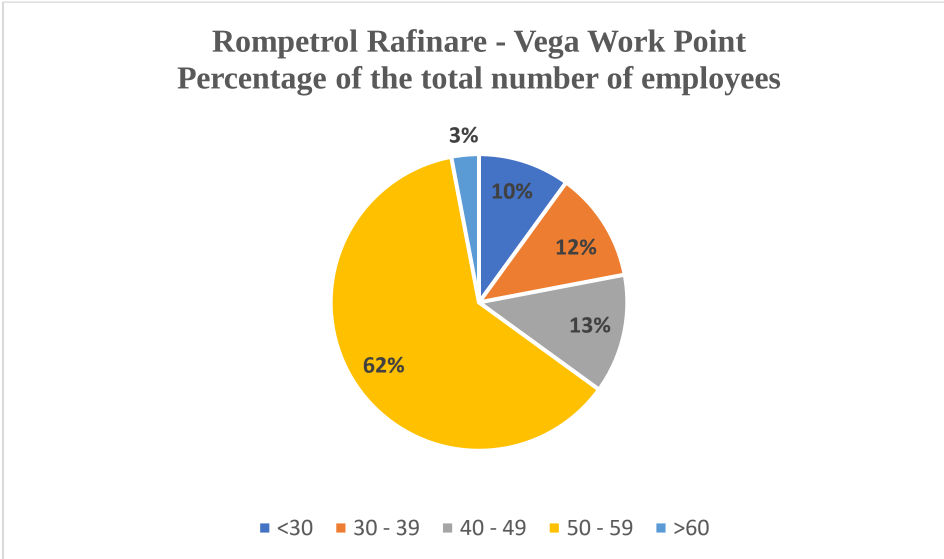

During the reporting period, certain training programmes were conducted within the Company in the areas of: functional skills; general knowledge; communication; QHSE certifications; safety; professional knowledge - support functions, etc.

A total of 710 (non-unique) employees participated in training programmes totalling 12,695 hours, i.e. an average of approx. 17.88 training hours/employee.
The total training cost was EUR 181,853 million

b) Relations between management and employees as well as any conflicting elements which characterize these relations

The rights and obligations of employees are stipulated in the Collective Employment Agreement („CCM") of Rompetrol Rafinare, in the Individual Employment Contracts („CIM") and in the Internal Regulations of the Company.

The employees carry out their activity in accordance with the established working schedule, the job description as well as the Rules for Organization and Operation („ROO").

The relations between the company's management and employees are normal, not negatively influencing the company's economic performance. There is a regular social dialogue between the management of the company and the union.

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1.1.6. ACTIVITY RELATED TO ENVIRONMENTAL PROTECTION AND QUALITY, HEALTH AND SAFETY

The Company owns and operates the Petromidia Refinery, located in Năvodari, Constanţa County and the Vega Refinery located in Ploieşti, Prahova County.

Through the nature of the activities carried out (processing of the crude oil), the company has an impact on the environment, and for this reason the management is continuously preoccupied with the prevention and control of the impact of the activities carried out, on the environment factors, allocating considerable financial resources for investments to this purpose.

The environmental strategy of Rompetrol Rafinare S.A. is based on compliance with legal and regulatory requirements, both through permanent monitoring and periodic reporting of the degree of compliance, as well as the continuation of investment programs, through the use of the best techniques available in the field (BAT BREF), having the following principles:

- Compliance with legislation and other applicable requirements, the permanent monitoring of the degree of legal compliance;
- The use of the environmental management system to integrate into the company's decisions performance criteria for the protection of air, water, soil and the conservation of natural resources;;
- Continuation of the investment program in order to comply with the regulatory requirements in the field of environmental protection and to reduce the impact of the activity on the environment;
- The assessment of the environment performances of the company, the communication with the interested parties including the local communities, with regard to the continuing improvement of the environmental performances.
- Promoting information and awareness among the employees of the company, with regard to the measures for prevention and reduction of the emissions in the atmosphere, water and soil, including the measures concerning the waste management and dangerous substances for the activities carried out and which may have an impact on the environment.
- Informing the public about the risks associated with hazardous chemicals and the security measures and behavior in case of major accident;
- Participation in voluntary projects and social responsibility projects in the neighboring communities.

<u>Integrated Environmental Permit</u>

During 2023 Rompetrol Rafinare SA - Petromidia working point operated based on the Integrated Environmental Authorization no. 1/10.05.2013 updated on 18.02.2019 and renewed by the competent authority with no. 5/ 20.07.2023, for an unlimited period, with an annual visa.

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Vega Refinery functioned based on the Environment Integrated Permit no 9/08.07.2015 issued by APM Prahova, reviewed on 09.11.2022 with an annual visa for the period 07.08.2023-07.08.2024.

Environmental Agreement

During 2023 all investment projects were completed within the assessment procedure of impact on the environment together with the receipt of the regulation documents (Decisions/environmental agreements on the project category level) from the competent authority on environmental protection.

The project "Rehabilitation and layout of the field area on the premises of ROMPETROL RAFINARE S.A. - Vega Refinery Ploieşti on which we have located acid tars and oil residues" continued, having the Environment Agreement no 1/18.02.2015, reviewed on 14.01.2021.

The works on the lagoons 17 & 18 have been completed.
Also for the other lagoons to be rehabilitated (19-20, 7-15), the works will be executed with contractors authorized in terms of environmental legislation, in the following period and according to the Environmental Agreement. An auction is currently underway for lagoons 19 and 20.

The Water Permit

In 2023 Rompetrol Rafinare S.A. - Petromidia working point operated based on the Water Management Authorization no. 135 / 19.10.2020 (valid until 31.10.2023); it was renewed by ANAR issuing the Water Management Authorization no. 174/27.11.2023, valid for 3 years.

Rompetrol Rafinare SA - Vega Refinery operated on the basis of the Water Management Authorization no. 42 / 26.02.2021 issued by SGA Prahova with a validity of 3 years (until 01.03.2023) and revised on 28.02.2023, valid until 01.03.2025.

The Greenhouse Gas (CO_2) Permit

During 2023, Rompetrol Rafinare S.A. -Petromidia working point operated on the basis of the Authorization regarding the greenhouse gas emissions no. 89 / 01.03.2021 for the period 2021-2030.

Rompetrol Rafinare SA-Vega working point operated based on the Authorization regarding the greenhouse gas emissions no. 139 / 02.06.2021 for the period 2021-2030 and on the plan for monitoring greenhouse gas emissions approved by the competent authority.

In April 2023, the compliance procedure was completed by returning to the European Register of Greenhouse Gas Emissions (EUTL), the CO2 emissions certificates for 2022.

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Compliance with the REACH Regulation – as required by the European Chemicals Agency (ECHA) regarding registration of produced / imported substances as well as of the information communicated through the safety data sheets.
During the year 2023, the revision process of the Safety Data Sheets for our own products (PEM and VEGA) continued, in accordance with the requirements of Regulation no. 878 / 2020 amending Annex II to Regulation (EC) no. Regulation (EC) No 1907/2006 of the European Parliament and of the Council on the registration, evaluation, authorization and restriction of chemicals,. as a result of internal / external requests (clients) and the new applicable regulatory requirements.

Regarding the portion of land contaminated with oil product located in Vadu (Boxes 1 and 2, designed according to the project data for the storage of dredged biological sludge from Pond 1), during 2019 Environment Protection Authority (EPA) Constanța was designated as a regulatory authority for the procedure for decontamination, for the two boxes, the applicable procedure being the one regulated by Law 74/2019 on the management of potentially contaminated and contaminated sites. According to the regulatory requirements, respectively of Law 74/2019, the “Preliminary Investigation Report” (2020), the “Detailed Investigation Report & Risk Assessment” (2021) were elaborated and submitted to the EPA.
Based on the mentioned investigation studies, during 2021 APM Constanta issued Decision no. 1 / 22.04.2021 by which the mentioned location was classified as a "contaminated site" respectively Decision 1R/ 08.11.2021 regarding the remediation of the contaminated site and notified Rompetrol Rafinare SA regarding the continuation of the procedure by developing the feasibility study and the remediation project. The feasibility study was developed and submitted to APM Constanta (29.12.2021), later completed (May 2022) and the authority's point of view is currently awaited regarding the approval of the scenario / remedial solution identified in the study and the initiation of the technical remediation project.
Following the issuance by the Environmental Protection Agency of the Initial Evaluation Stage Decision no. 127/23.03.2023 for the project "Greening of the site boxes1&2Vadu ", by which it was decided to initiate the procedure for assessing the impact on the environment, respectively the submission of the completed presentation memorandum according to the content-framework provided in annex 5E of Law no. 292/2018 regarding the assessment of the impact of certain public and private projects on the environment during 2023, in order to prepare the requested documentation and argue the solution identified in the feasibility study, laboratory tests were carried out on undisturbed samples taken from the boxes, for testing the in-situ bioremediation technology.
The supporting documentation requested by the decision mentioned above, which also integrates the results of the laboratory tests, was submitted to the regulatory authority on 31.10.2023.
Currently, as a result of the Environmental Protection Agency address no. 12628/29.11.2023 by which the submission of the technical remedial project was requested, the contracting procedure of the authorized developer for the realization of this project is underway.

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During 2023, the application of LDAR-Leak Detection and Repair techniques continued, in order to identify fugitive emissions / losses associated with equipment, which can be reduced through maintenance activity.

Activity regarding Quality, Occupational Health and Safety and Environmental Protection (QHSE)

Major activities carried out in 2023 in order to achieve the QHSE objectives (details of the environmental , health, safety and emergency situations activities are to be found in the relevant chapters of this report):

- Rompetrol Rafinare certifications were maintained, for:
  - Car fuels and bitumens, according to legal and regulatory requirements
  - Quality - Environment - Occupational Health and Safety Management System (QHSE) and Energy Management System, according to ISO 9001, 14001 & ISO 45001& ISO 50001 standards
  - ISCC Management System (International Sustainability & Carbon Certification), from the point of view of the sustainability requirements provided in Directive 2018/2001/EC (RED II)
  - Rescue Stations, according to legal requirements
- A number of 63 documents of the integrated management system were elaborated / reviewed / verified and an extensive process of translation of the procedures into English is underway.
- There have been registered here were registered: 1 work accident with 2 fatalities (under investigation by the competent authorities), 3 accidents with temporary incapacity for work, a property damage as a result of the fire in the MHC facility (under investigation by the competent authorities).
- To improve process safety, HAZOP and LOPA studies were carried out for 7 installations from the two refineries
- 435 internal inspections and audits were performed according to the planned / unplanned / thematic, in order to identify both the weaknesses and opportunities for improvement.
- There were 51 inspections and external audits by authorities and certification bodies
- Complaints for delivered products were handled according to internal procedures
- The implementation stage of actions from QHSE plans and programs was monitored and specific statistics and reports were prepared, with established frequencies (weekly / monthly / quarterly / half-yearly/ annualy) or on request, in order to meet both the internal and external requirements of the relevant stakeholders (authorities, customers, suppliers).
- The specific QHSE information related to Rompetrol Rafinare was consolidated and sent to KMG International Grup, for the preparation of the Sustainability Report

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- The activity at the two work points – Petromidia and Vega refineries have been monitored for purposes of environment protection, pursuant to the Integrated Environment and Water Management Authorizations, as well as in what regards the compliance requirements under the Greenhouse Gas Authorization.
- To improve performance from the QHSE point of view, additional human resources were allocated, being engaged into the team 2 (two) employees with international work experience; also, employees of the department participated in external training courses (NEBOSH, risk assessor, internal auditor).
- In order to increase the safety awareness of our own staff and contractors who carry out their activity on industrial platforms, promotion, motivation and awareness actions were undertaken, completed with the awarding of prizes:
  - ✓ "International Day of Health and Safety at Work" - distribution of the new "Passports for Life"
  - ✓ "Safety starts with you" - campaign to distribute the new "Life-saving Rules" and the Safety Responsibility Card
  - ✓ Event and interview at Radio PEM on the occasion of "Oilman's Day" on safety topics proposed by employees
  - ✓ Safety motivation campaign for employees who have demonstrated knowledge of the "Life-saving Rules"

1.1.7. RESEARCH AND DEVELOPMENT ACTIVITY

The expenses during the financial year 2023 as well as those anticipated for the next financial year for the research and development activity

Expenditure carried out in the year 2023	
Expenditure for studies and technical assistance	1,021,226 USD
Expenditure planned for the year 2024	
Expenditure for studies and technical assistance	1,249,080 USD

The main studies performed in 2023:

- *Corrosion Benchmarking*
- *UOP Technical Assistance for Licensed Units*
- *Feasibility Study for Bitumen Plant in Petromidia*

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- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Study to determine the auto-ignition temperature of petroleum products*
- *Ellaboration of Energy audit report required to maintain the green certificates payment exception agreement in accordance to HG 495/2014*
- *HAZOP (Hazard and Operability) and LOPA (Layers of Protection Analysis) Studies*
- *2022 Solomon Benchmark Study*
- *P&IDs (Process & Instrumentation Diagram) in Nitrogen – Oxigen (N_2-O_2) and Compressed Air Units*
- *100-C5 Vacuum Distillation Column Revamp Study*
- *Revamp study regarding improved performance trays in Atmospheric and Vacuum Distillation Unit's columns*

From **the studies list proposed by Rompetrol Rafinare to be carried out in 2024** we can mention:

- *UOP Technical Assistance for Licensed Units*
- *Member of CONCAWE Association (European Petroleum Refiners Association)*
- *Ellaboration of Energy audit report required to maintain the green certificates payment exception agreement in accordance to HG 495/2014*
- *Study for increasing design capacity for the following units: Naphtha Hydrotreater, Catalytic Reforming, Saturated Gas Plant and Kerosene Hydrotreater*
- *Study to verify the integrity of underground perimeter wall*
- *HAZOP (Hazard and Operability) and LOPA (Layers of Protection Analysis) Studies*
- *Technical studies resulted from HAZOP and LOPA Studies*
- *APC (Advanced Process Control) program maintenance*
- *Study for increasing design capacity for HPN unit (Hygh Pressure Nitrogen unit)*
- *Filtering solution for NMP solution (N-methyl-pyrrolidone)*
- *Update P&IDs (Process & Instrumentation Diagram) for Hexane and Vacuum Distillation units – Vega refinery*

1.1.8. RISK MANAGEMENT ACTIVITY

Company's exposure to the price risk, credit risk, liquidity risk and cash flow risk

The company is exposed to the risk induced by the high volatility of the prices of crude oil and petroleum products, with a direct impact on the gross margin on sales. For this reason the management

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developed a hedge policy, which was implemented within Rompetrol Rafinare S.A. starting with January 2011. According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Rafinare) can be hedged using future contracts traded on ICE Exchange and some OTC instruments.

From the point of view of liquidity, on the background of a volatile market of petroleum and refined products, the company has made efforts to maintain the coverage of current debts from current assets, the current liquidity indicator being in 2023 at a value of 0.57.

Policies and objectives of the company regarding the risk management

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.

Interest rate risk
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.

Foreign exchange risk
The Company's reporting currency is Romanian LEU (RON). The fact that most of the acquisitions represented by crude oil imports and other feedstock, also a significant part of petroleum products sold are all denominated principally in US Dollars, but about 60% of the Company's sales are made in national currency (RON), generates a significant foreign currency exposure risk. Certain assets and liabilities are denominated in foreign currencies, which are translated 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. Treasury department is responsible for handling the Company's foreign currency transactions.

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Liquidity and cash flow risks
The liquidity risk consists in not having financial resources available in order to fulfill company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfillment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

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 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*

The company is exposed to credit risk, which is why it applies a credit control and collection policy aimed for reducing credit risks and increasing the level of debt collection. Thus the Company analyzes the financial creditworthiness of customers in order to grant credit limits for the sales made to them and determines the need to secure credit limits with different guarantee instruments. It also applies a process of collection of debts in stages, depending on the value, maturity and guarantees provided for securing them. Overdue 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 treasury department in accordance with existing policies.

Commodity price risk
The Company is affected by the volatility of crude oil, oil product and refinery margin prices. 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, the management developed a hedge policy which was presented to the ’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 raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery) 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 Company, hence price fluctuations will not affect the cash-flow.

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Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction can be 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 based on the current position at that particular moment. 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 company manages price risk hedging operations on EUA certificates for which futures instruments are used.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company has implemented a quality-environment-safety integrated system meeting the legal requirements for quality – environment – security.

In order to identify, assess and minimize the risks to our communities, employees, contractors, the environment and our business, Rompetrol Rafinare is an active part in strengthening the culture of risk awareness by approaching preventive risk management in a disciplined, iterative, accessible and consistently manner, by going through the following steps:

1. Was implemented the risk policy and methodology developed by KMG International Group (“KMGI”), aligned with the best practices and professional standards from a global perspective;
2. It continued the implementation of the quarterly risks identification and evaluation process by:
   - Timely identification of all risk factors / risks /consequences that could affect the objectives established using the Unified Risks Classification (URC), by maintaining the Risk Register containing detailed information and analyzing all the risks of the company, as well as a description of those factors whose change could influence or cause the emergence of risks;
   - Evaluation of the impact of the identified risk factors/consequences, using the detailed methods in the methodology;
   - Risks mitigation measures and information on the realization of risks

3. It continued the quarterly monitoring and reassessment of the risks already identified through:
   - Updating the data , the level of risk and their impact on the achievement of the set objectives;
   - Area Administration and implementation of the measures established for the control of the risks related to the implementation of the processes through the quarterly evaluation of the progress made;

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- Monitoring the quarterly evolution of risk factors and risk dynamics;
- Analysis and closure of risk events, if applicable;
- Maintaining the database with the risks materialized quarterly (UERED);
- Ensuring the provision of complete and timely information on the status of risks and the performance of the control measures implemented through the Risk Reporting Package (Risk Report, Risk Register, Unified Electronic Risk Events database, Key Risk Indicators Status Report) sent quarterly to Rompetrol Rafinare management for approval and to the Enterprise Risk Mangement department of KMGI;

4. Management mechanisms were developed and implemented for specific risks, appropriate control procedures for processes (standards, regulations, procedures, instructions, corporate policies for managing certain types of risks) and aimed at reducing the level of risk.

The organization continued in 2023 the identification and assessment of major hazards resulting from normal operation and accidental situations, as well as the assessment of their probability and severity, in this sense performing, with an external consultant, risk analyzes type HAZOP and LOPA, for 7 PEM &VEGA units, the resulting recommendations to be prioritized and implemented through CAPEX programs.

In order to achieve the objectives regarding occupational health and safety and emergency situations adequate actions have been taken, as well as activities necessary to comply with legal and regulatory requirements.

The new campaign launched on the 2 platforms "SAFETY STARTS WITH YOU!" it aims both to strengthen a culture of safety at work and the quality of working conditions and the detailed analysis of these aspects.

Through the communication channel of the "1.Life/1.Viata" project for the growth and consolidation of the safety culture, the planning of BBS (BBS - Behavior Based Survey) safety audits was sent monthly, audits carried out to identify and correct the unsafe behaviors of Rompetrol Rafinare employees both at the places of work as well as driving cars. Also, Safety Alerts, local QHSE Alerts were communicated to the staff, safety and health at work rules and measures were periodically reiterated on various topics of interest.

Periodic safety meetings were organized together with top management, installation heads from the Petromidia and Vega platforms, QHSE safety inspectors and the inspectors of the Installation Control department, for the analysis of operational safety and the identification of improvement measures in the safety chapter.

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According to the legal requirements and those of ISO 45001 standard, emphasis was placed on the participation and consultation of workers and their representatives in: evaluating aspects and decisions related to health and safety at work through CSSM (Health and Safety at Work Comittee) quarterly meetings, assessing the risks of accidents and occupational diseases (MERP application, PECE method), training for access to the platforms, respectively the annual retraining of the own staff (Iknow application in which new training and testing modules were introduced), retraining employees with the procedures for starting/stopping/changing pumps specific to each area/installation, monitoring the health status of employees, accidents investigations , reviewing OSH-ES procedures and plans, etc.

"The operation authorization" of the Rescue Stations from both Industrial platforms, has been maintained through the surveillance audit carried out by INCD INSEMEX Petroşani.
The operative staff who work within the Rescue Stations were authorized/reauthorized by INSEMEX Petrosani.

The revised emergency management documents for Rompetrol Rafinare-Platforma Petromidia (Security Report and Internal Emergency Plan) were submitted to the competent authority for obtaining the visa. The Internal Emergency Plan for Rompetrol Rafinare-Vega Platform was reviewed and avised by the competent authority.

SMURD first aid courses were organized for employees and 2 External Automatic Defibrillators were purchased and installed in Petromidia and 1 in Vega.

For the training of the staff operating on platforms, and on the basis of the scenarios from the Internal Emergency Plan, 104 simulation exercises of a major accident were carried out and also a drill of Emergency Cell of Petromidia Platform; on Vega Platform, a JOINT type tactical level exercise took place with the participation of external intervention forces in emergency situations, based on a scenario from the External Emergency Plan.

In order to improve aspects related to health and safety at work and emergency situations, a QHSE Execution Plan was documented and approved, to be implemented in 2024.

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1.1.9. ELEMENTS OF PERSPECTIVE REGARDING THE ACTIVITY OF ROMPETROL RAFINARE S.A.

INVESTMENT ACTIVITY IN 2023

Total investments realized value for **2023** is **53.1 millions USD**, following splitting per programs according below table:

USD amount	**Achieved 2023**
Petromidia, from which:	**51,810,431**
Development	500,136
Operational Support	3,807,920
Compliance	13,790,867
Capital maintenance	33,711,508
Vega, from which:	**1,217,637**
Compliance	294,145
Capital maintenance	923,492
Refinery Total Investments	**53,028,068**

The main projects which have implemented and/or with implementation ongoing on year 2023 in Rompetrol Refinery:

- **Petromidia Refinery, Petrochemicals and Vega Refinery 2024 General Turnaround (preparation works for Refinery General Turnaround 2024)**

The main works packages consist of:

- Catalyst Replacement / Regeneration and Catalyst Services - all work related to the replacement of end-of-life catalysts with new or regenerated catalysts - to obtain products with high economic value.
- Operational works - The other activities, which do not refer to maintenance repairs or modernization, but which are required in order to achieve good energy efficiency in the refinery (exchangers washing, column checking, other equipment)
- Maintenance – Usual repairs and inspection necessary for equipment static/dynamics and pipes that cannot be performed during units operation;
- Capital Maintenance – equipment that will be replaced only in shutdown period.

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- Capex or Improvement project – implementation of CAPEX projects that can be done only with units shutdown.
- Unexpected/found works – works that appear after the equipment opening.

Within this project, the benefits are as follows:

- Safety–zero incidents (human accidents or damage to equipment)
- Maintain Refinery at its nominal monthly capacity.
- Maintain the refinery mechanical availability at 97%;
- Increase reliability / availability of equipment during operation.

- **<u>“2023 PEM Refinery Shut – Units: 100 CDU, 120 NHT, Platforming and 180 DCU”,</u>** <u>performed between</u> 24th of January and 2nd of February.
  The updated plan was done based on the decision to move the planned slowdown of the refinery from March 2023 to January 2023 in order to execute in one single shutdown all planned technological and mechanicals activities for:
  - decoking of the Coker heater,
  - Naphtha Hydrotreater catalyst replacement,
  - Platforming catalyst regeneration
  - to take the opportunity to perform intervention at Crude Unit which consist in 100C2 column internals replacement and inlet connection for heavy gasoil into 100 C4 column replacement , in order to increase the flexibility of running the refinery at maximum capacity and with different types of crudes.

First time in history was shut down the crude unit without shutting down the entire refinery, the strategy being to have partial shutdown vs. total shutdown as per approved budget.

<u>• "The technical incident followed by a fire in the premises of the Petromidia Refinery"</u> took place on 21.06.2023 in the MHC Unit (mild hydrocracking unit). Starting from 10.07.2023, the authorities granted full access permission to the area affected by the incident, and verification, identification, estimation and remediation activities began at a sustained pace; these were performed by the Company's contractor, Rominserv S.R.L., and by subcontractors.
Following the completion of expertise and checks in the MHC Unit, as a result of the incident, it was found that approximately 195 pipes, 22 static equipment, 7 dynamic equipment, 7 electric motors were directly and indirectly affected. To these equipment is added the damage to the metal structure that serves the equipment, as well as the civil structure. The catalyst in the 3 reactors was also affected, needing to be replaced until the unit is restarted. Also, the electrical cables rack and instrumentation was compromised, requiring the replacement of the cables entirely. Last but not least, it was found necessary to change the instrumentation and control elements, as well as the electrical devices in the area where the fire occurred (adjustment valves, signal transmission, lighting fixtures, etc.). To these

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actions are added all the support activities in order to properly and safely carry out the repair activities (scaffolding, insulation, anti-corrosion protection, NDT checks, etc.).

The estimated value of the repairs in the MHC area amounts to about 21.5 million USD, to which is added the profit for the repair services of the Rominserv affiliate, as will be determined based on the analysis of the transfer prices corresponding to the year in which the activity is carried out; also the catalyst was purchased by the Company, the value of the purchase being 6.2 million USD. The completion of the works and the restart of the MHC Unit was performed on February 26, 2024.

Part of the activities will also be performed during the year 2024 during the planned shutdown of the Refinery, requiring a longer procurement time. In this situation, there is the replacement of the tubular bundles from the 220 S1 (3 pieces), the installation of the turbine to the 220 P12R pump. For these activities, solutions were found to ensure the safe operation of the installation until the scheduled shutdown in 2024.

- **Replace Refinery static equipment Program - 2023 and 2024 Packages**

The „Refinery static equipment rehabilitation” program was started to create conditions for operating of the Refinery at maximum capacity of crude oil processed, by improvement of the technological process with higher energy efficiency.

- Static equipment’s replacement – 2023 Package (9 items) includes the following:
  - Replace tubular bundle for 100S5, 100 CDU unit; actual status: tubular bundles replaced and equipment is in operation.
  - Replace tubular bundle for 120S2A, 120 NHT unit; Actual status: tubular bundles replaced and equipment is in operation.
  - Replace tubular section for 220A2/1 air cooler, MHC unit; Actual status: tubular bundles replaced. Equipment in operation.
  - Replace tubular section for 220A2/2 air cooler, MHC unit; Actual status: tubular bundles replaced. Equipment in operation
  - Replace recycle cooler for 322E108G, LDPE unit; Actual status: new equipment purchased.
  - Replace tubular bundle for heat exchanger E951, PP unit; Actual status: new equipment purchased.
  - Replace caps for E243, Steam Cracker unit. Actual status: new equipment purchased.
  - The project was finalized at the end of 2023.

Replace Refinery static equipment Program - 2024 Package

- 313V S3: New subassemblies for heat exchanger (shell, distribution chamber)
- 220-E302: New air preheater
- 138-FV14: New ventilation vessel
- 130-S16: New heat exchanger
- 135-S12A: New tubular

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- 147-S5 147-S6: New tubular bundles for 147-S5 and 147-S6
- 138F-V16, 138F-NV17A, 138F-NV17B, 138F-NV18: New equipment
- Economizer Eco640: 10 new tubular bundles. Mounting activity not included into project scope, which will be managed separately on 2024 Refinery General Turnaround.
- 121-V7: New vessel

Besides economizer, the rest of all equipment were delivered and will be installed through this project in Turnaround 2024.

- **Refinery Catalyst Change**

The activities with the objective of changing catalysts in the Petromidia Refinery in 2023 consist of replacing the following catalysts:

- 125 DHT unit delivery of regenerated catalyst, supply new guard and make-up;
- 122 DHT unit delivery of catalyst.

Preparation for 2024 Refinery General Turnaround:

- Catalyst replacement 352- Flare Gas Recovery Unit;
- Catalyst replacement 220-MHC Unit;
- Catalyst Replacement 125 DHT;
- Catalyst Replacement 120 NHT;
- Catalyst replacement 147-MTBE Unit;
- Catalyst replacement 130-Platforming Unit;
- Replacement of adsorbent from 120-V101 Guard vessel;
- Replacement of molecular sieve and ceramic balls D214 and D707 in PP unit;
- Replacement of molecular sieve and ceramic balls for dryers F211 in Steam Cracker;
- POSORB catalyst replacement for the R229 reactor in Steam Cracker;
- The procurement process was completed, and the purchase contracts was signed in 2023. The catalyst delivery procedure are ongoing with delivery terms as per contracts assumptions by the end of February 2024. Mild Hydrocracking unit catalyst was completely delivered in October 2023, and the Prosorb catalyst for the R229 reactor, Steam Cracker unit, to be delivered at the beginning of April 2024, before 2024 Refinery General Turnaround.

- **Expire authorization ISCIR for static equipment (ISCIR 2023-2024)**

Project consists in aligning to legislation requirements in terms of safety functionality of the refinery equipment.

By project implementation, the following benefits are expected:

- Running with the refinery units in safety conditions according to legislation in force, as a result of detailed verifications which will be performed during this evaluation program which will have as a result the technical evaluation of the equipment after specified years of service, as well as repair or elimination of the faults which will appear after the inspections;

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- Obtaining the functioning authorization for the pressurized equipment, pipes and lifting equipment as per Technical Prescriptions

In 2023 were executed partialy from the total volume of works. These were works of technical documentation, scaffolding and nondistructive checks.
The projects will be finalized in december 2024.

- **Tanks rehabilitation program**

The scope for 2023 is to rehabilitate the following tanks:

- A gasoline tank with a capacity of 5,000 cubic meters with construction works planned to be performed in 2023 year (B6 tank); This project was finalized in October 2023.
- A vacuum distillate tank, with a capacity of 5,000 cubic meters with inspection and detail design activities planned for 2023 (DV21 tank); The measurement program was finalized in 2023. Until March 2024 it is planned to be finalized the Detail Design Engineering with increase in capacity +_20% and re-estimate cost and budget for Phase II – execution. The estimated deadline for project finalization is December 2023.
- Four diesel tanks with a capacity of 10,000 cubic meters with design and execution related activities planned to be performed during 2023 as follows:
    - Two tanks with detailed design related activities (M95 tank and C99 tank); Phase I was finalized for both tanks (M95 and C99) and Phase II / execution stage was postponed for 2025.
    - Two tanks with construction related activities (M92 tank and C101 tank); M92 tank was finalized in 2023, while C101 tank is scheduled to be finalized in November 2024.

- **Replace coke drilling-cutting system in the DCU unit**

Project Scope of Work consist in design stage execution, materials purchasing and installing a new coke cut/drilling system for Delayed Coker Unit from Refinery. Project is correlated with 2024 Refinery General Turnaround.

- In 2023, following activities were performed:
    - New coke cut/drilling system was contracted with RuhrPumpen, Germany;
    - Components of new system are under manufacturing process as per contractual assumptions, stating a level of execution of 76%.
    - Engineering Phase for system replacement is finalized.
    - Technical Expertise and Repairing project of actual support structure are finalized.
    - Cut/drilling system replacement, commissioning and start-up –will be correlated with 2024 Refinery General Turnaround.
    - Project will be finalized in November 2024.

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- **Replace subassembly of reformer heater 352-H201**

The project scope of work consist in acquisition and replacement of 352-H201 reformer subassemblies (outlet subleaders – 3 pieces, catalyst tubes – 114 pieces, distributors – 3 pieces and inlet pigtails – 114 pieces, S2103 preheater, etc.), which is correlated with 2024 Refinery General Turnaround.

  - In 2023, all subassemblies (except 352-S2103 preheater) were contracted with Technip, Benelux (Unit Licensor) and delivered in Refinery. 352-SS2103 manufacturing was finalized and will be delivered in into 2024.
  - 352-H201 reformer heater subassemblies replacement will be correlated with 2024 Refinery General Turnaround.
  - Project will be finalized in May 2024.

- **Acquisition and install of 2 new Reactors -125-DHT unit**

The project scope of work consist in replacement of the actual reactors 125R1, R2 from Diesel Hydrotreater Unit with new ones, designed and manufactured in accordance with current date standards.

  - In 2023, following activities were performed:
    - New reactors were contracted and are under manufacturing process as per contractual assumptions.
    - Reactors internals were contracted and are under manufacturing process as per contractual assumptions.
    - Detail Design Engineering was finalized.
    - Project will be finalized in May 2024.

- **Flue gas pipe support system expertise and replacement of the flue gas pipe N-PG-138F-030**

Project is corelated with 2024 Refinery General Turnaround, with set scope of work to replace flue gas pipe, together with lenticular expansion compensator, expecting following benefits:

    - Reducing maintenance costs;
    - Safe operation of the installation.

Performed activities within 2023:

    - Detailed Design Engineering stage was finalized;
    - Contracting for the development of a flue gas pipe replacement project;
    - Project will be finalized in April 2024,

- **New Traveling crane with clamshell bucket**

- Delayed Coker Unit is equipped with two portal cranes. These have the role of loading the coke resulting from the production process from the storage to railcars.

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Performed activities within 2023:

- Contracting the acquisition of crane;
- Crane manufacturing is ongoing (50% execution progress);
- Project will be finalized in May 2024.

- **<u>Safety measures package for Petromidia Refinery hydrotreaters units</u>**

Project objectives consist in development and implementation of a safety measures package for separation points between high-pressure and low-pressure sections for Refinery hydrotreaters units.
Performed activities within 2023:

- Detailed Design Engineering stage was finalized;
- all materials (instrumentation, mechanical, electrical) were contracted, under manufacturing process as per contractual assumptions.
- construction and mounting works, commissioning, and start-up activities will be correlated with 2024 Refinery General Turnaround.
- Project will be finalized in May 2024.

- **<u>Safety package - phase II (sampling systems) - Up-grade sample points in Petromidia Refinery units</u>**

Project consist in acquisition and installing of new sampling points in Refinery units, with following activities performed within 2023:

- Detailed Design Engineering stage is ongoing (engineering stage for tie-in's is finalized).
- Acquisition of bulk materials and mechanical works related to tie-in's execution is correlated with 2024 Refinery General Turnaround.
- Project will be finalized in July 2024.

OTHER SIGNIFICANT PROJECTS DEVELOPED BY THE COMPANY – DOLPHIN PROJECT

In 2023, the implementation of both the initiatives developed in the previous stage and the new initiatives continued heaving four interdepartmental work teams: Energy, Continuous Improvement, Maintenance and Organizational Efficiency.

The goal of the 2023 project was established at the end of 2022 and was oriented towards the following areas: reducing utilities consumption and improving energy efficiency, increasing the refinery's utilization capacity, optimizing blends, improving product yields, reducing technological losses, for which it is estimated a $ 5 million benefit.

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All teams had one single goal:
- Increasing the operational performance of Petromidia and Vega - *maximizing refinery profitability without capital investment;*
- Developing, updating and implementing new processes / structures / systems - *implementing a modern way of working and supporting constant development;*
- Identifying new opportunities, generating continuous improvements - *evaluating and developing profitable ideas and investments for the future.*

At the end of **2023**, there were achieved **USD 7.23 million** benefits through the implementation of the initiatives by the project teams, which exceeded the planned amount by USD 2.23 million.

The benefits recorded during January - December 2023 resulted from the following directions:
- Reduction of utilities/energy consumption in the current market conditions where their price increase
- Optimization of valuable products and increase of the production of refinery gas in order to reduce the purchase of natural gas.

STRATEGY

KMG International Group strategy was approved in March 2022, focusing on decarbonization and transition of the Group from being a traditional oil and gas downstream company into a diversified downstream player. This option has been chosen out of four strategic after the assessment of several criteria such as KMGI strategic targets, decarbonization targets, its capabilities, the long-term business model sustainability or the value creation potential. This option sets forth pursuit of gradual diversification, including into new biofuels (bioethanol and biodiesel), renewable electricity production, expanding EV charging network. A portfolio of 6 projects has been shortlisted following the assessment of more than 40 decarbonization solutions which can be implemented in the medium and long-term. Decarbonization projects lead to improved profitability and capability to offer low-carbon products and services, thus improving KMGI's brand image & long-term company resilience.

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

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

As regard to Cogeneration plant, the project, worth over 164 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment. Construction is expected to be completed in Q2 2024.

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

OUTLOOK FOR 2024

Group operations: The Rompetrol Rafinare Group will continue to further improve its operational performance and carry on the operational initiatives which were identified and put in motion since several years ago, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, Retail gas stations network development, increase of non-fuel profitability, as follows:

- ✓ Petromidia 2024 Feedstock Target performance set at 4.956 million tons, corresponding to 15.9 ktons/day of operation, with -0.1 million tons below achieved level of 5.01 million tons in 2023 mainly due to mandatory 4 years shutdown activities (358 days of operation in 2023 vs 311 scheduled in 2024); relative low decrease in feedstock processes in comparison with the decrease in number of days due to shutdown of the Mild-Hydrocracker installation as a result of the incident occurred on 21st of June 2023.
- ✓ White products 2024 yield target of 85.85%.

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a) Factors of uncertainly which could affect the liquidity of the Company

The year 2023 was impacted mainly due to the volatility of the market environment of oil and natural gas, which led to lower quotations compared to the previous year for crude oil and other feedstock, as well as for the petroleum products resulting from their processing.
Refining margins experienced a significant decrease during 2023, on the ground of the decrease in international quotations for petroleum products.
Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of RON 141 million and has paid in 2023 a contribution of RON 580 million after submitting rectifying Corporate Income Tax declaration for 2022.

The company has made sustained efforts to maintain the capacity to hedge current liabilities from current assets, the current liquidity indicator registering an increase in 2023 to the level of 0.57 compared to that of 2022 of 0.44.

The liquidity risk derives from the possibility that the financial sources may not be available in such a way as to meet the obligations of the company in due time. The Company management follows the liquidity level daily, as well as ensuring that its obligations towards suppliers, the state budget, local budgets, etc. are met in accordance with their maturity, with the aid of the expected cash. The coefficients of current and immediate liquidity are monitored at all times.

Among the factors that can influence the Company's liquidity in the future, are:

- Oil and gas international market volatility with impact on refinery margins;
- The potential amendments to the Romanian and/or EU legislative framework in the field of carbon gases reduction, environment protection and energy;
- The fluctuations in interest rates and exchange rates;
- The volume of maintenance and development investments;
- The taxation rates, including introduction of new taxes.

b) Capital expenses, current or anticipated on the financial situation of the company

The investment activity within 2023 year has focused, in accordance with the investment program, on the following:

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- Starting activities for projects package with implementation during General Turnaround 2024
- Acquisition of spare parts for strategic equipment;
- Continuing Fire Fighting program, to create assumptions for providing the necessary operating conditions for firefighting system;
- Replacing necessary catalysts;
- Detailed inspections and obtaining the functioning authorization for the pressurized equipment, pipes and lifting equipment as per Technical Prescription.
- The alignment with the requirements of the environmental standards in force, and with the aim of reducing emissions.

c) Events, transactions and economic changes that affect revenues from the main activity

Rompetrol Rafinare S.A. recorded a net turnover of **Lei 17,120,703,327** in 2023, this being mainly impacted by the volatility of the international oil and natural gas market environment transposed into lower quotations for oil products sold in 2022 compared to the previous year, on the ground of decreased volumes sold in 2023 compared with the ones from 2022. In the 2023 financial year the company recorded a net loss of **Lei (550,355,167),** due to the significantly decreased refinery margins recorded during 2023, on the ground of the decrease in international quotations for petroleum products.

d) Others

1. On August 22, 2016, a technical incident took place at the Atmospheric and Vacuum Distillation (AVD) unit followed by a fire that was extinguished by the refinery staff and private and public fire services. Following the event, two employees of Rominserv S.R.L., a member company of the KMG International Group, suffered burns and two people died. Following the completion of the criminal investigation and the administration of the technical expertise, Rompetrol Rafinare S.A., Rominserv SRL and 3 employees of the 2 companies were sent to court for: negligent failure to take measures regarding safety and health at work, culpable bodily injury, culpable homicide, accidental pollution. The Company is also a civilly responsible party in the file. At the date of issuing this report, the litigation is pending before the court.
2. On July 2, 2021, an explosion took place, followed by a fire at Petromidia refinery, Diesel hydrotreater unit. As a result of the accident, 3 company employees died and another employee suffered a hip fracture. The criminal investigations are carried out by the Prosecutor's Office attached to the Court of Constanta. The file is in the evidentiary administration stage, with the technical expertise report by the expert committee within INSEMEX being submitted, as well as

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the point of view of the expert appointed by the Company. At the same time, the collective work accident was investigated by the Territorial Labor Inspectorate. The Minutes of the investigation were issued in 2022.

3. As part of the investigation carried out by the Directorate for the Investigation of Organized Crime and Terrorism ("DIICOT"), the investigation that is the subject of criminal file 279/D/P/2020, the Company received during 2021 of a series of ordinances by which it was requested to make available to the criminal investigation bodies some documents related to the works contracted for the greening of lagoon 18 of the VEGA Refinery. The Company obtained the Environmental Agreement no. 1/18.02.2015, revised on 14.01.2021, issued by the competent environmental authority for all 14 lagoons, for their greening. At the date of the preparation of the financial statements for auditing (March 2023), the Company has the status of injured party in the criminal case before the preliminary chamber, reserving the right, in relation to the evolution of the criminal case that is the subject of the criminal file 279/D/P/2020, to formulate a request for the establishment of a civil party if the case arises.
4. On May 13, 2023, an incident occurred in the Polypropylene ("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 the Constanţa Court (Judecatorie). In the criminal case, the company has no quality, up to this moment a series of hearings have been held of the employees involved in the event or present at the workplace in the facility. At the same time, the work accident is investigated by the Territorial Labor Inspectorate according to the legislation on work incidents.
5. On June 21, 2023, a fire occurred in the Petromidia refinery, in the Mild Mydrocracking ("MHC") plant, with no recorded casualties. Criminal investigations are carried out by the Prosecutor's Office attached to the Constanţa Court. The company, as the injured party, formulated and filed a criminal complaint with the object of destruction. Also, at the request of both the Company and the Prosecutor's Office attached to the Constanța Court, INCD INSEMEX Petroșani was ordered to carry out a technical-judicial expertise in order to establish the causes of the incident. At the same time, the incident, which falls under the category of major incidents in accordance with the legislation in force, is also being investigated by the Constanța Territorial Labor Inspectorate.

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2. TANGIBLE ASSETS OF ROMPETROL RAFINARE

2.1. LOCATION AND CHARACTERISTICS OF THE MAIN PRODUCTION CAPACITIES

The company ROMPETROL RAFINARE S.A. is located about 20 km North of the Constanţa County, between the Black Sea and the lake Năvodari (Taşaul), on a plot of land partly recovered from the sea and from the lake, in the vicinity of the port Midia and the Poarta Albă – Midia channel.

The **Petromidia Refinery** is the only profiled unit in Romania located at the Black Sea, and thus having a competitive advantage due to the immediate access to the sea and river transport routes, namely:

- Strategic placement in the Black Sea area, near the Constanţa port - one of the biggest in the region;
- Direct access to the Danube - Black Sea Channel;
- Direct access to the Midia Port;
- Near the network of crude oil pipes;
- Own railway infrastructure system;
- Logistical facilities (Midia Marine Terminal S.R.L.) which allow for reception and delivery of the liquid products by ships, barges, rail tankers and tank wagons.

The project capacity of Petromidia Refinery, following the refining capacity expansion project from 1991 is 5.32 million tonnes raw material/year.

- Infrastructure:

The Petromidia platform has a surface of 480 hectares where more than 20 companies (also including sub-contractors from outside the Group) operate in various business areas.

The supply of crude oil and other raw materials is mainly carried out through the marine terminal located in the vicinity of the Petromidia Refinery, at a distance of about 8 km from shore and through the Midia port. As an alternative, the supply may also be made through the port of Constanţa (one of the biggest in the region), through the pipe of OIL TERMINAL S.A., for a distance of approximately 40 km.

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As of 2014 the **Petrochemical sector** joined the Refinery in the Refining Business Unit. **The Petrochemical sector** is specialized in the production of polymers, with a production capacity of 80,000 tonnes /year of polypropylene, 60,000 tonnes/year of high-density polyethylene and 60,000 tonnes/year of low density polyethylene. It is the sole national producer on this market segment. It delivers on both internal and external markets (the Black Sea and the Mediterranean regions, Central and Eastern Europe).

Strategically located on the Black Sea coast, the Petrochemistry section includes a maritime terminal for the unloading of ethylene, cryogenic ethylene and propylene storage tanks, and various solutions for delivery to ships, rail wagons or trucks.

As of December 2007, the **VEGA Refinery** was transformed into a production tax warehouse for Rompetrol Rafinare SA.

The VEGA Refinery is located on the national road DN 1A, at a distance of approximately 60 km from Bucharest, the capital of Romania, near the European road E 60, with access to both the road and the railway network.

The Vega Refinery is located in the northern part of Ploieşti city, about 1 km from the Ploieşti North railway station, with which it is directly connected.

The Vega Refinery is currently operating the following facilities: Vacuum distillation, Bitumen, Hexane, Rectification, Dezaromatization Unit, AFP Unit. Auto platforms and railways related to AFP Unit are operated by Midia Marine Terminal S.R.L.

Currently, the raw materials are brought in the refinery in railway reservoirs from the Petromidia Refinery and are discharged through raw material-specific railway platforms. From the specially prepared platforms, the raw material is pumped through the pipes towards the storage reservoirs of the AFP area, where they are taken up by each plant separately.

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The Refinery has a fleet of reservoirs of raw material and finished products, auto platforms and the railway platform for the delivery of petroleum products. At the moment, the supplies of petroleum products from the Vega Refinery are made in both rail wagons cars and trucks.

2.2. THE DEPRECIATION DEGREE OF THE ASSETS

At the end of 2023, the accumulated depreciation of the tangible non-current assets (expressed in RON) is as follows:

Depreciation of tangible non-current assets	**Balance on 01.01.2023**	**Balance on 31.12.2023**
Lands-(developments)	8,265,581	-
Constructions	164,926,607	-
Technical equipment and machinery	351,743,540	-
Other facilities, equipment and furniture	923,632	-
Total	**525,859,359**	**-**

Note: On 31.12.2023, the accumulated depreciation in the amount of RON 933,147,024was cancelled at the date of revaluation of the property, plant and equipment in relation to their gross book value as part of the process of recording the results of the revaluation in the company's accounts.

By Decision no. 3 of the Board of Directors dated May 15, 2018, it was approved the proposal of the Executive Management and for the period 2018 - 2026, a new schedule of General Turnarounds and Planned Shutdowns was approved, in the sense of reducing the cycle of 5 years between two General Turnarounds to the cycle of 4 years and for extablishing a Planned Shutdown every 2 year, between General Turnarounds.

2.3. POTENTIAL ISSUES RELATED TO THE OWNERSHIP RIGHT REGARDING THE TANGIBLE ASSETS OF ROMPETROL RAFINARE S.A.

1. On 10 September 2010, ANAF issued a decision establishing the precautionary seizure of all the holdings held by Rompetrol Rafinare in its affiliated companies, as well as on the movable and immovable property of Rompetrol Rafinare, except for the stocks. This measure is still in force, but at the time of issue of this report, this seizure does not have any direct effect on the Company's (Rompetrol Rafinare SA) recurring operations.On the date of the preparation of this report, the

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Romanian State has waived the judgment of appeals in all disputes before the courts whose object was related to the application of the provisions of the Government Emergency Ordinance no. 118/2003, approved with amendments by Law no. 89/2005.

On June 15, 2021, Rompetrol Rafinare SA has submitted to the Court of Appeal of Constanta a request for the obligation of ANAF - General Directorate of Administration of Large Taxpayers to issue the Decision to lift the precautionary seizure instituted on the property of ROMPETROL RAFINARE SA by Decision establishing the precautionary measures no. 1059301/10.09.2010 and the Decision to revoke the Enforcement Title no. 8993/17.11.2010b.

On December 21, 2021, the court accepted the request made by Rompetrol Rafinare S.A. The pronounced ruling is subject to appeal. The appeal filed by ANAF was admitted on May 25, 2023 by the High Court of Cassation and Justice, and the case was sent for retrial at the Court of Appeal, to be introduced into the case also the Ministry of Finance. The request made by Rompetrol Rafinare SA was rejudged by the first court, Constanta Court of Appeal admitting it and ordering to the NATIONAL AGENCY FOR FISCAL ADMINISTRATION - GENERAL DIRECTORATE FOR ADMINISTRATION OF LARGE TAXPAYERS to issue the Decision on lifting the insurer seizure. The solution can be appealed by ANAF.

2. On May 6, 2016 the Prosecutor's Office attached to the High Court of Cassation and Justice – the Directorate for Investigating Organized Crime and Terrorism issued the Ordinance establishing the precautionary seizure on all Rompetrol Rafinare shares in its affiliated companies share capital, as well as in the movable and immovable property of Rompetrol Rafinare, with the exception of stocks, bank accounts and receivables. In April 2019, DIICOT is issued an order for the release from seizure of all the buildings owned by Rompetrol Rafinare S. A., except those related to Petromidia Refinery. On December 5, 2019, DIICOT, through the ordinance issued for this purpose, raised the seizure in its entirety but, in order to protect the civil parties, the penal seizure of 4 of Rompetrol Rafinare S. A. facilities is temporarily maintained, evaluated up to USD 106 million. If the civil parties mentioned do not bring civil actions in court against the companies of the KMG International Group, the temporary seizure will also be lifted. If they introduce these actions, it is up to the civil courts to determine whether there are grounds for maintaining this seizure in force, until the civil actions are resolved. Against maintaining the criminal seizure of four installations of Rompetrol Rafinare SA, worth USD 106 million, the company has filed a civil action that, judging itself in the council chamber, it was admitted in part, in contradiction to AVAS, but was rejected in contradiction with Faber. A second action formulated by Rompetrol Rafinare SA in contradiction with Faber was admitted definitively and the DIICOT seizure was released also from the four facilities.

3. During 2016, Marway Fertilchim SA, currently being called Novifert SRL, filed two actions in court against Rompetrol Rafinare SA:

- A border action on the role of the Constanta Court, regarding the establishment of the boundary line separating the secondary headquarters of Rompetrol Rafinare SA in Navodari from the property belonging to the applicant in the area of 51,873 sqm, identified with cadastral number 103053 and the obligation of Rompetrol Rafinare to leave in full ownership and possession the land area that will

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result from measurements as belonging to Novifert. The action is pending on the date of the wording of these clarifications, the next settlement deadline being in March 2024;

- Arbitration request pending before the Court of International Commercial Arbitration within the Chamber of Commerce and Industry of Romania, requesting the obligation of Rompetrol Rafinare S.A. to reinstate and repair the pipeline system of Novifert property decommissioned by Rompetrol Rafinare SA. Also, it is requested the obligation of Rompetrol Rafinare to perform all the construction, repair and maintenance works undertaken by the Convention of the Parties authenticated under no. 1548/11.06.2001. By the same action, it is requested that Rompetrol Rafinare SA be obliged to return to Novifert SRL the real estate that was the subject of the 2001 commodatum contract. At the time of drawing up this report, the request for arbitration made by the applicant Novifert S.R.L. was admitted in part, Rompetrol Rafinare S.A. being obliged to return the goods which were the subject of the contract and the property of the applicant, existing on the land belonging to the secondary office of the defendant. At the same time, however, the claims of the applicant Novifert S.R.L. to oblige Rompetrol Rafinare S.A. to repair the pipes property of Novifert S.R.L. have been rejected. Also, the counterclaim formulated by Rompetrol Rafinare S. A. was admitted in part, being ascertained the termination of the right of servitude of Novifert S.R.L. on the Rompetrol Rafinare S.A. The judgment delivered by the arbitral tribunal was appealed by action for annulment by Novifert S.R.L., which was rejected. During 2018, the company Novifert S.R.L. introduced on the Court of Constanta, in contradiction with Rompetrol Rafinare S.A., a new action in court, however, having the same object as that stated by the applicant in the request for arbitration, settled by the Court of International Arbitration of CCINA Romania. The Constanta Tribunal sent the case for competent resolution, again, to the Court of International Commercial Arbitration within the Chamber of Commerce and Industry of Romania. On November 6, 2020, the Court of International Commercial Arbitration rejected as unfounded the action brought against Rompetrol Rafinare S. A. And this decision was appealed by action for annulment by Novifert SRL, the court seised, respectively, the Bucharest Court of Appeal admitted the action for annulment and sent the action formulated by Novifert to the Constanta Court to be solved. The file is being solved, at the date of the formulation of these specifications.

4. Also during 2020, Novifert SRL has introduced at Constanta Court an action in establishing a right of servitude for auto and pedestrian crossing over a plot of land in the area of 8,844 sqm, having CF number 101506, of the town of Navodari, so that the applicant company had access from its property to the public road. The action is pending, the file continuing to be tried in 2024.

5. The land related to the Fuel Distribution Station located in Constanta, Spring Street and Soveja Street, is in the private domain of the state, in connection with which the Company acquired a right of use under a joint venture agreement concluded in 2000 by the Territorial Administrative Unit of Constanta, through the mayor, and by the company Rompetrol Rafinare S.A., having the name in that period Petromidia S.A. In November 2018, the company was informed about the existence of a final court decision, which finds that the City Hall of Constanta has concluded, among others, the joint venture agreement with Rompetrol Rafinare S. A., breaching the provisions of Law 215/2001. At the date of issue of this report are being carried out the necessary formalities for the signing of a superficial contract by the same parties, for the land of 400 sqm on which the fuel distribution station is built.

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3. SECURITIES ISSUED BY THE COMPANY

3.1. MARKETS IN ROMANIA AND IN OTHER COUNTRIES WHERE SECURITIES ISSUED BY THE COMPANY ARE TRADED

Starting April 7, 2004, the Company's shares are traded on the regulated market administered by the Bucharest Stock Exchange S.A. (BVB) under the issuing symbol RRC and ISIN code ROPTRMACNOR5.

Rompetrol Rafinare shares are traded in the Standard category of the Bucharest Stock Exchange.
On 31.12.2023, the total number of shares issued by Rompetrol Rafinare is 26,559,205,726, representing a total value of the share capital of 2,655,920,572.60 Lei. The Company's shares are common, registered, issued in dematerialized form, the records of which are kept by DEPOZITARUL CENTRAL S.A. Bucharest, as an independent register, authorized by the Financial Supervisory Authority.

3.1.1. RRC ACTIVITY ON BVB

The activity carried out by RRC in 2023, as an issuer of securities on the capital market in Romania, is presented as follows:

- ❖ In 2023, there were a total of 1,743 transactions with RRC shares, with an average daily number of approx. 7 transactions, compared to 2022 with a total of 1,563 transactions with RRC shares;
- ❖ The total volume of RRC shares traded in 2023 was 13,827,615 shares (approx. 22% more than in 2022 when a total volume of 11,329,859 shares was recorded);
- ❖ The total value of transactions in 2023 with RRC shares was 1,137,610 Lei (approx. 31% more than in 2022 when a total value of transactions of 870,670 Lei was recorded);
- ❖ The price of a share during 2023 was between a maximum value of 0.089[3] Lei and a minimum of 0.076 Lei [4], increasing compared to the values recorded in 2022 when the maximum value was 0.085 Lei and the minimum value was 0.063 Lei.
- ❖ The RRC transactions in 2023 were concluded only on the REGS market;

[3] *Registered on March 3, 2023*
[4] *Registered on February 3, 2023*

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❖ Stock market capitalization [5] on the last trading day of 2021, 2022 and 2023 is presented in the table below. The stock market capitalization on the last trading day of 2023 stood at 2,230.97 million lei, up from 2,124.74 lei at the end of 2022.

Rompetrol Rafinare shares	2021	2022	2023
Number of shares	26,559,205,726[6]	26,559,205,726[7]	26,559,205,726[8]
Stock market capitalization, mil. Lei[9]	2,177.85	2,124.74	2,230.97
Stock market capitalization, mil. Euro[10]	440.06	429.60	448.47
Price at the end of the year, Lei	0.082	0.080	0.084

The weighted average price (WAP)[11] of RRC shares during 2023 = 0.0823 Lei/share, taking into account the transactions made at the Bucharest Stock Exchange on the main market of the regulated market (REGS).

ROMPETROL RAFINARE SHAREHOLDERS

During the analyzed period, there were no changes that could influence the value of the Company's share capital.

On December 31, 2023, the share capital of Rompetrol Rafinare S.A. had a value of **2,655,920,572.60 lei, representing 26,559,205,726 shares, with a nominal value of 0.10 lei each**.

*[5] Capitalization represents the total market value of the Company (number of shares * market price of the share)*
[6] On December 8, 2021, the Central Depository registered the reduction of the share capital from 44,109,205,726 shares to 26,559,205,726 shares. We mention that the reduction of the share capital was carried out in the share of all shareholders registered with the Rompetrol Rafinare Register on December 7, 2021, in proportion to the participation share in the share capital on this date.
[7] On December 30, 2022 (the last trading day of 2023) the total number of shares issued by RRC was identical to that recorded on December 30, 2021 (the last trading day of 2021).
[8] On December 29, 2023 (the last trading day of 2023) the total number of shares issued by RRC was identical to that recorded on December 30, 2022 (the last trading day of 2022).
[9] Calculated based on the share price on the last trading day of the analyzed year, namely December 29, 2023, December 30, 2022, and December 30, 2021, respectively.
[10] Calculated at the EURO exchange rate (4.9746 lei) applicable in the last trading session of the analyzed year, namely December 29, 2023.
[11] Calculated as a ratio between Total Value traded and Total volume traded.

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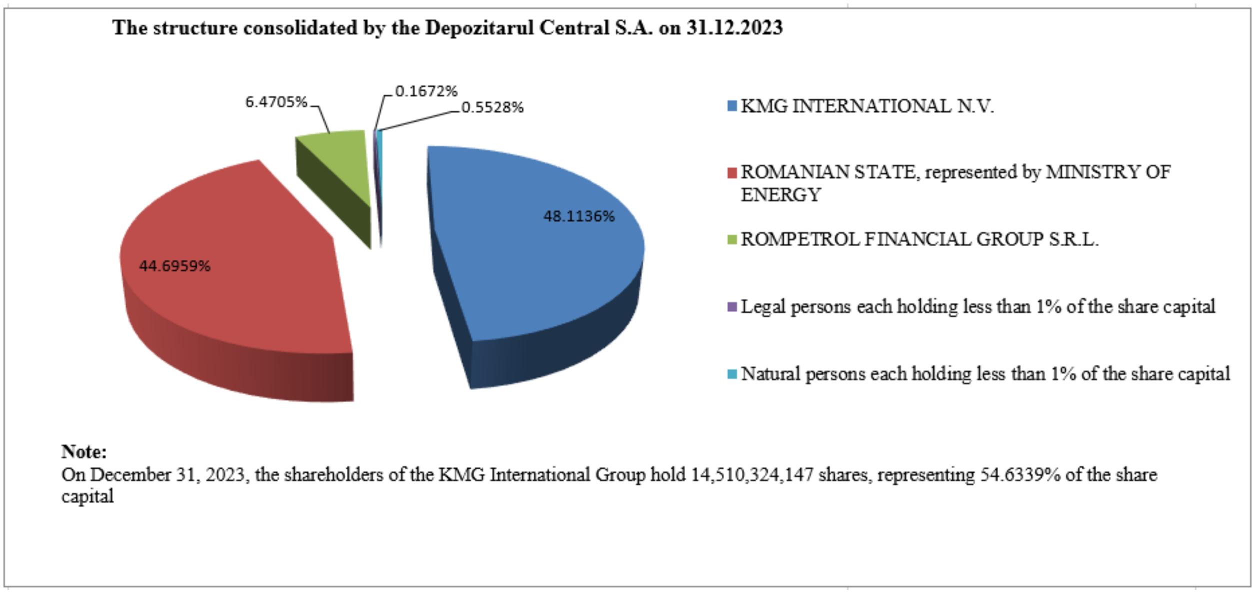
According to the **Shareholders' Register with the consolidation date of December 31, 2023**, made available by the Central Depository, the structure of the Company's significant shareholders is presented in the table and graph below:

Name of holder of financial instruments on 31.12.2023	**Number of holdings (shares) on 31.12.2023**
KMG INTERNATIONAL N.V.	12,778,577,732
ROMANIAN STATE, represented through THE MINISTRY OF ENERGY	11,870,877,580
ROMPETROL FINANCIAL GROUP S.R.L.	1,718,511,553
Legal Entities that individually own less than 1% of the share capital	44,407,832
Individuals who individually own less than 1% of the share capital	146,831,029
TOTAL	**26,559,205,726**



Source: Depozitarul Central, Rompetrol Rafinare S.A.

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At the end of 2023, the Depozitarul Central recorded a total number of 18,885 holders of financial instruments (shares) issued by Rompetrol Rafinare, of which 18,821 were residents and 64 were non-residents.

Of the total number of holders, 18,827 were natural persons and the rest legal persons (58).

As for the resident holders, 18,768 were natural persons and 53 legal persons, and the non-resident holders were 59 natural persons and 5 legal persons.

Most non-resident owners, from the approx. 25 countries present on the Romanian capital market, come from Greece (8), Germany (7), Italy, Hungary, Czech Republic, Canada (4 each), Holland, Austria, Australia, Switzerland, Gibraltar (3 each) the rest of approx. 18 holders coming from other states.

3.1.2. COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Investor Communication and Relations activity is carried out in accordance with the legal provisions in force contained in Law no. 31/1990 republished, with up-to-date amendments and additions, Law no. 24/2017 regarding issuers of financial instruments and market operations, republished, Regulation no. 5/2018 regarding issuers of financial instruments and market operations, the Code of the Bucharest Stock Exchange and the Code of the Depozitarul Central as well as other regulations of the Financial Supervisory Authority.
At internal level, the aim is to communicate information of financial, legislative, corporate governance and social responsibility nature to investors and shareholders (mandatory requirement of a company listed on the stock exchange or following a request from shareholders, investors or other third parties interested in the evolution of the Company). The major goal is the establishment of trust-based relationships between the company and investors, shareholders, which reflect the company's fundamental values, timely and transparent provision to shareholders/investors of financial information, about investments, various projects, so that the decision to invest is based on correct and relevant data.

Communication actions with shareholders and investors in 2023:
❖ The prompt submission of information at the requests of shareholders/potential investors;
❖ Organization of General Meetings of Shareholders and other actions related to guaranteeing the rights of shareholders;
❖ Collecting information, drawing up current reports, submitting them to the competent authorities (Bucharest Stock Exchange (BSE) and the Financial Supervisory Authority (FSA)) and

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publishing them on the Company's website in compliance with the deadlines imposed by the legislation in force;

❖ Constant updating of information on the RRC website to improve access to relevant information for shareholders and investors.

To ensure a high level of transparency, all Rompetrol Rafinare reports, releases and important information for shareholders, analysts and investors are promptly disseminated on the BVB website, transmitted to the FSA, and uploaded to the Company's website, in the Investor Relations section.

3.2. DIVIDENDS

On December 31, 2021, ROMPETROL RAFINARE recorded **a net loss of (450,988,114) lei, due to which the Company could not grant dividends to shareholders for the financial year 2021.**

On December 31, 2022, ROMPETROL RAFINARE recorded a **net profit of 666,277,159 lei**, proposed by the Board of Directors of Rompetrol Rafinare to be distributed as follows:

- ***Legal reserve*** ***62,195,597 Lei***
- ***Covering the accounting loss from previous years*** ***604,081,562 Lei***

On December 31, 2023, ROMPETROL RAFINARE recorded **a net loss of (550,355,167) lei, due to which the Company could not grant dividends to shareholders for the financial year 2023.**

If Rompetrol Rafinare will register a profit in the following financial years, it can register and pay distributed dividends from the net profit, only after the approval of the annual financial statements by the General Meeting of Shareholders and the proposal for the distribution of the profit.

Information regarding Dividends and the annual distribution of dividends (if applicable) or other benefits to shareholders, will be proposed by the Company's Executive Management (General Manager and Economic Director) and adopted by the Board of Directors.

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The profit distribution proposal (when applicable) will be subject to approval during the Annual Ordinary General Meeting of Shareholders. The Company will publish the principles of the annual dividend distribution policy (when the Company registers this indicator) on the RRC website, in the Investor Relations section/ Shares and shareholders subsection / Information about shares/Dividends.

The information regarding the payment of dividends (if it will be possible to calculate and grant them after the approval of the annual financial statements and the proposal for the distribution of the net profit), the way in which the payment will be made, as well as the dates on which the dividend payment will be prescribed (when applicable) will be published on the RRC website.

3.3. OWN ACTIONS

At the end of 2023, ROMPETROL RAFINARE held a total number of 3,698,582 own shares, with a nominal value of 0.10 lei each, for a total value of 369,858.2 lei, representing 0.01393% of the issued share capital.

From the total of 3,698,582 shares registered in the Company's account on 31.12.2023, a number of 4,733 shares resulted from the registration of the reduction of the share capital on December 8, 2021, in proportion to the shareholders' participation quota on the registration date of December 7, 2021, and of the rounding down method used for the above-mentioned operation, approved by EGMS Resolution no. 7/2021 as of August 6, 2021.

During the financial year, ended on December 31, 2023, the Company did not trade (bought or sold) its own shares.

In 2023, Rompetrol Rafinare S.A. it did not redeem or cancel its own shares.

3.4. THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, HELD BY THE SUBSIDIARIES

In 2023, the company's subsidiaries did not hold shares issued by Rompetrol Rafinare S.A.

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3.5. OTHER INFORMATION

Changes in the management of the Company - the Board of Directors

During 2023, the following changes took place at the level of the Board of Directors:

- *April 27, 2023:* By Resolution no. 2/2023 adopted by the Ordinary General Meeting of Shareholders the election of Messrs. Batyrzhan Tergeussizov and Adrian Tohănean as new members of the Board of Directors for a term starting on May 1, 2023, and expiring on April 30, 2026 (date the expiration of the mandate of the current members of the Board of Directors) was approved. By the same Resolution of the Ordinary General Meeting of the Shareholders of RRC, the revocation of Messrs. Yedil Utekov and Askar Abilov as members of the Board of Directors of Rompetrol Rafinare S.A. was approved as a result of their renunciation of their mandates as directors starting May 1, 2023 (the last day of their mandate being April 30, 2023).

  The above-mentioned approvals adopted by the shareholders in the meeting of April 27, 2023, were communicated to the capital market institutions as well as to the shareholders and investors through Current Report no. 2180/28.04.2023.

  Through Current Report no. 2180 published on 28.04.2023, the Company informed the shareholders and investors about the Resolutions adopted in the OGMS and EGMS during the meetings as of April 27, 2023, including Resolution No. 2/2023 regarding the changes in the composition of the Board of Directors starting May 1, 2023, mentioned above.

- *May 3, 2023*: through Current Report no. 2294 published on May 4, 2023, the Company informed shareholders and investors about Decision No. 1 of the Board of Directors as of May 3, 2023, to elect Mr. Batyrzhan Tergeussizov as Chairman of the Board starting May 1, 2023, until April 30, 2026 (during his mandate as Company director).

- *July 24, 2023:* Considering the following:

  - *the increase in the numerical composition of the Board of Directors (BoD) from 5 members to 7 members as well as the corresponding amendment, completion and updating of art. 14.1 of the Articles of Incorporation of the Company* regarding the BoD compositions with a number of 7 administrators was approved according with Resolution No. 6/2022 adopted by EGMS as of April 28, 2022
  - termination of the mandates of directors of Rompetrol Rafinare S.A. - Messrs. Yedil Utekov and Askar Abilov as a result of their request to relinquish these capacities as of May 1, 2023 (last day of mandate being April 30, 2023)

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- on April 27, 2023, the date of the Ordinary General Meeting of Rompetrol Rafinare Shareholders, the Company's Board of Directors was composed of 7 members, namely: 5 members (of which, starting on May 1, 2023, to two more positions were to be vacant as a result of the resignation requests mentioned above) and 2 vacant positions (according to EGMS Resolution no. 6/2022);
- on the agenda of the Ordinary General Meeting Shareholders of Rompetrol Rafinare S.A. as of April 27, 2023, point 8, *the election of 4 new members of the Board of Directors of Rompetrol Rafinare S.A. was subject to approval for a mandate starting on May 1, 2023, and expiring on April 30, 2026 (date of expiration of the mandate of the current members of the Board of Directors)*
- during the OGMS as of April 27, 2023, 2 (two) members of the Board of Directors were elected, according to Resolution no. 2/2023 of the OGMS as of April 27, 2023. Thus, starting May 1, 2023, the Board of Directors consists of 5 members in the person of Messrs. Batyrzhan Tergeussizov, Felix Crudu-Tesloveanu, Adrian Tohănean, Nicolae Bogdan Codruţ Stănescu and Bogdan-Cătălin Steriopol, and 2 (two) vacant director positions,
- According to art. 137^2 of Law no. 31/1990, in case of vacancy of one or more director positions, if the Articles of Incorporation does not provide otherwise, the Board of Directors proceeds to appoint temporary directors, until the OGMS.

Thus, according to the provisions of the Articles of Incorporation of the Company and of art. 137^2 of Law no. 31/1990, the Board of Directors, during the July 24, 2024, meeting adopted the Decision to appoint, starting August 1, 2023, 2 (two) provisional members of the Board of Directors for a mandate starting August 1, 2023, until the next Ordinary General Meeting of Shareholders. Thus, the Board of Directors appointed Mrs. Tamila Mikulich and Mr. Constantin Saragea as provisional directors.

Through Current Report no. 3789/July 24, 2023, the Company informed the shareholders and investors about the Decision of the Board of Directors as of July 24, 2023, regarding the two appointments of provisional directors starting August 1, 2023, until the meeting of the next OGMS.

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- *September 25, 2023:* Through Current Report no. 4906/September 25, 2023, the Company informed the shareholders and investors about the Decisions of the Board of Directors as of September 25, 2023 regarding changes in the Board of Directors and the executive management of the Company, namely regarding the changes in the Board of Directors regarding the appointment of Mrs. Zhamilya Meshitbay as a provisional member of the Board of Directors, as a result of the resignation of Mr. Felix Crudu-Tesloveanu from the mandate as a member of the Board of Directors starting September 29, 2023 (the last day of the mandate). Mrs. Zhamilya Meshitbay was appointed as provisional member of the Board of Directors, starting September 30, 2023, until the next Ordinary General Meeting of Shareholders.

  During the same meeting on September 25, 2023, the Board of Directors approved the appointment of Mr. Florian-Daniel Pop as General Manager of Rompetrol Rafinare S.A., in place of Mr. Felix Crudu-Tesloveanu. The mandate of Mr. Florian Daniel Pop began on September 30, 2023, and will end on September 30, 2024.

As a result, during 2023, the composition of the Board of Directors underwent the following changes:

Starting January 1, 2023 and until April 30, 2023, the Board of Directors was composed by the following 5 administrators:

- **Mr. Yedil Utekov,** citizen of Kazakhstan, non-executive member and Chairman of the Board of Directors;
- **Mr. Askar Abilov,** citizen of Kazakhstan, non-executive member of the Board of Directors;
- **Mr. Felix Crudu-Tesloveanu,** Romanian citizen, executive member of the Board of Directors, also exercising the position of General Manager of the Company (starting January 1, 2020, re-elected starting May 1, 2022);
- **Mr. Nicolae Bogdan Codruţ Stănescu,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors.

During the period mentioned above, two director positions were vacant.

During May 1 - July 31, 2023, the Board of Directors was composed by the following 5 administrators:

- **Mr. Batyrzhan Tergeussizov,** citizen of Kazakhstan, non-executive member and Chairman of the Board of Directors;
- **Mr. Adrian Tohanean,** Romanian citizen, non-executive member of the Board of Directors;

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- **Mr. Felix Crudu-Tesloveanu,** Romanian citizen, executive member of the Board of Directors;
- **Mr. Nicolae Bogdan Codruţ Stănescu,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors.

During the period mentioned above, two director positions were vacant.

Starting August 1, 2023, the composition of the Board of Directors was completed from 5 to 7 members, by appointing two provisional directors.
As a result, between August 1 and September 29, 2023, the Board of Directors had the following 7 members:

- **Mr. Batyrzhan Tergeussizov,** citizen of Kazakhstan, non-executive member and Chairman of the Board of Directors;
- **Mr. Adrian Tohănean,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Felix Crudu-Tesloveanu,** Romanian citizen, executive member of the Board of Directors;
- **Mr. Nicolae Bogdan Codruţ Stănescu,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors;
- **Mrs. Tamila Mikulich,** citizen of Ukraine, provisional non-executive member of the Board of Directors;
- **Mr. Constantin Saragea,** Romanian citizen, provisional non-executive member of the Board of Directors.

Starting September 30, 2023, the composition of the Board of Directors consisted of the following 7 non-executive members:

- **Mr. Batyrzhan Tergeussizov,** citizen of Kazakhstan, non-executive member and Chairman of the Board of Directors;
- **Mr. Adrian Tohănean,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Nicolae Bogdan Codruţ Stănescu,** Romanian citizen, non-executive member of the Board of Directors;
- **Mr. Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors;
- **Mrs. Tamila Mikulich,** citizen of Ukraine, provisional non-executive member of the Board of Directors;

- **Mr. Constantin Saragea,** Romanian citizen, provisional non-executive member of the Board of Directors;
- **Zhamilya Meshitbay**, citizen of Kazakhstan, provisional member of the Board of Administration.

Changes in the management of the Company - Executive Directors

During 2023, the following changes took place at the Executive Management level:

General Director

September 25, 2023: Through Current Report 4906 published on September 25, 2023, RRC informed shareholders and investors about the appointment of Mr. Florian-Daniel Pop as General Manager, with a term of office of 1 year, namely starting September 30, 2023, until September 30, 2024 (inclusive). The RRC Board of Directors approved in the same meeting of September 25, 2023, the termination of the mandate of Mr. Felix Crudu-Tesloveanu as General Manager of Rompetrol Rafinare starting September 29, 2023 (the last day of the mandate) by concluding the Additional Act of Termination as of September 6, 2023, to the Mandate Contract for the position of General Manager.

As a result, during 2023, the position of General Director was exercised by the following persons:

Mr. Felix Crudu-Tesloveanu – General Director– January 1 – September 29, 2023
Mr. Florian Daniel Pop - General Director - September 30, 2023 - present

Economic Director

November 27, 2023: Through Current Report 6136/28.11.2023, RRC informed the shareholders and investors about the appointment of Mr. Alexandru Stavarache as interim Financial Manager, with a term of office of 3 months starting December 1, 2023, until February 29, 2024, inclusive. Until this date, the position of Financial Manager was held by Mrs. Ramona-Georgiana Galateanu.

As a result, during 2023, the position of Financial Manager was exercised by the following persons:
Mrs. Ramona-Georgiana Gălăţeanu[12] **–** Financial Manager - January 1 – November 30, 2023
Mr. Alexandru Stavarache – interim Financial Manager [13] - December 1, 2023 – present

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[12] *Held the position of Financial Manager RRC from January 1, 2021, to November 30, 2023*

[13] *Until the date of this Report, in the meeting of February 27, 2024, the Board of Directors appointed Mr. Alexandru Stavarache as Financial Manager for a term starting March 1, 2024, until April 30, 2026*

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4. INDIVIDUAL FINANCIAL STATEMENT AS AT 31.12.2023

The individual financial statements are attached. Extracts containing the main elements are presented below.

a) THE INDIVIDUAL FINANCIAL POSITION STATEMENT

THE SITUATION OF THE MAIN INDICATORS DURING THE PERIOD 31.12.2021 to 31.12.2023

	2023		2022		2021	
	Lei	%	Lei	%	Lei	%
Intangible assets	111,338,667	1%	13,497,269	0%	22,835,858	0%
Goodwill	152,720	0%	152,720	0%	152,720	0%
Tangible assets	2,775,931,136	27%	4,163,154,164	40%	4,419,108,095	43%
Rights of use assets	50,440,933	0%	53,769,901	1%	55,624,904	1%
Investments in subsidiaries	3,531,898,492	35%	3,170,968,557	31%	2,632,755,594	26%
Deferred tax asset	21,533,586	0%	-	0%	-	0%
Long-term receivables	41,254,000	0%	-	0%	-	0%
Total non-current assets	**6,532,549,534**	**63%**	**7,401,542,611**	**72%**	**7,130,477,171**	**70%**
Inventories, net	1,411,718,964	14%	1,226,387,029	12%	1,020,528,534	10%
Debts and expenses	1,719,861,179	17%	1,676,716,096	16%	1,885,341,204	18%
Derivatives	-	0%	11,856,741	0%	104,688,216	1%
Cash at bank and in hand	613,521,713	6%	23,243,490	0%	87,598,088	1%
Total current assets	**3,745,101,856**	**37%**	**2,938,203,356**	**28%**	**3,098,156,042**	**30%**
TOTAL ASSETS	**10,277,651,390**	**100%**	**10,339,745,967**	**100%**	**10,228,633,213**	**100%**

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	2023		2022		2021	
	Lei	%	Lei	%	Lei	%
Subscribed Share Capital	2,655,920,573	26%	2,655,920,573	26%	2,655,920,573	26%
Premium related to capital	232,637,107	2%	232,637,107	2%	232,637,107	2%
Revaluation reserve, net of deferred tax impact	648,509,953	6%	1,205,293,893	12%	1,362,457,265	13%
Other reserves	3,474,407,165	34%	3,467,988,066	34%	3,513,820,106	34%
Reported loss	(4,498,505,945)	-44%	(5,308,123,759)	-51%	(4,982,039,271)	-49%
Result of the current financial year	(550,355,167)	-5%	666,277,159	6%	(450,988,114)	-5%
Total Equity	**1,962,613,686**	**19%**	**2,919,993,039**	**28%**	**2,331,807,666**	**23%**
Long-term loans from banks	1,195,433,220	12%	-	0%	418,023,119	4%
Provisions	499,613,187	5%	518,326,405	5%	356,577,370	3%
Long-term lease debts	52,429,915	0%	54,700,998	1%	56,244,055	1%
Deferred tax liability	-	0%	214,628,629	2%	286,378,445	3%
Total non-current liabilities	**1,747,476,322**	**17%**	**787,656,032**	**8%**	**1,117,222,989**	**11%**
Trade and other payables	5,956,570,269	58%	5,648,166,879	55%	6,443,715,363	63%
Contract liabilities	274,823,341	3%	98,232,193	1%	132,163,640	1%
Short-term lease debts	2,693,673	0%	2,859,828	0%	2,517,639	0%
Derivatives	-	0%	21,584,319	0%	15,908,942	0%
Short term bank loans	192,674,641	2%	283,618,888	3%	185,296,974	2%
Profit tax payable	140,799,458	1%	577,634,789	6%	-	0%
Total current liabilities	**6,567,561,382**	**64%**	**6,632,096,896**	**64%**	**6,779,602,558**	**66%**
TOTAL LIABILITIES AND EQUITY	**10,277,651,390**	**100%**	**10,339,745,967**	**100%**	**10,228,633,213**	**100%**

i) Within the assets, an important share (27%) it represents the **tangible non-current assets** – lands, buildings, technical equipment, construction in progress. At the end of 2023, these reached the value of Lei 2,775,931,136, lower by 33% than that recorded in 2022, respectively 37% than that recorded in 2021 especially influenced by the following factors:

- continuation of the new investments;
- depreciation and impairment of fixed assets;

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- the results of the valuations process of tangible non-current assets as of 31.12.2023 according to the accounting policy adopted by the Company on the recognition and measurement of all tangible non-current assets, from the cost model to the fair value model starting with the financial year ended on 31.12.2021.

ii) Within the **Investments in subsidiaries** (35%), the entire value (Lei 3,531,898,492) is represented by shares held in the affiliated entities. Their value was revalued at 31.12.2023 as a result of the change in accounting policy regarding the recognition of the Company's financial investments from the cost method to the fair value method starting with the financial year ended on 31.12.2021.

iii) **Receivables and prepayments** (17%) are higher than those booked at 31.12.2022 by 3%.

iv) **Share capital** (26%) registers a value similar to that at the end of 2022. The share capital was reduced during 2021 by RON 1,755,000,000 on account of the loss carried forward from RON 4,410,920,572.60 to RON 2,655,920,572.60 by reducing the number of shares by 17,550,000,000, respectively from 44,109,205,726 shares to 26,559,205,726 shares.

v) **Equity** registered the value of Lei 1,962,613,686, reaching a level with 33% lower than the value on 31.12.2022 and 16% than the equity at the end of 2021. The reduction in the level of equity is mainly due to the negative result recorded in 2023 (loss of RON 550 million) and due to the decrease of revaluation reserves in amount of RON 520 million related to the revaluation performed for property, plant and equipment at 31 December 2023.

vi) **Trade and other payables** at the end of 2023 register an increase of 5% compared to their value recorded on 31.12.2022 and a decrease of 8% compared to the end of 2021.

vii) With regard **to short-term loans (from banks)** their level reached at the end of 2023 a total value of Lei 192,674,641, down by 32% compared to the end of 2022. Compared to the end of 2021, they increased by 4%.

viii) With regard **to long-term loans (from banks)** the level at the end of 2023 is in total value of Lei 1,195,433,200, due to the utilization of the new loan agreement of up to USD 600 million revolving facility (with maturity April 2026) that replaced the former syndicated facility (with maturity April 2023).

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b) THE PROFIT AND LOSS ACCOUNT

Continuous activities	**2023**	**2022**	**2021**
Net Turnover	**17,120,703,327**	**23,026,777,606**	**12,149,617,467**
Gross incomes from the sales of petroleum finished goods	21,232,017,845	27,262,684,386	16,204,338,594
Income from sales of goods	2,047,197	43,815,508	270,788,798
Income from sales of utilities	27,445,317	17,256,728	12,106,975
Income from sales of other products	392,531	492,997	894,462
Income from rents and other services	17,482,320	17,272,901	15,780,075
Gross turnover	21,279,385,210	27,341,522,521	16,503,908,903
Minus sales associated taxes	(4,158,681,883)	(4,314,744,915)	(4,354,291,436)
Total	**17,120,703,327**	**23,026,777,606**	**12,149,617,467**
Cost of sold production	**(16,688,163,711)**	**(21,069,220,156)**	**(11,962,920,462)**
of which:			
Crude oil and other raw materials	14,940,352,794	18,050,794,740	10,605,169,921
Utilities	919,008,059	1,003,551,251	629,366,701
Gross Profit	**432,539,616**	**1,957,557,450**	**186,697,005**
Distribution and general administrative expenses	(423,197,026)	(446,821,707)	(403,333,400)
Other operational incomes/(expenses)	(668,830,546)	(184,607,583)	(112,393,525)
Operational Profit / (Loss)	**(659,487,956)**	**1,326,128,160**	**(329,029,920)**
Financial expenses	(460,970,175)	(383,275,538)	(204,325,347)
Financial income	458,110,750	582,374,723	571,343,150
Net (Losses)/ gains on exchange rate difference	124,797,627	(323,129,338)	(374,399,749)
Gross Profit / (Loss) before taxation	**(537,549,754)**	**1,202,098,007**	**(336,411,865)**
Income tax	(12,805,413)	(535,820,848)	(114,576,249)
Exercise Profit / (Loss)	**(550,355,167)**	**666,277,159**	**(450,988,114)**

i. **The net turnover** registered in 2023 was lower by 26% compared to 2022, respectively higher by 41% compared to 2021. The turnover in 2023 was mainly impacted by the volatility of the environment by the international oil and natural gas market transposed into lower quotations for oil products sold compared to the previous year and higher compared to 2021, on the background of a lower volume of sales (higher compared to 2021).

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ii. In respect of the **cost of production sold,** it registers a decrease of approximately 21% compared to 2022 and an increase of 39% compared to the value recorded in 2021. The variation of 2023 compared to 2022 was mainly determined by the volatility of the international oil and natural gas market environment, which generated decreased quotations during 2023 compared to 2022, for the purchased raw materials.

iii. At 31.12.2023, Rompetrol Rafinare S.A. recorded an **operational loss of Lei (659,487,956)**, compared to the positive result recorded in 2022 in the amount of Lei 1,326,128,160, and to the negative result recorded in 2021 in the amount of Lei 329,029,920.
The negative operating result recored in 2023 is due to the significantly decreased refinery margins recorded during 2023 compared to the levels registered in 2022, on the ground of the decrease in international quotations for petroleum products.
Rompetrol Rafinare has the obligation to comply with the CO2 emission rights quota. Thus, Refinery CO2 emissions are offset with EUA certificates. The actual emissions from 2023 have exceeded the free allocated certificates and in this respect Rompetrol Rafinare recognized in environmental expenses the counter value of the required certificates for compliance at the level of 2023, an aspect that impacted the operating result of the company.
According to the accounting policy adopted by the Company starting with the financial period ended at 31.12.2021, Rompetrol Rafinare SA perfomed the valuation process of property, plant and equipment as of 31.12.2023. Considering this, a net loss from revaluation was recorded in amount of RON 687 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve was recorded or revaluation reserve previously recorded was lower. Therefore, the result of the revaluation has a significant impact on the operating result of the Company in 2023.

iv. **Financial expenditures** registered an increase of 20% in 2023 compared to 2022 and by 126% respectively compared to the level recorded in 2021. It is worth mentioning that, at the end of 2023, the company recorded gains from exchange rate differences in the amount of Lei 124,797,627, compared to the losses recorded in 2022 in the amount of Lei (323,129,338) and Lei (374,399,749) recorded in 2021. The favourable exchange rate differences recorded at the end of 2023 are due to the appreciation of the national currency against USD in 2023. Thus, if at the end of 2022 1 USD = 4.6346 lei, at 31.12.2023, 1 USD was equal to 4.4958 lei.
In 2023 the Company registered financial revenues in the amount of RON 458 million with 21% lower than those recorded during 2022 in the amount of RON 582 mil. and 20% lower than those

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of 2021 in the amount of RON 571 mil. The financial revenues from 2023 are mainly due to the recognition of revenues in the amount of RON 369 million from the revaluation of investments in subsidiaries as a result of the change in the accounting policy regarding the recognition of the Company's financial investments from the cost method to the fair value method starting with the financial year ended 31.12.2021.

The net effect (revenues less expenses) of recognizing investments in subsidiaries at fair value starting with the financial year ended on 31.12.2021 as a result of the change in accounting policy is: gain of RON 361 mil. in 2023, gain of RON 538 mil. in 2022; gain of RON 555 mil. in 2021.

v. In respect of the **final result of the financial exercise** concluded on 31.12.2023**, the Company recorded a net loss in amount of Lei (550,355,167),** this being impacted also by the registration in 2023 of an estimated expenditure with the solidarity contribution in the amount of approximately RON 141 million (2022: RON 578 million). Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of RON 141 million. Additionally, the Company registered in 2023 a solidarity contribution in amount of RON 2.1 million related to the year 2022 as a result of submitting a rectification declaration regarding the profit tax calculated for the year 2022.

A positive impact in net result of the period ended at 31.12.2023 is coming from the recognition of a revenue from deferred income tax in the amount of Lei 130 million.

c) CASH FLOW STATEMENT

Cash flows from operating activity during 2023 were influenced by the production and sales activities, the Company recording decreased refining margins compared to 2022, on the ground of the decrease in international quotations for petroleum products.

Also, the variation of the working capital influenced the cash flows generated from the operational activity, the company increasing the level of trade and other payables above the increased level of receivables and inventories.

Net Cash flows from operating activities were significantly impacted by the solidarity contribution in amount of 580 million due for 2022 paid to the State Budget in 2023.

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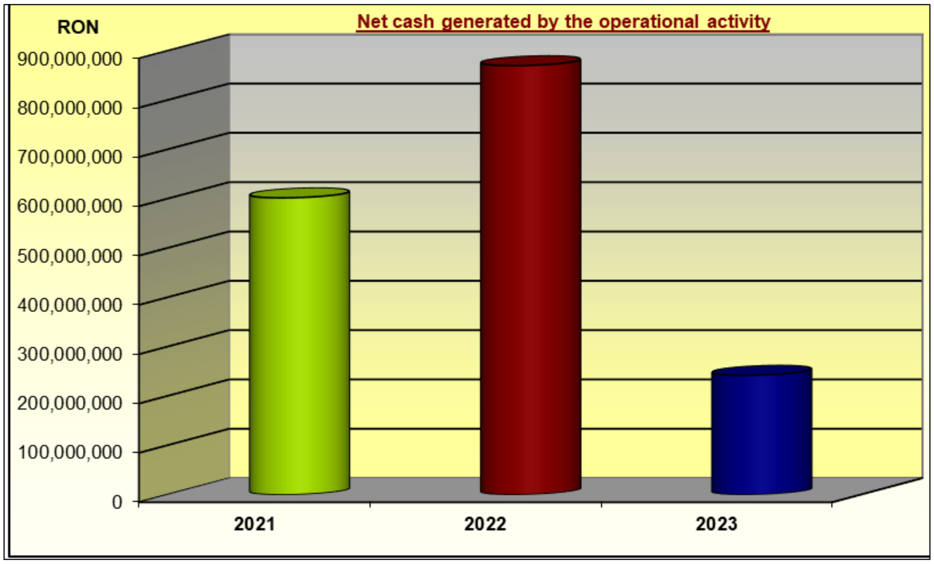
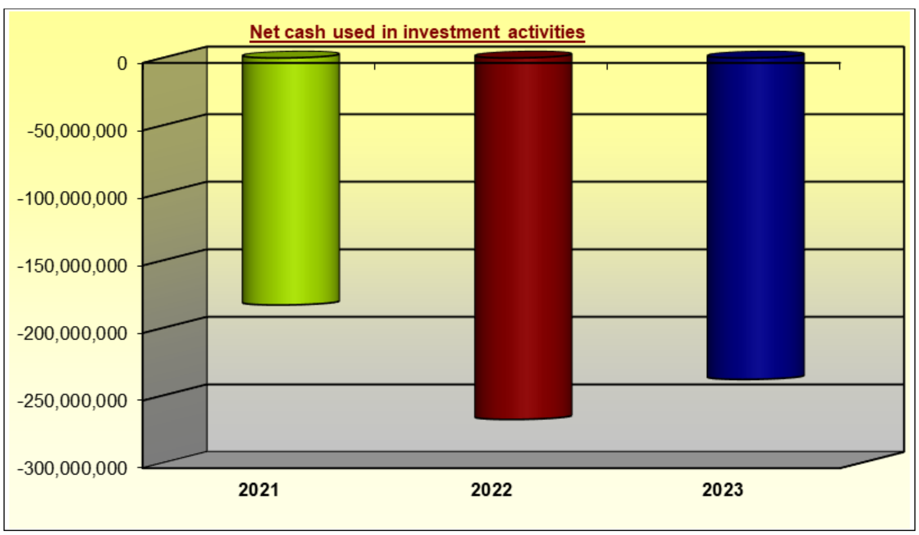


Major investment projects in 2023 concerned works related to project of Refinery MHC unit restart, the authorization/reauthorization of equipment from the point of view of ISCIR, the projects of replacement catalysts, tank rehabilitation projects, the project of acquisition and Install of 2 new Reactors -125-DHT, the project of replace subassembly of reformer heater 352-H201 and other projects.



The cash flow from the financing activities during 2023 was influenced by Company's utilization of Cash pooling contract – a system for optimizing the cash balances, in order to support both the needs generated by the investment activity and the development of the operational activity of the refinery

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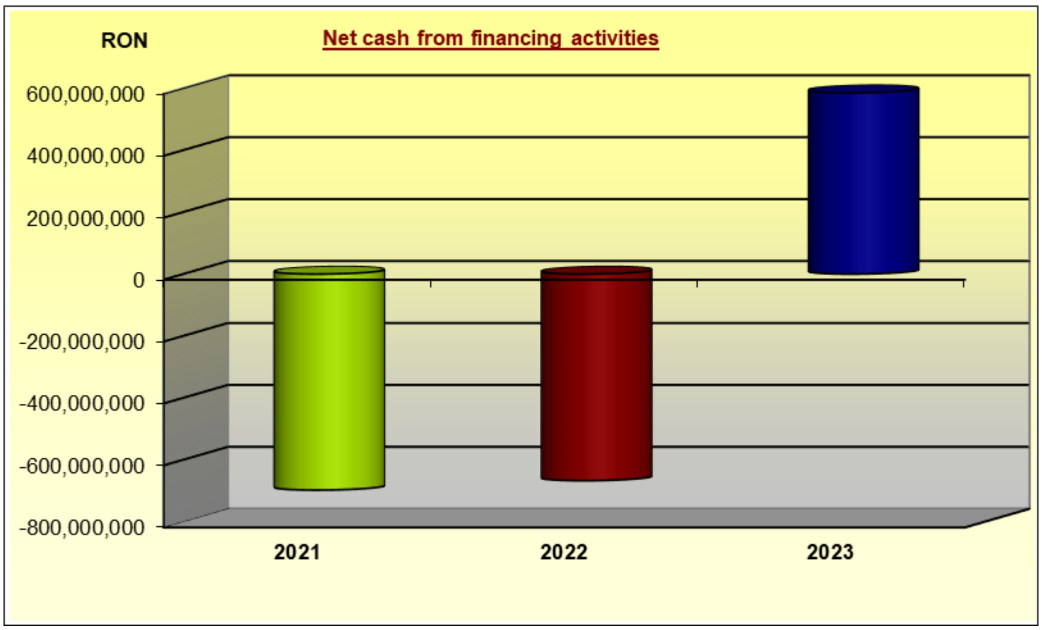
the level of its utilization registering a decrease by 7% at the end of 2023 compared to the balance at the end of 2022.

In 2023 the KMG International Group finalized the negotiation for refinancing of the syndicated working capital loan and increase it up to USD 600 million. The facility consists of two parts out of which: USD 265.9 million are committed over 3 years period with an option of adding another 2 years period, and USD 265.9 million as overdraft over one-year period, being an uncommitted facility. Rompetrol Rafinare utilized the new loan facility in 2023 reaching an exposure of RON 1000 million on this credit facility.
The Company's Cash flow from financing activities in 2023 was also impacted by the interest and bank charges paid for financing the activity amounting to RON 443 million.



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5. CORPORATE GOVERNANCE DECLARATION

Rompetrol Rafinare is a company managed in a one-tier management system, issuer of shares listed on the regulated market administered by Bursa de Valori București S.A. ("BVB"). The admission to trading of the shares issued by the Company on the market operated by BSE was decided by Decision No. 27 dated 03/25/2004 of the Stock Exchange Council regarding the admission to trading and the trading starting date was April 7, 2004. Before this date, the Company shares were listed on the regulated market operated by RASDAQ.
The Company's shares are traded at BSE under the market symbol "RRC".

The Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2023 is drafted according to the Corporate Governance Code (here forth CGC or the Code), to Law No. 24/2017 on the issuers of financial instruments and market operations, to the regulations and instructions issued by the Financial Supervisory Authority (here forth FSA) and to the stock exchange regulations.

The Code aims to ensure high transparency and visibility for all shareholders and third parties (here forth stakeholders).

5.1. THE BVB STANDARDS REGARDING THE CORPORATE GOVERNANCE

Rompetrol Rafinare adhered for the first time to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010 and continues to improve its principles of good corporate governance.

During 2023, Rompetrol Rafinare continued to implement good practices for corporate governance so that internal practices meet the new quality requirements of being a company admitted to trading on the BSE.

Rompetrol Rafinare complies with most of the provisions in the Corporate Governance Code that came into force on 4 January 2016. Further details of the Company's compliance with the principles and recommendations set out in the Corporate Governance Code of the Bucharest Stock Exchange are set out in the Corporate Governance Statement, which is an integral part of this Annual Report.

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The "Apply or Explain" statement (see Annex 6 to this report) shows the status of the Company's compliance with the new provisions of the BVB CGC. Rompetrol Rafinare will continue to assess the provisions of the Code and any further progress the Company makes towards compliance will be reported to the market. Negative issues (from compliance to non-compliance) will also be reported.

5.2. INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS

The corporate bodies of RRC, a company managed in a one-tier management system, are structured as follows: The General Meeting of Shareholders, which is the highest decision-making forum of the Company, and the Board of Directors.

General Meeting of Shareholders (GMS)

The General Meeting of Shareholders is the main corporate governing body of the Company with decision-making powers over the business detailed in the Company's Articles of Incorporation.

In terms of its structure, depending on the matters requiring shareholder approval, the General Meeting of Shareholders may be ordinary or extraordinary.

Ordinary General Meeting of Shareholders (OGMS)

According to Article 11 of the Company's Articles of Incorporation, as amended, in conjunction with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the mandatory period provided for by law, and shall have the following main duties:

a) to discuss, approve or amend the annual financial statements, based on the reports presented by the Board of Directors and the Financial Auditor, and to establish the dividend;
b) to appoint and revoke Company’s directors;
c) to appoint and establish the minimum duration of the financial audit contract and to revoke the financial auditor;
d) to establish for each current financial year the remuneration owed to the directors;
e) to offer its opinion on the management of the directors;
f) to establish the income and expenses budget, and, if such is the case, the activity program, for the following financial year;
g) to decide on the pledging, leasing, or closure of one or more units of the Company;
h) to approve the maximum limits of the remuneration of persons occupying/exercising managerial functions when the law so provides;
i) to approve the Remuneration Policy for Directors and Executive Officers.

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At the same time, per Article 106 of Law No. 24/2017, as republished, the Company is obliged to submit the remuneration policy of the Company's managers to the shareholders for approval at the annual ordinary general meeting of shareholders.
The Company also submits the Remuneration Report for the most recent financial year to a vote, the opinion of the shareholders resulting from the vote and being of an advisory nature.

Extraordinary General Meeting of Shareholders (EGMS)

The Extraordinary General Meeting has the following duties:
a) to change the Company's legal form;
b) to move the headquarters of the Company;
c) to change the Company's object of activity;
d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
e) to extend the duration of the Company;
f) to increase the share capital;
g) to reduce the share capital or to replenish it by the issue of new shares;
h) merger with other companies or division of the Company;
i) early dissolution of the Company;
j) conversion of shares from one category to another;
k) conversion of one category of bonds into another one or into shares;
l) the bond issue;
m) any other amendment to the Articles of Incorporation or any other decision for which the approval of an extraordinary general meeting of shareholders is required.

The Extraordinary General Meeting delegates to the Board of Directors the exercise of the powers referred to in paragraphs b) and c) of the above paragraph of the updated Articles of Incorporation.

The Extraordinary General Meeting may also delegate to the Directors the increase of the share capital, per the provisions of Article 86 of Law No. 24/2017 on issuers of financial instruments and market operations.

At the same time, per Article 91, para. 1 and para. 2 of Law No. 24/2017 on issuers of financial instruments and market operations, as republished, the Extraordinary General Meeting of Shareholders approves:

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- Acts of acquisition, disposal, exchange, or pledging of assets included in the category of fixed assets of the issuer, the value of which individually or in aggregate during the financial year exceeds 20% of the total value of fixed assets, except receivables.

- Leases of tangible assets for a period exceeding one year, whose individual or aggregate value in relation to the same co-contractor or persons involved or acting in concert exceeds 20% of the value of the total fixed assets, less receivables at the date of conclusion of the legal act, as well as joint ventures for a period exceeding one year, exceeding the same value.

In accordance with the provisions of Law no. 31/1990 on companies, recast, the authorisation for the Company to acquire its own shares is granted by the Extraordinary General Meeting of Shareholders, which shall determine the conditions of such acquisition, in particular the maximum number of shares to be acquired, and in the case of acquisition for consideration, their minimum and maximum value and the period of the operation, in compliance with the law; it shall also determine the manner of disposal of the own shares acquired by the Company.

The convening, functioning, voting process and other provisions relating to the AGA are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A. and in the "*Regulations on the conduct of the General Meeting and protection of the rights of Rompetrol Rafinare S.A. shareholders"* published on the Company's website, under the section *"Investor Relations - Corporate Governance - Corporate Governance Documents.*

GMS convening process

General meetings, both ordinary and extraordinary, are summoned by the Board of Directors of the Company, whenever necessary, per the provisions of the law and the Articles of Incorporation. Notices and, subsequently, AGA Resolutions are sent to the Bucharest Stock Exchange and the Financial Supervisory Authority in accordance with capital market regulations and are also made public on the Company's website, under the section *"Investor Relations - General Meeting of Shareholders"*.

The general meeting of shareholders shall be convened by the directors whenever necessary, by publication of a notice in the Official Gazette of Romania, Part IV, and in one of the widely circulated local or national newspapers at the place of the Company's registered office. General meetings are summoned by the Board of Directors at least 30 days before the scheduled date of the meeting. The notice of the general meeting shall be sent simultaneously to the B.V.B. and the A.S.F., and shall be available at least 30 days before the date of the meeting and on the Company's website at: https://rompetrol-rafinare.kmginternational.com/, in the Investor Relations section. All information is disseminated in both Romanian and English.

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GMS will be summoned in the following situations:

(i) Whenever required by the decision of the Board of Directors, by the Chairman of the Board of Directors, or by a member of the Board of Directors, based on a proxy granted by the Chairman.

(ii) At the request of the shareholders, representing, individually or jointly, at least 5% of the share capital and if the request includes provisions falling within the powers of the meeting.

Per the applicable provisions (Law No. 31/1990, Law No. 24/2017, the Financial Supervisory Authority Regulation No. 5/2018) as well as the provisions of the Articles of Incorporation, the convening notice of the General Meeting of the Shareholders, includes at least the following information:

❖ Name of the issuer.

❖ Date, starting time, and venue of the General Meeting of the Shareholders for the first and second calls.

❖ Proposed agenda with a clear indication of all topics to be discussed at the meeting.

❖ Clear and precise description of the procedures to be followed by shareholders to participate and vote within the GMS, respectively information on:

- The right of one or more shareholders, representing individually or jointly at least 5% of the Company's share capital, to put topics on the agenda of the general meeting (provided that each topic is accompanied by a justification or a draft decision proposed for adoption by the General Meeting) or to submit draft resolution for the topics included or proposed to be included on the agenda of the General Meeting, within at least 15 days from the date of publication of the convening notice. The agenda filled in with the topics proposed by the shareholders, after summoning, will be published according to all the requirements provided by law and/or the Articles of Incorporation for summoning the general meeting, at least 10 days before the date of the General Meeting of the Shareholders, on the date mentioned in the original convening notice.
- Specifying expressly that the voting right can be exercised directly, by proxy, or by correspondence, as well as the conditions to exercise such rights. When exercising the vote by proxy (representation), it shall be considered for such type of vote, the proxy forms (special and general) will be used.
- How the special/general proxy forms can be obtained for the representation within the General Meeting of the Shareholders, the deadline, and the place where proxies will be deposited/received, as well as how the Company can accept the notification regarding the proxy appointed by electronic means.
- The procedures allowing voting by correspondence.

❖ The reference date, as well as the fact that only persons who are shareholders on that date are entitled to attend and vote at the General Meeting of Shareholders; The reference date must meet the

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following criteria: (i) be subsequent the publication of the summoning and before the GMS, (ii) be before the deadline until when the Company can submit/dispatch the powers, (iii) cannot be prior with more than 30 days before the date of the general meeting to which it applies, (iv) between the publication date of the summoning by the Company and the reference date, a term of at least 8 days should exist. When this term is calculated, the two dates must not be included. (v) between the deadline admitted for the second or next summoning of the general meeting and the reference of at least 6 days should exist. When this term is calculated, the two dates must not be included.

❖ The deadline to receive the proposals related to the candidates for the board of directors in case the agenda of the meeting also includes electing the directors. The deadline is established so that the period during which a proposal can be made on the candidates for the positions of directors should be a minimum of 3 working days after the publication of the summoning/supplement to the summoning, including the election of the director in the agenda. In the summoning report, it will be mentioned that the list including the information related to the name, domicile, and professional training of the persons proposed as members of the Board of Directors is made available for the shareholders, as it can be read and completed by the shareholders.

❖ The place where the integral text of the documents and resolution drafts can be obtained, as well as other information related to the topics included on the agenda of the General Meeting of the Shareholders, the date when they become available, as well as the procedure to be followed in this regard; the Company ensures the availability of the documents corresponding to the general meeting of shareholders at the office and on the website of the Company https://rompetrol-rafinare.kmginternational.com/, at least 30 days before the date of the general meeting until the meeting date.

❖ If the agenda includes proposals for amending the Articles of Incorporation, the convening notice will include the entire text of the proposals.

❖ The Company's website.

❖ Proposal on the Registration Date, Ex Dates, and, if applicable, a proposal on the payment date.

❖ Express specification that the right to vote may be exercised directly, by proxy under a special or general power of attorney or by correspondence and the conditions to exercise such rights.

❖ The way to distribute the correspondence voting ballots and the special proxy form for representation within the General Meeting of the Shareholders, as well as the date when they become available.

❖ Deadline and place where special/general proxies and correspondence voting ballots will be sent/received.

❖ Indication of the exact address where special/general proxies and correspondence voting ballots are sent.

❖ Indication that significant shareholders have the right to opt for the application of the cumulative voting method for the election of members of the Board of Directors, if this topic is on the agenda of the GMS per the provisions of Article 85 of Law No. 24/2017, as republished.

The convening notice of the general meeting, any other topics added to the agenda at the request of the shareholders, the documents and information materials relating to the topics on the agenda of the

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general meeting, the annual financial statements, the annual report, the proposal on the distribution of dividends (if any), the special proxy forms, the postal ballot papers, and the draft resolutions are available to the shareholders of the Company in both Romanian and English at the Company's registered office and can be downloaded from the Company's website from the date of publication of the convening notice of the general meeting.
Shareholders will be able to request copies of these documents in writing, by post, or by e-mail.

Shareholders representing individually or jointly at least 5% of the share capital of the Company may request by a request addressed to the Board of Directors the introduction of new topics on the agenda, and/or submit draft decisions for topics included on the agenda, no later than 15 days after the publication of the convening notice. The agenda supplemented with the topics proposed by the shareholders will be published at least 10 days before the General Meeting, on the date mentioned in the original convening notice.

Each shareholder may address questions in writing to the Board of Directors concerning the topics on the agenda of the General Meeting of Shareholders before the date of the General Meeting of Shareholders, which will be answered at the Meeting. The Company is obliged to answer questions from shareholders. The Company may formulate a general answer to questions of the same content. An answer is deemed to have been given if the information requested is published on the Company's website https://rompetrol-rafinare.kmginternational.com/, in question – answer format.

Per capital market regulations, drafts resolutions submitted to the GMS for approval, as well as other supporting materials, are published on the Company's website from the date of publication of the convening notice.

Quorum requirements
Shareholders present at the meeting (directly or by representative) as well as those who have submitted a valid correspondence voting ballot will be taken into account by the technical secretariat of the meeting when determining the weight of the share capital represented at the meeting out of the total share capital of Rompetrol Rafinare S.A., to establish the quorum required to hold the meeting and the validity of the resolutions adopted.

OGMS
For the first call of the OGMS, the quorum requirements are met if shareholders representing at least 1/4 of the total number of voting rights are present or represented at the meeting. Resolutions may be validly passed with the “for” vote of shareholders representing a majority of the votes cast. For the second call, the meeting may decide on topics included on the agenda of the first call, regardless of

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the number of shareholders present, by the vote of shareholders representing a majority of the votes cast.

EGMS

For the first call of the EGMS, the quorum requirements are met if shareholders representing at least 1/4 of the total number of voting rights are present or represented at the meeting. Decisions may be validly passed with the "for" vote of shareholders representing a majority of the votes held by the shareholders present or represented. For the second call, the Meeting may decide on topics included on the agenda of the first call if at least 1/5 of the total number of voting rights are present or represented, adopting resolutions by a majority of the votes held by the shareholders present or represented.

Resolutions to change the Company's main object of activity, to reduce or increase the share capital, to change the legal form, to merge, to divide or to dissolve the Company shall be taken by a majority of at least two-thirds of the voting rights held by the shareholders present or represented.

To properly inform investors about the convening/organization/holding of general meetings of shareholders, the Company prepares and sends to the Bucharest Stock Exchange and the Financial Supervisory Authority the following current reports:

a) The decision of the Board of Directors on the convening of the general meeting.

b) The request made by the shareholders entitled to convene/supplement the agenda of the general meeting.

c) The convening notice of the general meeting of shareholders.

d) Failure of the general meeting of shareholders to adopt a resolution due to a lack of quorum or failure to meet the majority requirements.

e) Resolutions of general meetings of shareholders.

THE GENERAL MEETING OF THE SHAREHOLDERS OF ROMPETROL RAFINARE S.A., ACCORDING TO ITS UPDATED ARTICLES OF INCORPORATION

The general meeting may be summoned at the headquarters of the Company or in other places established by the directors according to the convening notice. At the general meetings of shareholders, only the shareholders registered in the Register of Company Shareholders, held, and issued by Depozitarul Central S.A. Bucharest, have the right to participate and vote on the reference date established through the convening notice of the general meeting. According to the legal provisions, the shareholders may be personally represented (by legal representatives) or by representative, based on a special power of attorney granted for that General Meeting or a general power of attorney granted for a period not exceeding 3 years, or by correspondence, based on a voting

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Form by correspondence, both documents being made available to the shareholders, translated into English language. The shareholders may fill in the Special/ General Powers of Attorney or the voting Form by correspondence either in Romanian or in English.
The shareholders may also be represented at the general meeting by persons who do not have the condition of the Company shareholders, except for the directors.
The proxy may not be replaced by another person. Where a proxy is a legal person, it may exercise its mandate through any person who is a member of its administrative or management body or its employees.

Legal persons may be represented by their legal representatives, who may in turn give other persons a proxy for that General Meeting.

In addition to the rules for the organization and conduct of GMSs, RRC fully complies with the legal provisions governing the process of holding GMSs of listed companies.

The general meeting is chaired by the Chairman of the Board of Directors or by a person appointed by the latter, who appoints, among the members of the general meeting members or the company shareholders, one to three secretaries, plus a technical secretary among the employees. They will draft the list of the presence of shareholders and verify the following:

- Identity documents of the people attending the General Meeting as shareholders or their proxies;
- Special or general power of attorney presented by the proxies of the shareholders. The special power of attorney is valid only for the General Meeting of Shareholders for which it has been requested.
- Correspondence voting ballots.

The secretary of the meeting shall also verify the fulfillment of the legal conditions regarding the quorum of the presence of shareholders for validating the general meetings.
If the ordinary or extraordinary general meeting cannot take place because the legal conditions of attendance are not met, the meeting that will take place at a second summoning may deliberate upon the matters of the agenda of the first meeting, regardless of the gathered quorum for OGMS, respectively with the presence of the shareholders holding at least 1/5 of all the voting rights for EGMS, passing decisions with the majority of the expressed votes (for OGMS)/ votes held by the attending or represented shareholders (for EGMS).

After submitting the materials corresponding to the agenda, the shareholders are invited to ask questions and the issues referred to debate are subject to a vote by the Chairman of the meeting.

The resolutions of the general meeting are taken by open vote, except for the cases when the general meeting decides for the vote to be secret or if the law requires a secret vote.

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Each share entitles to express one vote within meetings of the general meeting of shareholders of Rompetrol Rafinare. The person representing several shareholders based on special powers of attorney expresses the votes of the represented persons by summing up the total number of votes "for", "against" and position of "abstention" without compensation (e.g., "at point x on the agenda I represent "a" votes "for", "b" votes "against" and "c" abstention"). The votes thus expressed are validated or, as the case may be, invalidated, based on the third copy of the special power of attorney, by the secretary of the general meeting. The votes pertaining to the special power of attorney are exercised only in the manner decided by the shareholder.

The secretary or secretaries of the meeting, based on the freely expressed vote by the shareholders, shall draft the minutes of the general meeting.

Within no more than 24 hours of the date the general meeting of shareholders took place, the company prepares a current report presenting in a short form the method employed to hold the General Meeting, as well as the resolutions adopted during the meeting. The Report shall be submitted to the institutions of the capital market, respectively to BSE and FSA. The current report corresponding to the resolutions adopted by the general meeting of shareholders is published on the Company website together with the vote results. Moreover, the decisions of the general meeting are published in the Romanian Official Gazette, Part IV.

RESOLUTIONS ADOPTED BY THE GENERAL MEETINGS OF SHAREHOLDERS DURING 2023

The Ordinary General Meeting of Rompetrol Rafinare Shareholders **on April 27, 2023,** decided the following:

- approval of the Individual Annual Financial Statements as of and for the taxable year ended on December 31, 2022, drawn up in accordance with the Order of the Ministry of Public Finance no. 2844/2016, for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards ("IFRS"), adopted by the European Union, subsequently amended and supplemented, and of the Consolidated Annual Financial Statements (prepared according to IFRS), audited, on the date and for the taxable year ended on December 31, 2022, based on the Annual Reports of the Board of Directors for 2022 and the Reports of the Independent Financial Auditor prepared by Ernst & Young Assurance Services S.R.L. for the year 2022;

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- approval of the proposal of the Board of Directors of Rompetrol Rafinare S.A. regarding the distribution of the net profit of the financial year 2022, in the amount of 666,277,159 lei, as follows:
  - to allocate the amount of 62,195,597 lei for the legal reserve and
  - the amount of 604,081,562 lei to cover the losses carried forward from previous years, as was provided in the note presented to the shareholders - item 3 on the OGMS agenda.
- the discharge of all the Company's Directors from the activity carried out in the 2022 financial year, based on the reports presented;
- approval of the income and expenditure budget for 2023 and the Company's production program for 2023, including the investment plan for 2023;
- approving the revocation of Messrs. Yedil Utekov and Askar Abilov as members of the Board of Directors of Rompetrol Rafinare S.A. as a result of their relinquishing of their mandates as Directors starting from May 1, 2023 (last day of mandate being April 30, 2023) – items 6 and 7 on the OGMS agenda;
- approval of the election of Messrs. Batyrzhan Tergeussizov and Adrian Tohănean as the new members of the Company's Board of Directors for a term starting on May 1, 2023, and expiring on April 30, 2026 (date of expiration of the mandate of the current members of the Board of Directors);
- approval of the revised form of the Company's Remuneration Policy, in the form attached to the Note related to point 9 on the OGMS agenda, with votes "*for*" representing 99.36915% of the share capital and 99.995437% of the votes expressed and votes "*against*" representing 0.004534% of the share capital and 0.004563% of the votes expressed. No mentions of "*abstention*" were expressed. *The revised policy entered into force on the date of the Ordinary General Meeting of Shareholders on April 27, 2023;*
- approval of the gross monthly remuneration due for the financial year 2023 to the members of the Board of Directors, as well as establishing the general limit of the additional remuneration of the members of the Board of Directors who have been granted specific functions within the Board of Directors, as follows;
  - for the financial year 2023, a gross monthly remuneration of 15,385 Lei corresponding to a net monthly remuneration of 9,000 Lei for each member of the Board of Directors until April 30, 2023 and a gross monthly remuneration of 17,094 Lei corresponding to a net monthly remuneration of 10,000 Lei for each member of the Board of Directors as of May 1st, 2023.
  - for the financial year 2023, a gross monthly remuneration of 5,128 Lei corresponding to a net monthly remuneration of 3,000 Lei for each member of the Audit Committee until April 30, 2023 and a gross monthly remuneration of 6,838 Lei corresponding to a net monthly remuneration of 4,000 Lei for each member of the Audit Committee as of May 1st, 2023;

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- for the financial year 2023, a gross monthly remuneration of 5,128 Lei corresponding to a net monthly remuneration of 3,000 Lei for each member of the Strategy Committee until April 30, 2023 and a gross monthly remuneration of 6,838 Lei corresponding to a net monthly remuneration of 4,000 Lei for each member of the Strategy Committee as of May 1st, 2023.

- approval of the gross monthly remuneration owed to the Chairman of the Audit Committee in the amount of 6,837 lei corresponding to a net monthly remuneration of 4,000 Lei until April 30, 2023 and the gross monthly remuneration in the current term of 8,548 Lei corresponding to a net monthly remuneration of 5,000 Lei starting from of May 1, 2023.
- approval by majority of the votes expressed (votes “*for*” representing 99.995437% of the votes cast and votes “*against*” representing 0.004563% of the votes cast) of the Remuneration Report of the management structure of the Company, related to the 2022 financial year, subject to the OGMS's consultative vote, considering the provisions of art. 107, paragraph (6) of Law no. 24/2017 on issuers of financial instruments and market operations, republished.
- approval of the date of May 16, 2023, as the registration date for the identification of the shareholders on whom the effects of Resolutions no. 1/2023, no. 2/2023 and no. 3/2023 adopted in the OGMS of April 27, 2023 and of May 15, 2023 as *ex date*;
- the authorization of Mr. Felix Crudu Tesloveanu, member of the Board of Directors and General Manager, to conclude and/or sign on behalf of the Company and/or the Company's shareholders Resolutions no. 1/2023, no. 2/2023 and no. 3/2023 adopted by this OGMS and to carry out all the legal formalities for registration, publicity, opposition, execution and publication of these decisions adopted by OGMS, with the possibility of delegating third parties.

***The Extraordinary General Meeting of Rompetrol Rafinare Shareholders* on April 27, 2023** decided the following:

- approval of the modification of article 15 called "*Duties*", point 15.1, letter g, from the content of Chapter V called *"Company Administration (The unitary system). The Board of Directors"* from the Articles of Incorporation of the Company as follows:

“15.1. The Board of Directors has the following main duties:
... g) excepting the legal acts for the adoption/conclusion of which it is necessary, according to the mandatory provisions of the law, the approval of the General Meeting of Shareholders, approves the adoption/conclusion on behalf of the company of legal acts whose object exceeds the value of:

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(i) ***USD 50,000,000*** *for the case of legal documents having as their object the purchase of crude, respectively the sale of the following products: Gasoline, Diesel, Jet A1 and Liquefied Petroleum Gases;*

(ii) USD 20,000,000 *for the case of legal acts having an object other than the purchase of crude, respectively the sale of the products mentioned in point (i) above, including the approval of participation in the establishment of companies or the increase of their social capital with a contribution that exceeds this value limit;",*

the rest of the provisions of the Acts of Incorporation remaining unchanged.

- Ratification of the conclusion of the Addendum no. 3 to the framework for crude sale-purchase contract no. 09046/2021, in order to approve the content, form, terms and conditions provided for in this Addendum concluded between Rompetrol Rafinare S.A., as the buyer, and KazMunayGas Trading A.G., as the seller.
- Approval of the date of May 16, 2023, as the registration date for the identification of the shareholders on whom the effects of Resolutions no. 4/2023 and no. 5/2023 adopted in the EGMS of April 27, 2023 and of May 15, 2023 apply, as *ex date*;
- The authorization of Mr. Felix Crudu Tesloveanu, Member of the Board of Directors, and Director General of RRC to conclude and/or sign on behalf of the Company and/or the Company's Shareholders Resolutions no. 4/2023 and no. 5/2023 adopted by this EGMS, including the signing of the Updated Articles of Incorporation of the Company, and to carry out all the legal formalities for registration, publicity, opposition, execution and publication of these adopted decisions, with the possibility of delegating third parties.

5.3. THE MANAGEMENT OF THE COMPANY

5.3.1. BOARD OF DIRECTORS

Structure. Appointment of members

The Board of Directors is responsible for taking all the measures necessary for the performance and monitoring of the Company's activity. Its composition, structure, powers, and duties are set out in the Company's Articles of Association, available on our website (https://rompetrol-rafinare.kmginternational.com/, Relation with Investors/Corporate Governance Section, Corporate Governance Documents Subsection).

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The Company's activity is managed by a Board of Directors composed of 7 (seven) members, appointed by the Ordinary General Meeting, who may also be shareholders of the Company, natural or legal persons, of Romanian or foreign citizenship, respectively nationality.

The Chairman of the Board of Directors is appointed for a period not exceeding his term of office as a director and may be revoked anytime by the Board of Directors.

On 3 May 2023, the Chairman of the Board of Directors was elected by the Board of Directors from among its members, in the person of Mr. Batyrzhan Tergeussizov, for the period of his tenure as a director of the Company, i.e. from 1 May 2023 until 30 April 2026. Until 1 May 2023, the position of Chairman of the Board of Directors was held by Mr Yedil Utekov.

According to the legal provisions in force, the members of the Board of Directors are obliged to ensure the avoidance of a direct or indirect conflict of interest with the Company, and in the event of such a conflict to abstain from debating and voting on such matters.

The members of the Board of Directors should professionally exercise their mandate, in good faith, honestly, with the prudence and diligence of a good director, in the best interest of the Company, and they are not allowed to disclose confidential information and business secrets of the Company.

The directors can be revoked anytime by the Ordinary General Meeting of the Shareholders. Each director has expressly accepted the exercise of his/her mandate. During their term of office, directors may not enter into an employment contract with the Company.

Increase the number of directors on the Board of Directors from 5 to 7:

In 2022, according to Resolution No. 6/2022 of the EGMS of April 28, 2022, the numerical composition of RRC's Board of Directors was increased from 5 (five) members to 7 (seven) members, starting from May 1, 2022. Thus, according to the Articles of Incorporation of the Company, until April 30, 2022, the Board of Directors was composed of 5 members, and since 1 May 2022, the Board of Directors has been made up of 7 members.

At the OGMS held on April 28, 2022, at 11:00, the appointment of 5 new members of the Board of Directors was approved, following the expiry on May 1, 2022, of the terms of office of all directors (of the 5 members in office), for a new 4-year term, i.e. from 1 May 2022 until 30 April 2026. On the same day, April 28, 2022, after the OGMS (held at 11:00), the EGMS was also held (convened at 13:00), during which the shareholders approved the increase of the numerical composition of the

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Board of Directors to 7 (seven) members (as per topic 1 [1] on the completed agenda). Since, within the legal deadline provided for in the Convening Notice of EGMS with the revised agenda following its completion on the proposal made in accordance with the law by a shareholder of the Company, the shareholders did not submit to the Ordinary General Meeting of Shareholders of April 28, 2022, proposals for new candidates for the two new directors' positions created per Resolution No. 6/2022 adopted by the EGMS, the two new directors' positions remained vacant.
Two administrator positions remained vacant until 1 August 2023.

Main duties of the Board of Directors

Due to the increase in the number of members of the Board of Directors of the Company from five to seven members starting May 1, 2022, according to the Resolution No. 6/2022 of the EGMS held on April 28, 2022, the new Board of Directors approved at a meeting on May 4, 2022, amendments and additions to the *Rules regarding organization and functioning of the Board of Directors* to amend accordingly the number of directors and the provisions related to the organization and functioning of the Board of Directors. Regulation on the organization and functioning of the Board of Directors, updated on May 4, 2022, per the Decision No. 1 of the Board of Directors, are published on the Rompetrol Rafinare website in the Investor Relations Section, Corporate Governance/ Corporate Governance Documents Subsection.

The directors may be replaced in the following situations:
a) Upon the expiration of the 4 years mandate or another period established by the General Meeting of Shareholders at the same time as the appointment of the director.
b) In case of resignation or recall by the General Meeting of Shareholders.

Upon the mandate expiration, any member of the Board of Directors may be re-appointed by the General Meeting of Shareholders.
The powers of the Board of Directors, according to the Articles of Incorporation and the Regulation on the organization and functioning of the Board of Directors, are as follows:

a) Establishing the main directions of the company's activity and development.
b) Establishing the accounting and financial control system and approving the financial planning.
c) Appointing, recalling, respectively concluding, and terminating the contracts of the Company's directors.
d) Supervising the activity of the directors.
e) Drawing up the annual report, organizing the general meeting, and implementing its decisions.
f) Submitting the request for opening the company insolvency procedure, according to Law No. 85/2014 on the insolvency procedure.
g) except for the legal documents for whose adoption/ conclusion the approval of the General Meeting of Shareholders is necessary, according to the imperative provisions of the law, approving

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the adoption/conclusion on behalf of the Company of the legal documents whose object exceeds the value of:

ii) **USD 50,000,000** as regards the legal documents having as object the acquisition of crude, respectively the sale of the following products: gasoline, diesel, jet fuel A1 and Liquefied Petroleum Gas;

iii) **USD 20,000,000** for legal acts having a purpose other than the purchase of crude oil, i.e. the sale of the products mentioned in (i) above, including the approval of participation in the establishment of companies or the increase of their share capital with a contribution exceeding this value limit;

h) Approving the Company's organizational structure.

These duties will not be delegated to the Company managers.

The Board of Directors also has the following duties delegated by the Extraordinary General Meeting of Shareholders under the conditions provided by Article 114 of Law No. 31/1990, as republished:

a) Taking decisions regarding the relocation of the Company headquarters.

b) Taking decisions regarding the change of the Company business object of activity (except for the main domain and the main activities of the Company).

c) Taking decisions regarding the increase of the share capital by the issue of new shares, according to the law.

The Board of Directors also meets other duties, established de jure under their charge, by virtue of the applicable normative acts.

As regards the issue of shares, the Board of Directors may initiate this operation within the share capital increase operations, exercised based on the duties delegated according to the provisions of Law No. 31/1990 corroborated with the provisions of Law No. 24/2017, as republished.

Remuneration of the Members of the Board of Directors

In the Annual Ordinary General Meeting of Shareholders for the year 2022 held on April 27, 2023, Rompetrol Rafinare prepared and submitted to the approval of the shareholders the reviewed Remuneration Policy for the Company's directors.

Thus, in accordance with Resolution No. 3/2023 of the OGMS of 27 April 2023, *in the presence of shareholders representing 99.3737% of the share capital and 99.3737% of the total voting rights, with a total of 26,391,656,980 "for" votes representing 99.36915% of the share capital and 99.995437% of the votes cast and 1,204,247 "against" votes representing 0.004534% of the share capital and 0.004563% of the votes cast*, ***the reviewed Remuneration Policy for the Company's management***

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structure was approved, and is available for viewing on the Company's website https://rompetrol-rafinare.kmginternational.com/:
https://rompetrol-rafinare.kmginternational.com/relatia-cu-investitorii/guvernanta-corporativa/documente-de-guvernanta-corporativa, section Other Policies, Reports and Regulations.

The remuneration of the members of the Board of Directors is established on an annual basis by the Ordinary GMS, for the current year.

According to Article 2 (a) of the Resolution No. 3/2023 adopted by OGMS held on April 27, 2023, for the year 2023 it was approved:
- *a gross monthly remuneration of 15,385 Lei corresponding to a net monthly remuneration of 9,000 Lei for each member of the Board of Directors until 30 April 2023 and a gross monthly remuneration of 17,094 Lei corresponding to a net monthly remuneration of 10,000 Lei for each member of the Board of Directors as from 1 May 2023.*

According to the Article 2 (b) of Resolution No. 3/2023 adopted by OGMS held on April 27, 2023, for the year 2023 it was approved:
- *a gross monthly remuneration of Lei 5,128 corresponding to a net monthly remuneration of Lei 3,000 for each member of the Audit Committee until 30 April 2023 and a gross monthly remuneration of Lei 6,838 corresponding to a net monthly remuneration of Lei 4,000 for each member of the Audit Committee as from 1 May 2023.*

According to Article 2 (c) of the Resolution No. 3/2023 adopted by OGMS held on April 27, 2023, for the financial year 2023 it was approved:
- *a gross monthly remuneration of 5,128 Lei corresponding to a net monthly remuneration of 3,000 Lei for each member of the Strategy Committee until 30 April 2023 and a gross monthly remuneration of 6,838 Lei corresponding to a net monthly remuneration of 4,000 Lei for each member of the Strategy Committee as from 1 May 2023.*

According to Article 3 of the Resolution No. 3/2023 taken by the OGMS held on April 27, 2023 it was approved:
- *the gross monthly remuneration of the Chairman of the Audit Committee in the amount of Lei 6,837 corresponding to a net monthly remuneration of Lei 4,000 until 30 April 2023 and the gross monthly remuneration in the amount of Lei 8,548 corresponding to a net monthly remuneration of Lei 5,000 as from 1 May 2023.*

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According to the Article 107 of Law No. 24/2017, as republished, Rompetrol Rafinare has prepared, a Remuneration Report for the financial year (FY) 2022, which provides a wide overview of the remuneration, including all benefits, regardless of the form, granted or owed during the FY 2022, to the managers individually, per the Remuneration Policy approved by the OGMS held on April 28, 2021.
As described above, the Ordinary General Meeting of Shareholders held on 27 April 2023 approved the reviewed Company's Executive Remuneration Policy, which came into force on the date of the OGMS, i.e. 27 April 2023.

In the presence of shareholders representing 99.3737% of the share capital and 99.3737% of the total voting rights, with 26,391,656,980 "for" votes representing 99.36915% of the share capital and 99.995437% of the votes cast and 1,204.247 "against" votes representing 0.004534% of the share capital and 0.004563% of the votes cast, at the Ordinary General Meeting of Shareholders held on 27 April 2023, the shareholders approved the Remuneration Report of the Company's management structure for the financial year 2022, submitted to the consultative vote of the AGM, in view of the provisions of Article 107, paragraph (6) of Law no. 24/2017 on issuers of financial instruments and market operations, republished.

The FY 2022 Remuneration Report, approved with a majority of votes in an advisory vote of shareholders voting at the OGMS held on April 27, 2023, has been uploaded on the Rompetrol Rafinare website, Investor Relations Section, Corporate Governance/Corporate Governance Documents Subsection.

Rompetrol Rafinare has prepared the FY 2023 Remuneration Report, which includes all remuneration, including all benefits, in whatever form, granted or due in FY 2023 to individual executives, per the Remuneration Policy, approved at the OGMS held on April 27, 2023. The Company's Executive Remuneration Report for FY 2023 will be subject to an advisory vote at the annual Ordinary General Meeting of Shareholders scheduled for April 26 (29), 2024.

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5.3.1.1. INFORMATION ON THE MEMBERS OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE S.A. DURING 1 JANUARY - 31 DECEMBER 2023

During 2023, the following changes were made at the level of the Board of Directors:

- *April 27, 2023:* following the revocation of Mr. Yedil Utekov and Mr. Askar Abilov as members of the Board of Directors of Rompetrol Rafinare S.A., due to their resignation from their mandates as directors as of May 1, 2023, pursuant to Resolution No. 2/2023 adopted by the Ordinary General Meeting of Shareholders, the election of the following new members to the Board of Directors of the Company was approved for a term of office starting on May 1, 2023 and expiring on April 30, 2026 (the date of expiry of the mandate of the members of the Board of Directors in office on the date of the OGMS of April 27, 2023):
    - Mr. Batyrzhan Tergeussizov;
    - Mr. Adrian Tohănean.

- *May 3, 2023*: by Decision No. 1, the 5-member Board of Directors appointed Mr. Batyrzhan Tergeussizov as Chairman from May 1, 2023, to April 30, 2026 (for the duration of his term as Director of the Company).

- *July 24, 2023:* Considering the following:
    - By Resolution no. 6/2022 adopted by the EGMS on 28 April 2022, the Board of *Directors ("BoD")* was *increased from 5 to 7 members and the corresponding amendment, completion and updating of Article 14.1 of the Company's Articles of Incorporation* regarding the composition of the BoD to 7 directors was approved,
    - Termination of the terms of office as directors of Rompetrol Rafinare S.A. of Messrs Yedil Utekov and Askar Abilov following their request to resign from these positions as of May 1, 2023 (the last day of their term of office being April 30, 2023),
    - On April 27, 2023, at the date of the Ordinary General Meeting of Rompetrol Rafinare Shareholders, the Board of Directors of the Company was composed of 7 members, namely: 5 members (of which, as of 1 May 2023, two positions were to become vacant as a result of the above-mentioned requests for resignation) and 2 vacancies (as per EGMS Resolution No 6/2022),
    - On the agenda of the Ordinary General Meeting of Shareholders of Rompetrol Rafinare S.A. on April 27, 2023, item 8 was submitted for approval the *election of 4 new*

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members of the Board of Directors of Rompetrol Rafinare S.A. for a term of office starting on May 1, 2023 and expiring on April 30, 2026 (the date of expiry of the term of office of the members of the Board of Directors in office on the date of the AGM of April 27, 2023),

- Two (2) members of the Board of Directors were elected at the AGM of 27 April 2023, in accordance with Resolution no. 2/2023 of this Meeting. Thus, as of 1 May 2023, the Board of Directors is composed of 5 members, namely Messrs Batyrzhan Tergeussizov, Felix Crudu-Tesloveanu, Adrian Tohănean, Nicolae Bogdan Codruț Stănescu and Bogdan-Cătălin Steriopol, 2 (two) positions of directors remaining vacant.

Thus, in accordance with the Company's Articles of Incorporation and Law no. 31/1990, the Board of Directors meeting held on July 24, 2024 adopted the Decision to appoint, starting from August 1, 2023, two (2) provisional members of the Board of Directors of Rompetrol Rafinare, namely Mrs. Tamila Mikulich and Constantin Saragea, for a term of office starting from August 1, 2023 until the next OGMS.
As a result, from 1 August 2023, the Board of Directors has been composed of the following 7 members: Batyrzhan Tergeussizov, Felix Crudu-Tesloveanu, Adrian Tohănean, Nicolae Bogdan Codruţ Stănescu, Bogdan-Cătălin Steriopol, Tamila Mikulich and Constantin Saragea.

- *September27, 2024:* following the termination of the mandate of Mr. Felix Crudu - Tesloveanu as a director of the Board of Directors as of 29 September 2023 (last day of his term) as a result of his request to terminate his term and his capacity as a director, pursuant to Decision no. 1 adopted by the Board of Directors approved the appointment of Ms. Zhamilya Meshitbay as provisional director of the Board of Directors of Rompetrol Rafinare S.A. for a term of office starting from September 30, 2023 and until the next OGMS meeting.

Therefore, in 2023, the composition of the Board of Directors underwent the following changes:

For the period from 1 January 2023 to 30 April 2023, the Board of Directors was composed of 5 directors, namely:

- **Yedil Utekov,** a citizen of the Republic of Kazakhstan, non-executive director and Chairman of the Board of Directors
- **Askar Abilov,** a citizen of the Republic of Kazakhstan, non-executive member of the Board of Directors
- **Felix Crudu-Tesloveanu,** a citizen of Romania, Executive Member of the Board of Directors also holding the position of the General Manager of the Company (since January 1, 2020)

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- **Nicolae Bogdan Codruţ Stănescu,** a citizen of Romania, non-executive member of the Board of Directors
- **Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors.

During the period mentioned above, two administrator positions were vacant.

For the period from 1 May to 31 July 2023, the Board of Directors was composed of 5 directors, namely:

- **Batyrzhan Tergeussizov,** a citizen of the Republic of Kazakhstan, non-executive director and Chairman of the Board of Directors
- **Adrian Tohănean,** Romanian citizen, non-executive member of the Board of Directors;
- **Felix Crudu-Tesloveanu,** a citizen of Romania, Executive Member of the Board of Directors;
- **Nicolae Bogdan Codruţ Stănescu,** a citizen of Romania, non-executive member of the Board of Directors;
- **Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors.

During the period mentioned above, two administrator positions were vacant.

As of 1 August 2023, the composition of the Board of Directors has been increased from 5 to 7 members by appointing two additional provisional directors.
As a result, from 1 August - 29 September 2023, the Board of Directors has been composed of the following 7 members:

- **Batyrzhan Tergeussizov,** a citizen of the Republic of Kazakhstan, non-executive director and Chairman of the Board of Directors
- **Adrian Tohănean,** Romanian citizen, non-executive member of the Board of Directors;
- **Felix Crudu-Tesloveanu,** a citizen of Romania, Executive Member of the Board of Directors
- **Nicolae Bogdan Codruţ Stănescu,** a citizen of Romania, non-executive member of the Board of Directors
- **Bogdan-Cătălin Steriopol,** Romanian citizen, non-executive member of the Board of Directors;
- **Tamila Mikulich,** a citizen of the Republic of Ukraine, non-executive provisional member of the Board of Directors
- **Constantin Saragea,** Romanian citizen, non-executive provisional member of the Board of Directors.

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As of 30 September 2023, the Board of Directors has been composed of the following 7 members:

- **Batyrzhan Tergeussizov,** a citizen of the Republic of Kazakhstan, Chairman of the Board of Directors
- **Adrian Tohănean,** Romanian citizen, member of the Board of Directors;
- **Nicolae Bogdan Codruţ Stănescu,** Romanian citizen, member of the Board of Directors
- **Bogdan-Cătălin Steriopol,** Romanian citizen, member of the Board of Directors;
- **Tamila Mikulich,** a citizen of the Republic of Ukraine, provisional member of the Board of Directors
- **Constantin Saragea,** Romanian citizen, provisional member of the Board of Directors;
- **Zhamilya Meshitbay,** a citizen of the Republic of Kazakhstan, provisional member of the Board of Directors

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Please find below the most relevant elements regarding the structure of the Board of Directors, the qualifications, professional experience of the Company's directors and data on the directors' term of office between January and December 2023.

The Curriculum Vitae of the current directors of the Company are also posted on the Company's web page https://rompetrol-rafinare.kmginternational.com/, "Relations with Investors – Corporate Governance – Board of Directors" Section.

Name	Age (years)	Qualification	Professional experience (years)	Position	Appointment date	Date of mandate expiration
Yedil Utekov[14]	47 years	Chemical Engineer	22 years	Executive Member[15] of the Board of Directors	1 October 2014 (provisional mandate until the date of the OGMS)	3 March 2015
					4 March 2015 (definitive mandate for a duration starting from 04.03.2015 until 30.04.2018 according to Resolution no. 1/2015 OGMS of 04.03.2015	30 April 2018
				Non-executive Member of the Board of Directors (as of 01 January 2020)[16]	1 May 2018 (4-year term, starting from 01.05.2018, according to Resolution no. 3/2018 OGMS of 27.04.2018)	30 April 2022
					1 May 2022 (4-year term, starting from 01.05.2022, according to Resolution no. 3/2022 OGMS of 28.04.2022)	30 April 2026

[14] From 01.10.2020 he was elected Chairman of the Board of Directors according to the Decision No. 1 Board of Directors (BoD) of 01.10.2020, until 30.04.2022. He was re-elected to this office as of 01.05.2022 by Decision No 1 BoD of 02.05.2022 for a term from 01.05.2022 to 30.04.2026

[15] Mr. Yedil Utekov was appointed as General Manager by the Decision of the Board of Directors of 12.06.2014 for a term of office until 30.04.2018, subsequently extended until 30.04.2022

[16] As of 1 January 2020, the position of General Manager has been taken over by Mr Felix Crudu-Tesloveanu pursuant to the Decision of the Board of Directors of 18 December 2019

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Name	Age (years)	Qualification	Professional experience (years)	Position	Appointment date	Date of mandate expiration
						30 April 2023 (revocation from the position of non-executive member of the Board of Directors pursuant to Resolution no. 2/2023 OGMS of 27.04.2023 following resignation from the office of director as of 01.05.2023 (last day of office being 30.04.2023)
Askar Abilov	46 years	Economist	24 years	Non-executive Member of the Board of Directors	1 May 2022 (4-year term, according to Resolution no. 3/2022 OGMS of 28.04.2022)	30 April 2026
						30 April 2023 (revocation from the position of non-executive member of the Board of Directors pursuant to Resolution no. 2/2023 OGMS of 27.04.2023 following resignation from the office of director as of 01.05.2023 (last day of office being 30.04.2023)
Felix Crudu Tesloveanu	53 years	Economist	35 years	Executive Member of the Board of Directors	1 October 2020 (mandate until 30.04.2022, according to Resolution no. 6/2020 OGMS of 18.09.2020)	30 April 2022
					1 May 2022 (4-year term, according to Resolution no. 3/2022 OGMS of 28.04.2022)	30 April 2026
						29 September 2023 (termination of the mandate of director on the Board of Directors as a result of the request for termination of the mandate and the status of director in accordance with Decision no. 1 BoD of 25.09.2023)

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Name	Age (years)	Qualification	Professional experience (years)	Position	Appointment date	Date of mandate expiration
Nicolae Bogdan Codruț Stănescu	49	- Doctor of Law - Engineer	26 years	Independent non-executive Member of the Board of Directors	12 June 2015 (term starting on 12.06.2015 until 30.04.2018 according to Resolution no. 5/2015 OGMS of 12.06.2015)	30 April 2018
						28 April 2016 (revocation of the member of the Board of Directors as a result of resignation from this position as of 28.04.2016 according to the Resolution no. 2/2016 OGMS of 28.04.2016)
					1 May 2018 (4-year term, according to Resolution no. 3/2018 OGMS of 27.04.2018)	30 April 2022
					1 May 2022 (4-year term, according to Resolution no. 3/2022 OGMS of 28.04.2022)	30 April 2026
Bogdan Cătălin Steriopol	37 years	Economist	17 years	Independent non-executive Member of the Board of Directors	4 June 2020 (provisional mandate until the date of the OGMS meeting according to Decision No 1 BoD of 04.06.2020	
					18 September 2020 (final mandate for a duration starting from 18.09.2020 until 30.04.2022 according to Resolution no. 6/2020 OGMS of 18.09.2020	30 April 2022
					1 May 2022 (4-year term, starting from 01.05.2022 until 30.04.2026, according to Resolution no. 3/2022 OGMS of 28.04.2022)	30 April 2026

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Name	Age (years)	Qualification	Professional experience (years)	Position	Appointment date	Date of mandate expiration
Batyrzhan Tergeussizov	39 years	Engineer	21 years	Non-executive Member of the Board of Directors	1 May 2023 (mandate from 01.05.2023, to expire on 30.04.2026 according to Resolution No. 2/2023 OGMS of 27.04.2023)	30 April 2026
				Chairman of the Board of Directors	1 May 2023 (mandate until 30.04.2026 per Decision No 1 BoD of 03.05.2023)	30 April 2026
Adrian Tohănean	43 years	Economist	21 years	Non-executive Member of the Board of Directors	1 May 2023 (mandate from 01.05.2023, to expire on 30.04.2026 according to Resolution No. 2/2023 OGMS of 27.04.2023)	30 April 2026
Tamila Mikulich	36 years	Manager of Informational Systems	17 years	Non-executive provisional member of the Board of Directors	1 August 2023 (provisional mandate until the date of the OGMS meeting according to BoD Decision of 24.07.2023)	
Constantin Saragea	44 years	Diplomat Engineer	19 years	Non-executive provisional member of the Board of Directors	1 August 2023 (provisional mandate until the date of the OGMS meeting according to BoD Decision of 24.07.2023)	
Zhamilya Meshitbay	34 years	Economist	11 years	Non-executive provisional member of the Board of Directors	30 September 2023 (provisional mandate until the date of the OGMS meeting according to Decision No 1 BoD of 25.09.2023)	

The Members of the Board of Directors are appointed by the Shareholders during the Ordinary General Meeting of Shareholders. To the knowledge of the Directors, there was no agreement**, understanding, or family** relationship between the Directors and other persons that led to their appointment as Directors.

According to the Registry of the Company's Shareholders, consolidated as of 31.12.2023 and made available by Depozitarul Central S.A., the Directors of Rompetrol Rafinare do not own any shares issued by the Company.

None of the members of the Company Board of Directors is a person affiliated with the Company, within the meaning of the FSA Regulation No. 5/2018.

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Non-executive Directors and the independence of the Directors

According to the criteria for assessing the independence of non-executive members of the Board of Directors and the Declarations of Independence, two members - Mr. Nicolae Bogdan Codruț Stănescu[17] and Mr. Bogdan-Cătălin Steriopol[18] - in office on 31.12.2023, met the independence criteria set out in the principles and recommendations of the Code (Point A4 of the BVB Corporate Governance Code).

Evaluation of the Board of Directors

In 2023, the Board of Directors did not initiate any program for evaluating its activity.

Information on other relatively permanent professional duties and obligations of members of the Board of Directors in 2023

Name	Company	Position held	Period
Batyrzhan Tergeussizov	*Rompetrol Downstream S.R.L.**	*Chairman of the Board of Directors ("BoD")*	*2023-05-08 to 2024-09-09*
	*Rompetrol Well Services S.A.**	*Chairman of the Board of Directors*	*2023-05-01 to 2026-04-30*
		Member of the Audit Committee	*2023-05-01 to 2026-04-30*
	*Rominserv S.R.L.**	*Chairman of the Board of Directors*	*2023-02-01 to 2027-02-01*
	*Rompetrol Energy S.A.**	*Chairman of the Board of Directors*	*2023-03-01 to 2026-01-31*
	*Rompetrol Georgia**	*Member of the Board of Directors*	*2023.05.01 - unlimited*
Adrian Tohănean	*Kazakh-Roman Energy Investment Fund S.A.**	*Member of the Board of Directors*	*2023-11-23 to 2024-11-06*
	*Rompetrol Downstream S.R.L.**	*Member of the Board of Directors*	*2023-02-15 to 2024-09-09*
	*KMG Rompetrol S.R.L.**	*Sole Director*	*2022-06-15 to 2026-06-15*
	*Rominserv S.R.L.**	*Member of the Board of Directors*	*2020-09-15 to 2024-09-14*
	*Byron Shipping S.R.L.**	*Financial Manager*	*2019.07.01 - unlimited*

[17]*Appointed as Director from May 1, 2018, according to Resolution No. 3/2018 of OGMS held on April 27, 2018; reappointed as Director from May 1, 2022, to April, 30, 2026, according to Resolution No. 3/2022 of OGMS held on April 28, 2022; also held the position of Director of the Company from 12.06.2015 to 27.04.2016*

[18]*Appointed as provisional Director from June 4, 2020, according to Decision No. 1 of the Board of Directors of June 4, 2020, and permanent Director from September 18, 2020, according to Resolution No. 6/2020 of OGMS held on September 18, 2020; reappointed as Director from May 1, 2022, to April 30, 2026, according to Resolution No. 3/2022 of OGMS held on April 28, 2022.*

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Name	Company	Position held	Period
	*Rompetrol Logistics S.R.L.**	*Financial Manager*	*2019.07.01 - unlimited*
	*Rom Oil S.A.**	*Financial Manager*	*2019.07.01 - unlimited*
	*Midia Marine Terminal S.R.L.**	*Financial Manager*	*2019.07.01 - unlimited*
	*Rompetrol Energy S.A.**	*Member of the Board of Directors*	*2023.06.31 – 2026.01.31*
	*Rompetrol Moldova**	*Member of the Board of Directors*	*2022-11-01 to 2024-07-20*
Nicolae Bogdan Codruţ Stănescu	*SNGN Romgaz S.A. – FIGN DEPOGAZ Ploieşti*	*Chairman of the Board of Directors*	*04.2018 – present*
	Societatea de Administrare a Participaţiilor in Energie S.A.	*Chairman of Management Board*	*2019.08.01 – present*
Constantin Saragea	*Ministry of Research, Innovation and Digitalization*	*General Secretary*	*January – June 2023*
	Ministry of Energy	*General Secretary*	*June 2023 - present*
Yedil Utekov	*Rompetrol Well Services S.A.**	*Chairman of the Board of Directors*	*2020.10. 01 – 2022.04.29* *2022. 04. 30 - 2026.04.30*
		Member of the Audit Committee	*2020.10.01 – 2022.04.29* *2022.05.02– 2026.04.30*
	*ROMINSERV S.R.L.**	*Chairman of the Board of Directors*	*2020.09.15 – 2023.01.31*
	*Rompetrol Energy S.A.**	*Chairman of the Board of Directors*	*2020.10.01 – 2023.02.28*
Askar Abilov	*TRG PETROL TICARET ANONIM ŞIRKETI**	*Member of the Board of Directors*	*2020.09.30– January 2023*
	*KMG INTERNATIONAL N.V.**	*Member Finance and Investment Committee*	*2020.09.30 – January 2023*
Bogdan- Cătălin Steriopol	INCERTRANS S.A. (Institutul de Cercetări în Transporturi).	*Commercial Director*	*2023 - present*

**Member company of the KMG International Group*

5.3.1.2. ATTENDANCE OF DIRECTORS AT THE BOARD OF DIRECTORS MEETINGS

According to the Articles of Incorporation, the Board of Directors will meet at least once every three months and whenever it is necessary. The Members of the Board of Directors have always paid due attention to the duties of diligence and loyalty to the Company. Thus, the members of the Board of Directors and the Executive Management made the decisions regarding the business of Rompetrol Rafinare considering the Company's best interests.

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In 2023, the Board of Directors met in 24 meetings. Most of the Board meetings were held by electronic means of communication (by organizing meetings in Microsoft Teams or via email – by electronic voting). Six meetings were held in the physical presence of the Directors, six meetings were held in Microsoft Teams, and the other twelve meetings were held via electronic communication (in the form of communication via email – by electronic voting).

On the agenda of the meetings of the Board of Directors there were matters concerning the day-to-day business of the Company, for example: for the approval of the Annual Report (individual and consolidated) and the organisation of the Annual Ordinary General Meeting to approve the annual financial results, including the endorsement of documents and information materials to be submitted for approval at the Annual OGMS; for the endorsement of documents and information materials to be submitted for approval at the Extraordinary GMS of 27 April 2023 on the proposal to amend and update the Articles of Association of the Company in order to reformulate the provisions of Article 15.1 letter g with regard to the clarification of the text noted in this article and its application accordingly; with a view to completing the agenda of the Extraordinary OGMS of 27 April 2023 with the inclusion on the agenda of this meeting of the item on the approval of the gross and net monthly remuneration of the Chairman of the Audit Committee; with a view to completing the agenda of the Extraordinary EGMS of 27 April 2023 with the inclusion of the item on the ratification of the conclusion of the Addendum no. 3 to the Framework Agreement for the sale and purchase of crude oil no. 09046/2021, in order to approve the content, form, terms and conditions set out in this Additional Act concluded between Rompetrol Rafinare S.A., buyer, and KazMunayGas Trading A.G., seller.

At the same time, the agenda of the meetings of the Board of Directors included the following topics: approval of reports and materials related to the preliminary financial results for 2022, semi-annual and quarterly financial results for 2023.
Other topics on the agenda of the Board meetings in 2023 were: approval of the conclusion of significant legal acts (contracts, amendments to contracts, transactions) for the supply of raw materials and sale of petroleum products, purchase of electricity, election of Mr. Batyrzhan Tergeussizov as Chairman of the Board of Directors following his election as a director by the OGMS on 27 April 2023; the election of Mr Adrian Tohănean as a member of the Audit Committee, following his election by the OGMS on 27 April 2023 as a director, the approval of the termination of the mandate of Mr Felix Crudu-Tesloveanu as a director following his request to resign his mandate as from 30 September 2023; the election of 3 provisional members of the Board of Directors in the persons of Ms Tamila Mikulich and Ms Zhamilya Metshitbay and Mr Constantin Saragea, the approval of the termination of the mandate of Mr Felix Crudu-Tesloveanu as General Manager and the appointment of Mr Florian-Daniel Pop as General Manager, approval of the termination of the mandate of Mrs Ramona-Georgiana Gălățeanu as Financial Manager and the appointment of Mr Alexandru Stavarache as Financial Manager, approval of the election of Mrs Tamila Mikulich, Mrs Zhamilya Meshitbay and Mr Constantin Saragea as members of the Strategy Committee, etc.

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Also on the agenda of the meetings of the Board of Directors were other approvals for the smooth running of the Company's business, as well as information from the Executive Management on: the Batale Vega project, i.e. execution status and approaches to the authorities; information on the technical incident that occurred on the Petromidia platform at the Hydrocracking Unit (MHC plant); results and execution of hedging transactions in Q1 and Q3 of 2023, and Semester 1 2023 respectively; on quarterly reports by the QHSE department and those of the Internal Department; information on the execution of contracts/additional acts to contracts of significant patrimonial nature, etc.

At the same time, the agenda of the Board of Directors meetings included topics related to the signing of documents in connection with the refinancing of the existing syndicated loan of USD 435 million through a new syndicated loan of up to USD 600 million. Rompetrol Rafinare reported the signing of the documents related to the refinancing of the syndicated loan mentioned above through the Current Report registered with the RRC under no. 1963/13.04.2023.

Until 1 August 2023, the Board of Directors had 5 directors in office and 2 (two) vacant positions. During this period, all meetings of the Board of Directors were held with the presence of 5 directors in accordance with the provisions of the Regulations of the Board of Directors, by direct participation with the exception of 2 meetings (that of 24 March 2023 and that of 7 April 2023) in which one of the members of the Board of Directors granted a proxy to another member of the Board.

As of 1 August 2023, the Board of Directors has 7 directors, including 2 provisional directors. During this period, all meetings of the Board of Directors were attended by 7 directors in accordance with the provisions of the Articles of Incorporation and the Regulations of the Board of Directors, by direct participation, with the exception of 2 meetings (25 September 2023 and 18 December 2023) in which one of the members of the Board of Directors granted a proxy to another member of the Board.
The decisions of the Board of Directors in 2023 were taken unanimously or by a majority vote of the members present (in several cases, abstentions were cast, but no votes against were registered). The abstentions were cast because it was considered that the questions submitted for approval were related to the appointment of the director to various positions, and for this reason, he agreed to abstain from voting. A vote was also cast for a director to abstain as proxy for another director at the meeting, considering that the proposal put to the vote resulted from discussions during the meeting and that the mandate granted to him did not relate to this subject.

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The table below shows attendance at meetings of the Board of Directors by current directors for the year ended December 31, 2023:

Name	Attendance
Yedil Utekov[19]	*7[20]/9/24*
Askar Abilov[21]	*9/9/24*
Felix Crudu-Tesloveanu[22]	*20/20//24*
Nicolae Bogdan Codruț Stănescu	*24/24/24*
Bogdan-Cătălin Steriopol	*24/24/24*
Tamila Mikulich[23]	*7/7/24*
Constantin Saragea[24]	*5[25]/7/24*
Zhamilya Meshitbay[26]	*4/4/24*

The first digit indicates the number of meetings attended by the individual as a member of the Board of Directors, the second digit is the number of meetings held during the term of office in 2023, and the third digit is the total number of meetings held by the Board of Directors in 2023..

5.3.2. EXECUTIVE MANAGEMENT OF ROMPETROL RAFINARE

Per Article 16.1 of the last Articles of Incorporation of the Company, as amended on 27 April 2023, the Executive Management of the Company, to which the Board of Directors has delegated management powers per the provisions of Article 143 of Law No. 31/1991 on Companies, is enforced by General Manager and the Financial Manager.
The term of office of the Executive Directors may not exceed the term of office of the directors who appointed them.

General Manager

According to the Articles of Association, the Chief Executive Officer of the Company is directly subordinated to the other organisational structures of the Company and is in turn directly subordinated to the Board of Directors.

[19] *Member of the Board of Directors until April 30, 2023 (last day of the term)*
[20] *At two meetings of the Board of Directors, he granted proxy to another member of the Board*
[21] *Member of the Board of Directors until April 30, 2023 (last day of the term)*
[22] *Executive member of the Board of Directors until September 29, 2023 (last day of the term)*
[23] *Member of the Board of Directors from 1 August 2023*
[24] *Member of the Board of Directors from 1 August 2023*
[25] *At two meetings of the Board of Directors, he granted proxy to another member of the Board*
[26] *Member of the Board of Directors from 30 September 2023*

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If the company engages in acts of a patrimonial nature, the representation of the company is delegated, in accordance with the provisions of Article 143 of Law 31/1990 on companies, to the General Manager and the Financial Manager.

For acts of a non-patrimonial nature, the representation of the company is delegated to the General Manager.
The General Manager is responsible for taking all measures related to the management of the company, within the limits of the company's activity and in compliance with the exclusive powers reserved by law or by the Articles of Association, the Board of Directors and the General Meeting of Shareholders.

During 2023, the position of General Manager of Rompetrol Rafinare S.A. was held by the following persons:

Felix Crudu-Tesloveanu – General Manager - from 1 January to 29 September 2023
By Decision dated December 18, 2019, the Board of Directors appointed Mr. Felix Crudu-Tesloveanu as the General Manager of the Company and assigned him the management of the Company and Company representation duties, for a term of office from January 1, 2020, to April 30, 2022.

By Decision No. 2 of 2 May 2022, the new Board of Directors constituted pursuant to Resolution No. 3/2022 OGMS of 28 April 2022, re-elected Mr. Felix Crudu-Tesloveanu as General Manager of the Company for a term of office commencing on 1 May 2022 and ending on the expiry of the term of office of the directors who made this appointment, i.e. on 30 April 2026.

By Decision No. 2 adopted by the Board of Directors on 25 September 2023, it was approved the termination of the Mandate Contract concluded by RRC with Mr. Felix Crudu-Tesloveanu, as General Manager, as of 29 September 2023 (last day of mandate).

Florian Daniel Pop - General Manager - for the period 30 September 2023 – present
By Decision No. 2 of September 25, 2023, the Board of Directors appointed Mr. Florian-Daniel Pop as General Manager of Rompetrol Rafinare for a term of office from September 30, 2023 until September 30, 2024 and delegated to him the management of the Company and powers of representation of the Company. This appointment was decided following the termination of the mandate of Mr Felix Crudu-Tesloveanu as General Manager of RRC as of 29 September 2023 (last day of mandate) by the conclusion of the Additional Deed of Termination dated 6 September 2023 to the Mandate Agreement for the position of General Manager.

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Financial Manager

According to the Company's Articles of Incorporation, if the company engages in acts of a patrimonial nature, the representation of the company is delegated, in accordance with the provisions of Article 143 of Law 31/1990 on companies, to the General Manager and the Financial Manager.

During 2023, the position of Financial Manager of Rompetrol Rafinare S.A. was held by the following persons:

Ramona-Georgiana Gălățeanu - Financial Manager - from 1 January to 30 November 2023
By Decision No. 1 of December 16, 2020, the Board of Directors appointed Ms. Ramona-Georgiana Gălăţeanu as the Financial Manager of the Company from January 1, 2021, to April 30, 2022, and delegated to her the management of the Company and the powers of representation of the Company jointly with General Manager in acts of a patrimonial nature.

By Decision No. 2 of 2 May 2022, the new Board of Directors constituted pursuant to Resolution No. 3/2022 OGMS of 28 April 2022, re-elected Mrs. Ramona-Georgiana Gălăţeanu as Financial Manager of the Company for a term of office commencing on 1 May 2022 and ending on the expiry of the term of office of the directors who made this appointment, i.e. on 30 April 2026.
In the meeting held on November 27, 2023, the Board of Directors approved the termination of the mandate of Financial Manager of Rompetrol Rafinare S.A. of Mrs. Ramona-Georgiana Gălățeanu starting from December 1, 2023 (last day of mandate November 30, 2023) following the conclusion of the Addendum of Termination of November 1, 2023 to the mandate contract for the position of Financial Manager.

Alexandru Stavarache - Interim Financial Manager[27] - from 1 December to 31 December 2023
By Decision no. 2 of November 27, 2023, following the termination of the mandate as Financial Manager of Mrs. Ramona-Georgioana Gălățeanu, the Board of Directors appointed Mr. Alexandru Stavarache as Interim Financial Manager of Rompetrol Rafinare S.A. for a mandate starting on 01.12.2023 and ending on 29.02.2024. To the new Financial Manager, the Board of Directors has delegated the management of the Company and the powers of representation of the Company together with the General Manager in acts of a patrimonial nature.

At the date of this Report, the Board of Directors meeting on 27 February 2024 decided to appoint Mr Alexandru Stavarache as Financial Manager for a term of office from 1 March 2024 until 30 April 2026, following the expiry on 29 February 2024 of his provisional term of office as Financial Manager.

[27] *On the date of this Report, the Board of Directors, at its meeting of 27 February 2024, appointed Mr. Alexandru Stavarache as Financial Manager for a term of office starting on 1 March 2024 and ending on 30 April 2026*

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Thus, **the two executive directors to whom leadership was delegated for the above purposes from January to December 2023 were:**

Full name	Position	Date of mandate beginning	Date of mandate expiration
Felix Crudu-Tesloveanu	General Manager	1 January 2020 (mandate until 30.04.2022 according to BoD Decision of 18 December 2019)	30 April 2022
		1 May 2022 (4-year terms of office from 01.05.2022 until 30.04.2026 (upon expiry of the term of office of the appointing directors), as per Decision No 2 BoD of 02.05.2022)	30 April 2026
			29 September 2023 (termination of the term of office of the General Manager as from 29 September 2023 (last day of the term of office) by concluding the Addendum of Termination of 6 September 2023 to the Term of Office Contract for the position of General Manager, pursuant to Decision No 2 BoD of 25 September 2023)
Florian-Daniel Pop	General Manager	30 September 2023 (term starting on 30.09.2023 until 30.09.2024 according to Decision no. 2 BoD of 25.09.2023)	30 September 2024
Ramona-Georgiana Gălățeanu	Financial Manager	01 January 2021 (term beginning on 01.01. 2021 until 30.04.2022 - upon expiry of the term of office of the appointing directors, as per Decision No 1 BoD of 16.12.2020)	30 April 2022
		01 May 2022 (4-year terms of office from 01.05.2022 until 30.04.2026 (upon expiry of the term of office of the appointing directors), as per Decision No 2 BoD of 02.05.2022)	30 April 2026
			30 November 2023 termination of the term of office of the Financial Manager as of 30.11.2023 (last day of the term of office) by concluding the Addendum of Termination of 1 November 2023 to the Contract of Mandate for the position of Financial Manager, in accordance with Decision No 1 BoD of 27 November 2023

Full name	Position	Date of mandate beginning	Date of mandate expiration
Alexandru Stavarache[28]	Financial Manager with a provisional mandate[29]	1 December 2023 (provisional appointment as from 01.12.2023 according to Decision No 2 BoD of 27.11.2023)	29 February 2024

We have no information about any cases of collusion, agreements, or family links between members of the Executive Management and other persons that led to their appointment.

Neither of the two Executive Managers listed in the above table hold shares in the Company.

5.3.3. LITIGATIONS IN WHICH THE DIRECTORS OR MEMBERS OF THE EXECUTIVE MANAGEMENT HAVE BEEN INVOLVED, DURING THE LAST 5 YEARS

The Civil case related to the July 2, 2021, incident involving Directors and members of the Executive Management:
The heiress of one of the victims of the incident on the Petromidia platform from July 2, 2021, filed a lawsuit in the Constanta court against the Company, the Directors, and the Executive Management of the Company, requesting that they be ordered jointly and separately to pay the amount of RON 1,000,000 as a civil compensation for the non-material damage suffered. The case was finally settled in October 2022 by the dismissal of the lawsuit.

5.4. ADVISORY COMMITTEES

In its work, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being entrusted with concluding analysis and preparing recommendations for the Board of Directors, in the specific areas of activity, having the obligation of submitting periodic activity reports to the members of the Board of Directors.

[28] *As of December 1, 2023, he was elected Sole Director of Rompetrol Petrochemicals S.R.L., a company wholly owned by Rompetrol Rafinare, replacing Mrs. Ramona-Georgiana Gălățeanu, for a term of office expiring on November 30, 2024.*

[29] *Currently serving as Financial Manager, as mentioned in index 27 above*

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The Audit Advisory Committee
The Committee was established based on Decision No. 1 of the Board of Directors held on April 13, 2018.

The Strategy Advisory Committee
The Committee was established based on Decision No. 4 of the Board of Directors held on March 20, 2019.

A detailed description of the duties and responsibilities of the Advisory Committees is found in the Organizational and Operational Rules approved by the Board of Directors, regulations published on the Company's webpage https://rompetrol-rafinare.kmginternational.com/, Investor Relations – Corporate Governance – Corporate Governance Documents Section.

Each Advisory Committee has a secretary and a chairman.

The Audit Advisory Committee

The Audit Committee fulfills its legal duties provided under Article 65 of Law No. 162/2017[30] consisting mainly in monitoring the financial reporting process, the internal audit process, the risk management process within the Company, and compliance assurance, as well as supervising the activity of statutory audit of the annual financial statements and in the management of the relationship with the external auditor.

In 2023, the structure of the Audit Committee underwent the following changes:

From January 1, 2023, to April 30, 2022, the structure of the Audit Committee was as follows:

- Dan Alexandru Iancu, Chairman
- Askar Abilov – member (non-executive Director)
- Nicolae Bogdan Codruţ Stănescu - member (independent non-executive director)

From May 3, 2023, to December 31, 2023, the structure of the Audit Committee was as follows:

- Dan Alexandru Iancu, Chairman
- Adrian Tohănean – member (non-executive director)
- Nicolae Bogdan Codruţ Stănescu - member (independent non-executive director)

[30] *Law No. 162 of July 15, 2017, on the statutory audit of annual financial statements and consolidated financial statements and amendments to certain regulations*

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Information on the meetings of the Audit Committee in 2023

In 2023, a total of 6 meetings were organised through Microsoft Teams.

Additionally, to fulfill its legal responsibilities, in 2023 the Audit Committee had working meetings with the internal departments of the Company, namely with the Risk, Internal Control, and Internal Audit Departments, as well as meetings with the external auditor of the Company.

The table below shows the attendance at Audit Committee meetings of members in office for the year ended December 31, 2023:

Full name	Participation in presentia/ by electronic means of communication
Dan Alexandru Iancu[31]	*6/6/6*
Askar Abilov [32]	*2/2/6*
Nicolae Bogdan Codruț Stănescu	*6/6/6*
Adrian Tohănean[33]	*4/4/6*

The first digit indicates the number of meetings attended by the individual as a member of the Audit Committee, the second digit is the number of meetings held during the term of office in 2023, and the third digit is the total number of meetings held by the Audit Committee in 2023.

In 2023, the Audit Committee provided recommendations to the Board of Directors of RRC related to subjects that incur under its scope of duties, as follows:

- Documents related to the financial reporting for the 2022 financial year: Unaudited Standalone and Consolidated Financial Statements (FY) as of December 31, 2022, prepared per International Financial Reporting Standards (IFRS – EU), Annual Report of the Board of Directors on Standalone Financial Statements for FY 2022 and Annual report of the Board of Directors on the consolidated financial statements for FY 2022
- Interim Standalone and Consolidated financial statements prepared for 2023 per International Financial Reporting Standards (IFRS – EU)
- Report of the Board of Directors for the first half of 2023, prepared per the requirements of the law
- FY 2022 Executive Remuneration Report

[31] *Reappointment as a member of the Audit Committee according to the OGMS Resolution No. 3/2022 of April 28, 2022*

[32] *Member of the Audit Committee until April 30, 2023*

[33] *Member of the Audit Committee since May 4, 2022, according to the Decision No. 6 of the Board of Directors of May 4, 2022*

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- Company's internal audit plan for 2023
- Other information materials.

Regarding the management of conflicts of interest, each member of the Board of Directors has to ensure that there is no direct or indirect conflict of interest with the Company, and in the event of such a conflict, refrain from discussing and voting on such issues per applicable legal provisions.

To ensure the fairness of transactions with interested parties, the members of the Board of Directors use the following criteria, but are not limited to them:

- Maintaining the authority of the Board of Directors or the annual general meeting of shareholders, as the case may be, to approve the most important transactions (per the limits of competence contained in the Company's Articles of Incorporation)
- Request a preliminary opinion on the most important transactions from internal control structures.

Transactions entered into in 2023 with related parties and reported to the Romanian capital market authorities and RRC shareholders according to the provisions of Article 108 of Law No. 24/2017, as republished, did not raise questions about a potential conflict of interest for the directors of the RRC.

The planning of internal audit activities is carried out per the risk assessment process.

The Strategy Advisory Committee

The Strategy Committee assists the Board of Directors in fulfilling its duties in developing and updating the overall development strategy of the Company.

During 2023, the composition of the Strategy Committee underwent 3 changes as follows:

- at the meeting of the Board of Directors on 3 May 2023, for the purpose of electing Mr Batyrzhan Tergeussizov as a member of the Strategy Committee, for a term of office starting on 3 May 2023 (the date of the Board meeting) and expiring on 30.04.2026 - as per Decision No. 2 of the Board of Directors of 3 May 2023;
- following the election of Ms Tamila Mikulich and Mr Constantin Saragea as provisional directors as from 1 August 2023, the Board of Directors elected Tamila Mikulich and Constantin Saragea as members of the Strategy Committee at its meeting of 3 August 2023 as from 1 August 2023 until the next OGMS which will discuss the election of the permanent directors;
- at the Board meeting of 25 September 2023, following the election of Ms Zhamilya Meshitbay as provisional administrator as from 30 September 2023 in place of Mr Felix Crudu Tesloveanu following the termination of his mandate as administrator and member of the Strategy

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Committee as from 30 September 2023 (last day of mandate being 29 September 2023), the Board of Directors has elected Zhamilya Meshitbay as a member of the Strategy Committee from 30 September 2023 until the next AGM which will debate the election of a permanent director.

As a results, in January - December 2022, the structure of the Strategy Committee underwent the following changes:

For the period 01 January 2023 – 30 April 2023:

- Yedil Utekov – Chairman (Non-executive Director)
- Felix Crudu-Tesloveanu – Member (Executive Director)
- Bogdan-Cătălin Steriopol – Member (Independent Non-executive Director)

From May 3, 2023, to July 31, 2023, the structure of the Strategy Committee was as follows:

- Batyrzhan Tergeussizov – Chairman (Non-executive Director)
- Felix Crudu-Tesloveanu – Member (Executive Director)
- Bogdan-Cătălin Steriopol – Member (Independent Non-executive Director)

From August 1, 2023, to September 29, 2023, the structure of the Strategy Committee was as follows:

- Batyrzhan Tergeussizov – Chairman (Non-executive Director)
- Felix Crudu-Tesloveanu – Member (Executive Director)
- Bogdan-Cătălin Steriopol – Member (Independent Non-executive Director)
- Tamila Mikulich – member (non-executive director)
- Constantin Saragea – member (non-executive director)

From September 30 to December 31, 2023, the structure of the Strategy Committee was as follows:

- Batyrzhan Tergeussizov – Chairman (Non-executive Director)
- Bogdan-Cătălin Steriopol – Member (Independent Non-executive Director)
- Tamila Mikulich – member (non-executive director)
- Constantin Saragea – member (non-executive director)
- Zhamilya Meshitbay – member (non-executive director)

Information on meetings of the Strategy Committee during 2023

In 2023, 4 meetings of the Strategy Committee were held, both in physical presence (2 meetings) and by electronic means of communication by organizing meetings (2 meetings) of Committee members in Microsoft Teams.

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The table below provides information on the attendance of current members of the Committee at meetings of the Strategy Committee for the year ended December 31, 2023:

Full name	Participation in presentia/ by electronic means of communication
Yedil Utekov[34]	*1/1/4*
Felix Crudu-Tesloveanu [35]	*2/2/4*
Bogdan-Cătălin Steriopol[36]	*4/4/4*
Batyrzhan Tergeussizov[37]	*3/3/4*
Tamila Mikulich[38]	*2/2/4*
Constantin Saragea[39]	*2/2/4*
Zhamilya Meshitbay[40]	*2/2/4*

The first digit indicates the number of meetings attended by the individual as a member of the Strategy Committee, the second digit is the number of meetings held during the term of office in 2023, and the third digit is the total number of meetings held by the Strategy Committee in 2023.

Per its regulations, the Strategy Committee analyzes and makes recommendations to the RRC Board of Directors on the following issues: coordinating the development/updating and monitoring of the Company's development strategies; periodically reviewing the progress of the implementation of these development strategies and the measures necessary to achieve the goals set; monitoring projects to diversify the Company's activities by achieving investment goals; conclusion by the Company of legal acts (contracts, addenda, orders, transactions, etc.) with significant pecuniary content.

In 2023, the work of the Strategy Advisory Committee focused mainly on making recommendations to the RRC Board of Directors on the proposed 2023 Income and Expenditure Budget, 2023 Production Plan, 2023 Investment Plan, electing Mr Batyrzhan Tergeussizov as Chairman of the Strategy Committee following the resignation of Mr Yedil Utekov from this position, with a view to the conclusion by RRC of strategic and significant legal acts (contracts, additional acts, orders,

[34] *Member of the Strategy Committee until April 30, 2023*
[35] *Member of the Strategy Committee until September 29, 2023*
[36] *Member of the Strategy Committee throughout 2023*
[37] *Member of the Strategy Committee since May 3, 2023, according to the Decision No. 2 of the Board of Directors of May 3, 2023*
[38] *Member of the Strategy Committee since August 1, 2023, according to the Decision No. 2 of the Board of Directors of August 3, 2023*
[39] *Member of the Strategy Committee since since August 1, 2023, according to the Decision No. 2 of the Board of Directors of August 3, 2023*
[40] *Member of the Strategy Committee since September 30, 2023, according to the Decision No. 5 of the Board of Directors of 25 September 2023*

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execution of transactions, etc.) from an asset point of view. The Strategy Committee also took note of information on the status of repairs and the return to service of the MHC plant, as well as on the execution of the Cogen Project carried out by the affiliated company, Rompetrol Energy S.A.

5.5. SHARES AND RIGHTS OF THE SHAREHOLDERS

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law No. 31/1990 on companies, Law No. 24/2017 on the issuers of financial instruments and market operations, republished, FSA Regulation No. 5/2018, other regulations and guidelines, issued by FSA, of the Stock Exchange Code and other legal regulations currently in force.

All holders of RRC shares are treated equitably. All the shares issued grant equal rights to the holders.

Each share subscribed and paid up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, influences the acquisition de jure of the status of the shareholder of the Company with all their rights and obligations derived therefrom, according to the law and the Articles of Incorporation.

The shareholder who in certain operations has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.
The shares issued as dematerialized shares are traded on a regulated market in compliance with the legislation of the capital market. The rights and obligations related to the shares follow the shares in case there are transferred under the ownership of other persons. The shareholders have the right to be completely informed during the General Meeting of the Shareholders on the Company's situation. In case new shares are issued, the shareholders existing have the pre-emption right for subscription, under the conditions of the law, pro rata the percent of shares held within the Company.

All holders of financial instruments issued by Rompetrol Rafinare of the same type and class of titles benefit from equal treatment, and the Company makes permanent efforts to ensure transparent communication for the exercise of rights in an equitable manner.

The company has created a special section called Investor Relations, on its website, where relevant information on the procedures regarding access and participation at the General Meeting of

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Shareholders (GMS), GMS's summon, supplemented agenda of the GMS, the responses to shareholders' questions, Current Reports, Annual, semester and quarterly reports, financial statements, the exercise of voting rights in GMS, GMS agenda materials, special proxy forms, correspondence voting ballots, financial schedule, corporate governance, etc. of the Company is constantly updated and accessible, that contributing to transparency and equitable information for all persons interested.

The main shareholders' rights regarding GMS are:

➢ *The right to notice regarding a new GMS*

The RRC Shareholders are informed about an upcoming meeting of shareholders by convening notice published in the Romanian Official Gazette, Part IV and in a newspaper of national circulation at least 30 days before the meeting; also, the convening notice is published on the website of the Company, in the Investor Relations Section and it is submitted to the Financial Supervisory Authority and the Bucharest Stock Exchange, as a current report.

➢ *The right of access to information*

The documents and informative materials are published on the website.

➢ *The right to supplement the agenda of the GMS*

One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce further topics in the agenda of the general meeting, provided that each topic is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolution for the topics included or proposed to be included in the agenda of the general meetings.

➢ *The right to attend the GMS*

The shareholders registered in the list of RRC shareholders on the reference date communicated in the Summoning of the GMS and received from the Central Depositary shall be entitled to attend in person or by a representative at the General Meeting of Shareholders.

➢ *Voting right*

Each share registered in the shareholder's name on the reference date confers a voting right in GMS. The shareholders of Rompetrol Rafinare can exercise their vote rights as follows:

1. Direct vote – in person, during the General Meeting of the Shareholders

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2. Vote by a representative with a special or general proxy
3. Vote by correspondence

➢ *The right to ask questions*

Each shareholder, regardless of participation in the share capital, has the right to ask questions relating to topics on the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions have to be pertinent, relevant to the topics on the agenda, and not harm the confidentiality and commercial interests of the Company and are in writing, either by mail or courier services or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline by which shareholders may exercise the above-mentioned rights.

The shareholders have the right to participate in presentia and to vote within the GMS and to be informed related to the rules, including the voting procedures, governing the GMS. Each share gives the right to one voting right, one dividend. There are no preferential shares without the right to vote or shares that confer the right to more than one vote.

Shareholders' right to dividends

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the Company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the number of dividends received and the time limit within which they shall be paid to the shareholders shall be entitled to receive dividends.

5.6. OTHER ELEMENTS REGARDING THE CORPORATE GOVERNANCE

5.6.1. TRANSPARENCY, COMMUNICATION AND REGULAR AND CONTINUED REPORTING

Being a Company admitted on the stock exchange, RRC operates in compliance with the information requirements regulated by the capital market norms, by preparing periodic and constant reporting regarding the events concerning the Company, including, but not limited to, its financial reports, performance, ownership, and management of the Company.

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In order to ensure transparency by communicating with the legislation in force, Rompetrol Rafinare has created on its website (https://rompetrol-rafinare.kmginternational.com/) a special section (Investor Relations), where any investor can easily access information about: (i) news, information and events; (ii) corporate governance; (iii) shareholders' rights; (iv) reports; (v) financial statements; (vi) General Meeting of Shareholders; (vii) financial communication calendar; etc.

Rompetrol Rafinare attaches great importance to transparency in communicating and informing shareholders and investors. During 2023, reports, presentations and press releases were prepared on financial results, GMS meetings and resolutions adopted by the GMS, periodic reports (quarterly, half-yearly, annual), changes in the Company's management structure, i.e. the composition of the Board of Directors, Executive Management and Advisory Committees, significant transactions, various information on events in the Company's activity, significant investment programs in the Petromidia refinery regarding storage capacities, planned works, etc. The information that was the subject of current and periodical communications, information and reports was drawn up bilingually (Romanian and English), communicated to the market operator, the Bucharest Stock Exchange (BSE), the Financial Supervisory Authority and was available by posting on the Company's website, https://rompetrol-rafinare.kmginternational.com/ in the Investor Relations Section. The information is distributed both in Romanian and in English.
In accordance with the provisions of ASF Regulation No. 5/2018, RRC submitted current reports (prepared bilingually, Romanian and English) to the BVB and ASF under Article 108 of Law 24/2017, transactions that cumulatively exceed 5% of the net asset value reported in the most recent financial report. These current reports sent to the above-mentioned capital market institutions have also been posted on the RRC website and contain the following information: the parties who concluded the legal act, the date of conclusion and the nature of the act, a description of its subject matter, the total amount of the legal act, mutual claims, guarantees provided, penalties, payment terms and conditions.

As required by law, the individual and consolidated financial statements have been audited by an independent financial auditor, Ernst & Young Assurance Services S.R.L.

RRC submits to the Bucharest Stock Exchange no later than 120 days after the end of the reporting period, an annual report prepared per the relevant rules issued by the Financial Supervisory Authority, accompanied by all documents required by the FSA rules.
The RRC submits to the BSE no later than 45 days after the end of the reporting period a semi-annual report and a quarterly report for the first and third quarters, respectively, drawn up per the relevant rules issued by the FSA, accompanied by all documents stipulated by the capital market rules. At the same time, preliminary results reports are also distributed through the BSE channels, they can be found on the website https://rompetrol-rafinare.kmginternational.com/, in the Investor Relations/ Financial results and reports Section, Annual reports Subsections, respectively Quarterly interim reports/ Consolidated quarterly reports under IFRS (unaudited).

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5.6.2. CORPORATE SOCIAL RESPONSIBILITY (CSR) 2023 AND NON-FINANCIAL STATEMENT

Sustenability

Rompetrol Rafinare S.A., the most important asset of KMG International in Romania, with a significant economic impact and a major contribution to energy security, integrates the principles of social responsibility and sustainability into its business strategy development and daily activities. Our goal is to consistently contribute to the achievement of the UN Sustainable Development Goals set out in the 2030 Agenda.

For Rompetrol Rafinare, sustainability means delivering energy and chemicals with care for the environment, people, and communities, and investing in new technologies that help us achieve our mission and reinforce our commitment to sustainable practices.

The Company demonstrates its commitment to sustainability transparency by publishing comprehensive information about its environmental, social, and governance (ESG) performance in the Group Sustainability Report. To ensure the accuracy and quality of the ESG data provided, the company applies the Global Sustainability Reporting Initiative (GRI) sustainability standards to collect and calculate ESG metrics. In addition, other reporting systems are included in the report, such as the IPIECA Voluntary Guidelines for the Oil and Gas Industry, the EU Taxonomy, TCFD, and the Sustainability Accounting Standards Board (SASB). The Sustainability Report then looks at some of the most important sustainability topics, including greenhouse gas emissions, workplace health and safety, environmental and socioeconomic compliance, fair labor practices, customer health and safety, and community involvement.

Community involvement

Over the years, the Company has built strong local partnerships to strengthen social responsibility projects designed for the communities in which we operate. Through dialogue with various stakeholders, including NGOs, local authorities and communities, government or representatives of academia and civil society, we believe we can identify the right opportunities for sustainable development.

In Constanta County, the Group has made numerous investments: regarding the Constanta County Hospital, donating equipment for the Emergency Department (UPU); in Navodari we have provided gynecological, radiological, and microbiological equipment and we are in the process of installing a screening equipment for mammography. In Corbu we arranged a playground withs green area for children.

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Education is an important part of our corporate social responsibility strategy, which is why we maintain long-term partnerships with universities and technical colleges in the region.

2023 marked the 23rd anniversary of our traditional Ready for Your Career internship program, which has trained industry professionals. The trainees participating in the program completed theoretical modules designed to help them better understand the oil and gas industry, the basic principles of exploration and production and its economic consequences, after which, on the platform of Rompetrol Rafinare S.A. mentors conducted training on-site. The trainees assigned to Rompetrol Rafinare S.A. received two certificates at the end of the two-month program: one as a graduate of the Rompetrol Ready for Your Career program and one as a graduate of the Personal Development program run with partners from the Leaders Foundation.

Non-financial report

Per the legal provisions on non-financial information, Rompetrol Rafinare publishes a separate Sustainability Report which includes the information required by the non-financial report.

The Sustainability Reports published by Rompetrol Rafinare are prepared by KMG International Group and contain detailed information about both member companies and Rompetrol Rafinare, describing KMG International Group's commitment to sustainability. The Sustainability Report of KMG International Group for 2023 will be published by June 30, 2024, both on the website of the parent Company https://www.kmginternational.com/ and its website https://rompetrol-rafinare.kmginternational.com/, in a separate section on sustainability reports, located in the *Investor Relations* Section, *Financial Results and Sustainability Reports* Subsection.

5.6.3. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS IN RELATION TO THE FINANCIAL REPORTING PROCEDURES

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.

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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 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.

5.7. LEGAL ACTS REPORTED

Rompetrol Rafinare reported the legal acts concluded during 2023 by the Company in accordance with Article 108 of Law no. 24/2017 recast, through the Current Reports registered with the Company no. 3140/16 June 2023, no. 4663/11 September 2023, no. 4900/ 25 September 2023, no. 5565/31 October 2023, no. 6711/29 December 2023. The Company also reported two addenda to related party transactions in accordance with Article 108 of Law No. 24/2017, recast having a value greater than 5% of the Company's net assets as per Reports No. 3840/28 July 2023 and No. 574/30 January 2024. In the above reports, Rompetrol Rafinare also disclosed significant transactions entered into between related parties of RRC and subsidiaries of RRC, as well as significant transactions entered into between subsidiaries of the Company.
At the same time, through Current Report No. 1963/13.04.2023 Rompetrol Rafinare also reported the signing of documents in connection with the refinancing of the existing syndicated loan of USD 435 million through a new syndicated loan of up to USD 600 million.
All reports were submitted to the Market Operator (i.e. Bucharest Stock Exchange), posted on the FSA website (www.asfromania.ro) in the section: Supervision/ Capital Market/ Electronic Reporting, as well as on the Company's website https://rompetrol-rafinare.kmginternational.com/ in Investor Relations/ Financial Results and Reports Section, Current Reports Subsection.

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5.8. EVENTS SUBSEQUENT TO THE BALANCE SHEET

Changes in the Company's management - Directors

By the Current Report No. 1193 published on February 28, 2024, the Company informed about the Decision No. 2 of the Board of Directors of RRC of February 27, 2024 on the appointment of Mr. Alexandru Stavarache as Financial Manager, with a term of office starting on March 1, 2024 and ending on April 30, 2026 (the date of expiry of the terms of office of the members of the Board of Directors who made this appointment).

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

Description of the policies and goals of the company regarding the risk management

See information at Chapter "1.1.8. Risk management activity", chapter entitled "Policies and objectives of the company regarding the risk management".

Financial Communication Calendar proposed for year 2024

Financial agenda	Date
Presentation of preliminary, Standalone, and consolidated financial results for 2023 and QIV 2023	**29 February 2024** *Thursday*
Ordinary General Meeting of Shareholders for approving financial results for the year 2023	**April 26, 2024 (first call)/ April 29, 2024 (second call)** *Friday/Monday*
Release of the 2023 Annual Report	**29 April 2024** *Monday*
Presentation of the results recorded in the first quarter of 2024	**15 May 2024** *Wednesday*
Presentation of the results of the first semester and the second quarter of 2024	**14 August 2024** *Wednesday*
Presentation of results for the third quarter and January – September 2024	**15 November 2024** *Friday*
Phone conferences and/ or meetings with investors and financial analytics, as the case may be	**Upon request**

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Investor Relations Contact

Annual, half-yearly, and quarterly reports are made available to shareholders upon request. Requests can also be made electronically by e-mail to:

Investor.Relations.RRC@rompetrol.com.

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6. STATEMENTS AND SIGNATURES

Based on the best information available, we hereby confirm that the Individual Financial Statements, audited, prepared according to the Order of the Minister of Public Finance no. 2844/2016 for approving the accounting regulations conform to the International Financial Reporting Standards, and the Consolidated Financial Statements, audited, prepared in accordance with the applicable accounting standards (International Financial Reporting Standards ("IFRS") approved by the European Union), provide a true correct image regarding the Financial Position of the Company and its subsidiaries respectively included in the process of consolidating the financial statements ("RRC Group"), the Financial Performance and Cash Flows for the financial year 2023. This Report, prepared in accordance with the provisions of Article 65 of Law no. 24/2017 regarding the issuers of financial instruments and market operations, republished, and Annex no. 15 of Regulation no. 5/2018 issued by the Financial Supervisory Authority, for the financial year ended as at 31 December 202, contains accurate and factual information regarding the development and performance of the Company and the RRC Group, as well as a description of the main risks and uncertainties specific to the activity carried out.

BOARD OF DIRECTORS:

Chairman **Batyrzhan Tergeussizov**	**Member** **Tamila Mikulich**	**Member** **Zhamilya Meshitbay**
Member **Adrian Tohănean**	**Member** **Nicolae Bogdan Codruţ Stănescu**	
Member **Bogdan-Cătălin Steriopol**	**Member** **Constantin Saragea**	

EXECUTIVE MANAGEMENT:

General Manager **Florian-Daniel Pop**	**Financial Manager** **Alexandru Stavarache**

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7. ANNEXES

ANNEX 1 - Amendments to the Constitutive Act of the Company

The Constitutive Act of the company can be modified by the General Meeting of Shareholders, according to the provisions of Law no. 31/1990 on companies, in conjunction with the provisions of the Constitutive Act. The amendment of the Constitutive Act is the result of the vote in the Extraordinary General Meeting of the Company's Shareholders. The Constitutive Act can also be amended by the Company's Board of Directors, based on the delegation of powers by the shareholders' meeting, delegation given pursuant to art. 114 of Law no. 31/1990 on companies.

In 2023, there was only one amendment and update of the Company's Constitutive Act, as follows:

By Decision no. 4/2023 adopted by the Extraordinary General Meeting of Shareholders of April 27, 2023, the amendment of the Constitutive Act of RRC was approved.

Thus, point 15.1, letter g, of article 15 called "*Attributions*", from Chapter V called "*Company Administration (Unitary system variant)*" was changed. "*The Board of Directors*" from the Company's Constitutive Act for the purpose of clarifying the text noted in article 15.1. letter g and its according application.

The modified form of art. 15.1. of the Constitutive Act, is the following:

*"**15.1.** The Board of Directors has the following main attributions:*
... g) with the exception of legal acts for the adoption/conclusion of which, the approval of the General Shareholders' Meeting is necessary according to the mandatory provisions of the law, approves the adoption/conclusion on behalf of the company of legal acts whose object exceeds the value of:

*(i) **50.000.000** USD in case of legal documents having as their object the purchase of crude oil, respectively the sale of the following products: Gasoline, Diesel, Jet A1 and Liquefied Petroleum Gases;*

*(ii) **20.000.000** USD in case of legal documents having an object other than the purchase of crude oil, respectively the sale of the products mentioned in point (i) above, including the approval of participation in the establishment of companies or the increase of their social capital with a contribution that exceeds this value limit;",*

the rest of the provisions of the Constitutive Act remaining unchanged.

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Considering the above-mentioned, the Constitutive Act valid at the date of this report was updated on April 27, 2023, and can be found on the Company's website in the Investor Relations section, subsection Corporate Governance/Corporate Governance Documents.

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ANNEX 2 - Appointment/revocation documents among members of the administration, executive management, auditor.

During the reporting year, among the members of the administration and the executive management, the following acts of appointment/revocation took place.

1	OGMS Resolution no. 2/2023 OGMS as of 27.04.2023	- Revocation of Mr. Yedil Utekov as a member of the Board of Directors of Rompetrol Rafinare S.A. as a result of relinquishing the directors's mandate as of May 1, 2023 (the last day of the mandate being April 30, 2023) - Revocation of Mr. Askar Abilov as a member of the Board of Directors of Rompetrol Rafinare S.A. as a result of relinquishing the directors's mandate as of May 1, 2023 (the last day of the mandate being April 30, 2023) - Election of Mr. Batyrzhan Tergeussizov – non-executive director for a mandate starting on May 1, 2023, and expiring on April 30, 2026 (date of expiration of the mandate of the current members of the Board of Directors) - Election of Mr. Adrian Tohanean – non-executive director for a mandate starting on May 1, 2023, and expiring on April 30, 2026 (date of expiration of the mandate of the current members of the Board of Directors)
2	BoD Decision as of July 24, 2023	- Appointment of Mrs. Tamila Mikulich as provisional director, starting August 1, 2023, until the meeting of the Ordinary General Meeting of Shareholders - Appointment of Mr. Constantin Saragea as provisional director, starting August 1, 2023, until the meeting of the Ordinary General Meeting of Shareholders
3	BoD Decision no. 1 CA as of September 25, 2023	- termination of the mandate of Mr. Felix Crudu – Tesloveanu as executive director starting September 29, 2023 (the last day of the mandate) as a result of the request for the termination of the mandate and the capacity of director - appointment of Ms. Zhamilya Meshitbay as provisional director, starting September 30, 2023, until the meeting of the Ordinary General Meeting of Shareholders

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4	BoD Decision no. 2 as of September 25, 2023	- termination of Mr. Felix Crudu-Tesloveanu mandate as General Manager of Rompetrol Rafinare S.A. starting September 29, 2023 (last day of mandate) as a result of the conclusion of the Additional Termination Act as of September 6, 2023, to the mandate contract for the position of General Manager - appointment of Florian-Daniel Pop as General Manager for a term starting on September 30, 2023, and ending on September 30, 2024
5	BoD Decision no. 1 as of November 27, 2023	- termination of Mrs. Ramona-Georgiana Galateanu mandate as Financial Manager of Rompetrol Rafinare S.A. starting December 1, 2023 (last day of mandate being November 30, 2023) as a result of the conclusion of the Additional Termination Act as of November 1, 2023, to the mandate contract for the position of Financial Manager
6	BoD Decision no. 2 as of November 27, 2023	- appointment of Mr. Alexandru Stavarache as interim Financial Manager for a term starting on December 1, 2023, until February 29, 2024[41]

There were no appointment/revocation documents related to the Company's external financial auditor.

[41] *In the meeting of February 27, 2024, the Board of Directors appointed Mr. Alexandru Stavarache as Financial Manager for a term starting March 1, 2024, until April 30, 2026*

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ANNEX 3 - List of work points of Rompetrol Rafinare

At the end of the year 2022, the company holds two work points, namely:

i) Work point located in Năvodari, Bulevardul Năvodari, nr. 1 - 283, judeţul Constanţa;

and

ii) Work point located in Ploieşti, str. Văleni nr. 146, judeţul Prahova, which carries out its activities in the space which is owned by the Company, called "Rompetrol Rafinare - Work Point Vega Refinery".

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ANNEX 4 – List of ROMPETROL RAFINARE subsidiaries

At present, Rompetrol Rafinare S.A. holds the control position in the following companies:

directly:

- **Rompetrol Logistics S.R.L.** (with registered office in Ploieşti, str. Basarabilor, nr. 7, judeţul Prahova, registered with the Trade Register under number J29/2556/16.09.2008, having Tax Identification Number RO 14156698).

The main business object of Rompetrol Logistics S.R.L. is *Freight rail transport* - NACE code 4920.

➢ Participation - 66,1911%.

- **Rompetrol Petrochemicals S.R.L.** (with registered office in Năvodari, Bulevardul Năvodari, nr. 215, Pavilion Administrativ, cam. 21, registered with the Trade Register under number J13/2681/09.12.2002, having Tax Identification Number RO15077797).

The main business object of Rompetrol Petrochemicals S.R.L. is *Manufacture of plastics in primary forms* - NACE code 2016.

➢ Participation - 100%.

- **ROM OIL S.A.** (with registered office in Zărneşti, Str. Mare, nr. 1, Parter, judeţul Braşov, registered with the Trade Register under number J8/549/13.05.1998, having Tax Identification Number RO 10600770).

Starting with 2017, the main business object of ROM OIL S.A. is *Renting and operating of own or leased real estate* - NACE code 6820.

➢ Participation - 99,9998508%.

- **Rompetrol Quality Control S.R.L.** (with registered office in Navodari, Bulevardul Navodari nr. 215-Pavilion Administrativ, etaj 2 camera 220, judetul Constanta, registered with the Trade Register under number J13/6775/22.06.2004, having Tax Identification Number RO16542407).

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The main business object of Rompetrol Quality Control S.R.L. is *Technical testing and analysis* - NACE code 7120.

- Participation - 70,91%.

- **Rompetrol Downstream S.R.L.** (with registered office in Bucureşti, City Gate Northern Tower, Piaţa Presei Libere nr. 3-5, etaj 2, sector 1, registered with the Trade Register under number J40/1716/24.02.2000, having Tax Identification Number RO12751583).

The main business activity of Rompetrol Downstream S.R.L. is *Retail sale of automotive fuel in specialized stores* - NACE code 4730.

- Participation - 99,994688898%.

indirectly:

- **Global Security Sistem S.A.** (with registered office in Bucureşti, strada Constantin Căpitanu, nr. 10, sector 1, registered with the Trade Register under number J40/10517/25.11.1999, having Tax Identification Number RO12452549).

The main business activity of Global Security Sistem S.A. is *Private security activities* - NACE code 8010.

- **Rompetrol Gas S.R.L.** (with registered office in Bucureşti, strada Piaţa Presei Libere, City gate Northern Tower, etaj 5, camerele 4 - 5, sector 1, registered with the Trade Register under number J40/11389/12.07.2006, having Tax Identification Number RO18846690).

The main business activity of Rompetrol Gas S.R.L. is *wholesale of solid, liquid and gaseous fuels and related products* - NACE code 4671.

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ANNEX 5 – List of Company related parties[42]

Rompetrol Rafinare S.A. is part of the KMG International Group [43]. KMG International NV is 100% owned by "National Company "KazMunayGas" JSC.

The parent companies of Rompetrol Rafinare S.A. (i.e. the shareholders of the company JSC "National Company "KazMunayGas") are (i) JSC National Welfare Fund "Samruk-Kazyna" (67.42%), (ii) the National Bank of the Republic of Kazakhstan (9.58%), and (iii) Finance Ministry of the Republic of Kazakhstan (20%) - all these three companies being headquartered in Kazakhstan, being entirely held by the Kazakh State, and (iv) minority shareholders (3%).

The related parties are presented below:

1. **Companies with registered office in Romania**

- Oilfield Exploration Business Solutions S.A.
- Rompetrol Downstream S.R.L.
- Rompetrol Well Services S.A.
- Rompetrol Logistics S.R.L.
- Rominserv S.R.L.
- Rom Oil S.A.
- Global Security Sistem S.A.
- Midia Green Energy S.A.[44]
- Rompetrol Petrochemicals S.R.L.
- Rompetrol Quality Control S.R.L.
- Rompetrol Financial Group S.R.L.
- Rompetrol Gas S.R.L.
- Midia Marine Terminal S.R.L.
- KMG Rompetrol S.R.L.
- Byron Shipping S.R.L.
- Rompetrol Energy S.A.

[42] *At this point there have been listed all of the companies in the KMG International Group*
[43] *As Rompetrol Group until March 2014*
[44] *As Uzina Termoelectrică Midia S.A. until December 2022*

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- KMG ROMPETROL DEVELOPMENT S.R.L.
- Fondul de Investitii in Energie Kazah-Roman S.A.
- KMG Rompetrol Services Center S.R.L.[45]
- Rompetrol Renewable S.R.L.[46] – suspended activity

2. Companies with registered office abroad

- KMG International N.V.[47]
- Byron Shipping LTD
  Intreprinderea Mixtă "Rompetrol Moldova" S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- TRG PETROL TICARET ANONIM ŞIRKETI
- Rompetrol Bulgaria JSC
- KazMunayGaz Trading A.G.
- DPPLN SAS (Depot Petrolier de Port-la-Nouvelle SAS)
- Dyneff Retail SAS;
- DYNEFF ESPAGNE SL;
- DYNEFF GAS STATIONS NETWORK SL;
- DYNEFF Trading SL;
- EPPLN SAS;
- NATGAS France SAS;
- BIO ADVANCED ENERGY SAS;
- DP FOS SA;
- SPR SA;
- ANEO SAS;
- BOISSONNADE COMBUSTIBLES SAS;
- "Paul ORRIOLS" COMBUSTIBLES DE CERDAGNE SAS;
- ETS ROSSIGNOL SAS;
- PLANTIER SAS;
- ORCEYRE SAS;
- AUBAC SAS;
- TPDT SARL;

[45] *With the old designation of ROMPETROL EXPLORATION & PRODUCTION S.R.L.*
[46] *As Rompetrol Drilling S.R.L. until 31.01.2023*
[47] *Until March 2014, with the name The Rompetrol Group N.V*

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- ABC CARBURANTSALLO BEZIAT CARBURANTS SAS;
- GERAUD-TAMPIER SAS;
- DAVID RECOULES SAS;
- ALEGRI SAS.
- BENON JV
- NEEL FRAISSE SAS
- TRAVAUX FORESTIERS ZAPLOTNY SAS;
- BOIS ENERGIE DES TERRITOIRES D'AUVERGNE SAS;
- FRANCE HABITAT ENR SAS;
- GLOBAL'ETHIC DELTA

Note: there are also 7 branches and representative offices of the KMG International Group

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ANNEX 6 - Stage of implementation of the Corporate Governance Code of the Bucharest Stock Exchange as at 31 December 2023

Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a statement that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.	YES		
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
A.7. The company should appoint a Board Secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the Chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NO	The company will develop a policy/guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		N/A	The company is included in the Standard category.
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the Chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent nonexecutive member.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the internal control system.	YES		
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	YES		
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The requirement will be implemented
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	YES		
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		NO	The company will prepare a policy/guideline regarding provision B.10 of the Corporate Governance Code
B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.			In 2021, the Company established the Remuneration Policy in accordance with art. 92^1 of Law no. 24/2017. In OGMS of April 28, 2021, the Company submitted to the approval of the shareholders the Remuneration Policy of the Company's Directors. In March 2023, the Company revised the Remuneration Policy. In the OGMS of April 27, 2023, the Company submitted to the approval of the shareholders the revised Remuneration Policy that entered into force on the date of this OGMS. The Remuneration Policy revised on April 27, 2023 can be found on the Internet, on the Company's website https://rompetrol-rafinare.kmginternational.com/, Investor Relations section, Corporate Governance Documents subsection

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		
• **D.1.1.** Main corporate regulations: the articles of association, general shareholders' meeting procedures;	YES		
• **D.1.2.** Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and non-for-profit institutions;	YES	Partially compliant	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in boards of directors of other companies or non-profit institutions. It will be implemented.
• **D.1.3. .** Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code;	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
• **D.1.4.** Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;	YES		
• **D.1.5.** Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;	YES		
• **D.1.6.** The name and contact data of a person who should be able to provide knowledgeable information on request;	YES		
• **D.1.7.** Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.	YES		
D.2. The Company shall have an annual dividend distribution policy or related to other benefits to the shareholders, proposed by the CEO or the Management Board and adopted by the Board, as a set of guidelines the company intends to follow regarding the distribution of net profit. The principles of the annual distribution policy to shareholders should be published on the corporate website.		NO	To be implemented

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
D.3. The company will adopt a policy with respect to forecasts, whether they are distributed or not. Forecasts refer to the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature, such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semestrial or quarterly reports. The forecast policy should be published on the corporate website.		NO	The requirement will be implemented.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		The external auditors are invited to GMS when their reports are submitted within these meetings.

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
D.6. The Board will present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		
D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
D.8. The quarterly and semestrial financial reports should include information in both Romanian and English regarding the key drivers that influence the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		

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Provisions of the Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
D.9. A company will organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Partially compliant	The regular reporting of the company disclosing financial information is considered complete, highly transparent and relevant in terms of the information needed for investment decision-making. The organization of such events will be established as requested by investors.
D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

Legend:
GMS = General Meeting of Shareholders
BoD = Board of Directors
CV = Curriculum Vitae

Chairman of the Board of Directors
Batyrzhan Tergeussizov

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Building a better working world

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rompetrol Rafinare S.A.

Report on the Audit of the Separate Financial Statements

Opinion

We have audited the separate financial statements of Rompetrol Rafinare S.A. (the Company) with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 – Navodari, Romania, identified by sole fiscal registration number RO1860712, which comprise the statement of financial position as at December 31, 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the separate financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Separate Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the separate financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the separate financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying separate financial statements.

Description of each key audit matter and our procedures performed to address the matter

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Fair value measurement of property, plant and equipment and impairment assessment for non-current assets

Disclosures on property, plant and equipment and right of use assets, are included in Note 2 e) and 2 j), Note 5 and Note 6 respectively.</td></tr>
<tr><td>Property, plant and equipment of RON 2,776 million are significant to our audit because of the magnitude on the statement of financial position as at 31 December 2023.
The Company has a policy of measuring property, plant and equipment at revalued amount, less accumulated depreciation and impairment. Valuations are undertaken with sufficient regularity by external independent valuation specialists.
As of 31 December 2023, a valuation exercise was conducted by an independent appraiser for the Company's property, plant and equipment considering the volatility of crude oil prices and refinery margins that had an effect on the Company's performance.
For the year ended 31 December 2023 the corresponding net revaluation deficit recorded in Other Comprehensive Income for the Company is RON 519 million and revaluation loss recorded in profit and loss for the Company is RON 687 million.
The fair value of property, plant and equipment are determined by an external independent valuation specialist incorporating an economic obsolescence test. The fair value measurement is complex, requires significant management judgments and is based on unobservable market data and assumptions that are affected by expected future market conditions, including the acceleration of the pace of transition to a lower carbon economy and energy system.
Further, an impairment test exercise was performed for the Company's non-current assets, at the level of the two CGUs including property plant and equipment of RON 2,776 million and rights of use assets of RON 50 million. For both GCUs, the impairment test indicated that the recoverable amount was higher than the carrying value, and therefore no additional impairment adjustment was required.
In light of the judgements and estimates used by management in the determination of fair</td><td>We evaluated the management's assessment for determination of fair value that included an economic obsolescence test and impairment assessment for non-current assets as of 31 December 2023. Specifically, our audit work included, but was not limited to the following procedures:
• we obtained, read and understood the valuation report provided by the independent valuation specialists;
• we involved our internal valuation specialists to assist us in the assessment of the valuation exercise carried out for property, plant and equipment prepared by an external expert. The procedures performed focused on methodologies and valuation techniques applied, key inputs used, method to determine the range of the fair values and the reliability of revalued amounts given the specialized items valued;
• we compared the future short and long-term oil and gas prices and product margins used in the Group's budgets for consensus with analyst's forecasts reflected in the economic obsolescence test for consensus with analyst's forecasts and to actual performance in prior years;
• we assessed the considerations used by the Company for decarbonization and transition to lower carbon economy and economy system;
• we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by the Company for economic obsolescence test for property, plant and equipment and for the impairment assessment of non-current assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows (such as expected sale prices, production/sales volumes, operating profit, discount rate, growth rate, working capital changes, impact of additional taxes as per</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
values and future cash flow projections used for economic obsolescence test and impairment assessment, as well as uncertainties regarding current and future economic environment, the measurement of fair value for property, plant and equipment and impairment assessment of non-current assets is considered a key audit matter.	local legislation, etc.) by analyzing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Company; • we checked the mathematical accuracy of the valuation report together with the accounting entries performed to reflect the fair values of property, plant and equipment; • we evaluated the competence, capabilities and objectivity of management's external specialist involved for the impairment testing and fair value assessment. Furthermore, we assessed the adequacy of the Company's disclosures about significant estimates, critical judgements made by management and sensitivity analysis in the financial statements in respect of measurement of property, plant and equipment and impairment assessment.

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of investments in subsidiaries *Disclosures on fair value measurement for subsidiaries are included in Note 2 c), 2 i), 2 j) and Note 7*	
Investments in subsidiaries at Fair Value through profit or loss are measured at RON 3,532 million as at 31 December 2023. We considered the fair value measurement of investments in subsidiaries to be significant for our audit due to the magnitude of the amounts involved, the high level of subjectivity in respect of assumptions underlying the fair value assessment and the significant judgements and estimates that need to be made by management over the determination of the fair value of financial assets not quoted in an active market. The Company has investments in different subsidiaries, as indicated in Note 7, measured at fair value through profit or loss. Their measurement represents Level 3 fair value hierarchy, for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data. Applied internal valuation techniques can be subjective in nature, involving multiple assumptions and estimates.	We audited management's estimate of the fair value of financial assets not quoted in an active market, having a fair value of RON 3,532 million as of 31 December 2023. Specifically, our work included, but was not limited to the following procedures: • We analysed the key assumptions used in the valuation report prepared by an external expert, by analyzing their consistency with the industry-specific economic environment, relevant available market information and the business plans approved by management for each subsidiary; • We evaluated if the valuation exercise included all factors that influence the investments at the end of the reporting period and its compliance with International Financial Reporting Standards requirements; • We involved our valuation specialists to assist us in evaluating key assumptions and the methodologies applied in the valuation report by the external expert in the fair value exercise of the financial assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the fair value to changes

Key audit matter	How our audit addressed the key audit matter
For these reasons, we have considered this as a key audit matter	in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows for the respective subsidiary (such as expected sale prices, sales volumes, operating profit, growth rate working capital changes, etc.) by analysing their consistency with the business plans of the subsidiaries; • We checked the mathematical accuracy of management's exercise for determining the fair value; • We evaluated of the competence, capabilities and objectivity of management's external valuator. Furthermore, we assessed the adequacy of the Company's disclosures about fair value measurement of investment in subsidiaries.

Key audit matter	How our audit addressed the key audit matter
Environmental provision *Disclosures about environmental provision are included in Note 2 e) and 2 k), Note 17 and Note 29.*	
As at 31 December 2023, the Company has environmental provision of RON 449 million out of which RON 424 million is related to the provision for the rehabilitation of Vega lagoons as presented in Note 17 to the financial statements. The assessment for environmental provision related to Vega lagoons is significant to our audit due to the magnitude of the amounts involved and the subjective judgments of Company's management in making these estimates, which is impacted by extension of the timeline for the finalization of the rehabilitation works, current environmental and regulatory requirements, the nature of the activities and costs incorporated for the provision estimate. In light of the judgements and estimates used by management in the determination of environmental obligation and inherent complexity in estimating future environmental remediation costs, this is considered a key audit matter.	We evaluated the management's assessment for the environmental obligation. Specifically, our audit work included, but was not limited to the following procedures: • we assessed main assumptions considered for the computation of provision, such as quantities, prices per activity and updated timeline for the rehabilitation plan; • we checked the accuracy of historical remediation provisions by comparing to actual expenditure. We used this knowledge to challenge management's current cost estimations for the remediation works; • we inspected the third party expert report and external underlying documentation for management's determination of future required activities, their timing, and associated cost estimations and comparing them to the nature and quantum of costs contained in the provision balance as of 31 December 2023; • we checked the mathematical accuracy of the management's assessment for the environmental provision and its compliance with the requirements of the International Financial Reporting Standards;

Key audit matter	How our audit addressed the key audit matter
	• we involved our internal valuation specialists to assist us in evaluating the discount rate used for the computation of provision. Furthermore, we assessed the adequacy of the Company’s disclosures about environmental risks and obligations and related provision.

Key audit matter	How our audit addressed the key audit matter
Completeness and measurement of provisions for litigations *Disclosures about litigations are included in Note 27 and Note 28.*	
The Company is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax and other authorities which are disclosed in Note 27 and Note 28 to the financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated). Due to the significance and complexity of these litigations, adverse outcomes that could potentially significantly impact the Company's reported financial performance and financial position, we considered this as a key audit matter.	Our audit procedures included, among others, obtaining legal confirmations from the Company’s external lawyers advising on these matters and also supporting documentation from the Company’s internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors’ meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters. We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. We assessed the competence, objectivity and independence of external lawyers. Our internal specialists were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management. We further evaluated the adequacy of disclosures included in the financial statements regarding provisions recognized and contingencies resulting from legal proceedings.

Other information

The other information comprises the Individual Annual Report of the Board of Directors, Remuneration Report and the Sustainability report but does not include the financial statements and our auditors’ report thereon. We obtained the Individual Annual Report of the Board of Directors and Remuneration Report prior to the date of our auditor’s report, and we expect to obtain the Sustainability Report after the date of our auditor’s report. Management is responsible for the other information.

Our audit opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Separate Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Individual Annual Report of the Board of Directors and Remuneration Report, we have read these reports and report that:

a) in the Individual Annual Report of the Board of Directors we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying separate financial statements as at December 31, 2023;

b) the Individual Annual Report of the Board of Directors identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19;

c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the separate financial statements as at December 31, 2023, we have not identified information included in the Individual Annual Report of the Board of Directors that contains a material misstatement of fact.

d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor’s report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 28 April 2022 to audit the financial statements for the financial year end 31 December 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 16 years, covering the financial periods end from 31 December 2008 till 31 December 2023.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the separate financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the separate financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

Report on the compliance of the electronic format of the separate financial statements, included in the annual separate report with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the separate financial statements presented in XHTML format of Rompetrol Rafinare S.A. (the Company) for the year ended 31 December 2023, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation).
These procedures refer to testing the format and whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements and expressing an opinion on the compliance of the electronic format of the separate financial statements of the Company for the year ended 31 December 2023 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the separate financial statements, included in the annual report should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the separate financial statements in XHTML format and for ensuring consistency between the electronic format of the separate financial statements (XHTML) and the audited separate financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the separate financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation. Those charged with governance are responsible for overseeing the financial reporting process for the preparation of separate financial statements, including the application of the ESEF Regulation.

Auditor’s Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation. We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the separate financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.
Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which require that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the separate financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the separate financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the separate financial statements (XHTML) corresponds to the audited separate financial statements

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the separate financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the separate financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Firma de audit: **ERNST & YOUNG ASSURANCE SERVICES S.R.L.**
Registrul Public Electronic: **FA77**

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: **Ivanovici Alice Andreea**
Registrul Public Electronic: **AF3617**

Name of the Auditor/ Partner: Ivanovici Alice Andreea
Registered in the electronic Public Register under No. AF3617

Bucharest, Romania
26 March 2024

ROMPETROL RAFINARE SA

STANDALONE FINANCIAL STATEMENTS

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

31 DECEMBER 2023

CONTENTS: **PAGE**

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

Explanatory notes from 1 to 32 form an integral part of these financial statements.

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

1. GENERAL

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation and statement of compliance

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

b) The going concern

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c) Changes in accounting policies

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

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

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

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

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

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

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

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

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

2. SUMMARY OF MATERIALACCOUNTING POLICY INFORMATION (continued)

New and amended standards and interpretations

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

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

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

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

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors.
Management assessed that amendments have no material impact on the Company's accounting estimates and related disclosures included in the consolidated financial statements.

- **IFRS 17: Insurance Contracts**

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

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

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

The amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12 and specify how companies should account for deferred tax on transactions such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

e) Significant professional judgements, estimates and assumptions

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

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

- Fair value measurement of investments in subsidiaries

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The Company bases its fair value calculation on detailed budgets and forecasts, which are prepared separately for each subsidiary. Budgets and forecasts used generally cover the period of five years. Also, budgets and forecasts are based on management estimates of future commodity prices, market supply and demand and product margins. When determining fair value measurement the Company considers also potential climate-related matters including legislation.

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

- ***Provision for environmental liability***

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

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

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

- ***Deferred tax assets***

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

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

- ***Provision for litigations***

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

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

f) Financial instruments

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

a. Financial assets

Initial recognition and measurement

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through OCI

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

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

The Company elected to classify irrevocably its financial instruments used to hedge the risk of price related to CO2 allowances and base operating stock ("BOS") for crude oil, other feedstock, diesel, gasoline and jet under this category.

Derecognition

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

Impairment of financial assets

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

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

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

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

b. Financial liabilities

Initial recognition and measurement

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Subsequent measurement

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

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

Derecognition

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

c. Offsetting of financial instruments

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

d. Impairment of financial assets

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

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

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

g) Property plant and equipment

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

h) Intangible assets

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

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

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

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

i) Investments in subsidiaries

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

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

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

j) Impairment of non-financial assets,

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

k) Provisions

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

Provisions are not recognized for future operating losses.

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

Additional comments on the following specific liabilities are:

Environmental provisions

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

Liabilities for environmental remediation costs are recognized when there is a past event, such environmental damage, for which an outflow of resources is probable and an estimate can be made Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

l) Leases

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

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

<u>i. Right-of-use assets</u>

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.

<u>ii. Lease liabilities</u>

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

m) Inventories

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

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

n) Trade receivables

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

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

o) Cash and cash equivalents

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

p) Revenue from contracts with customers

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

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

(i) Variable consideration

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION(continued)

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

(ii) Volume rebates

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

(iii) Significant financing component

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

Contract balances

Contract assets

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

Trade receivables

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

Contract liabilities

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

q) Interest bearing loans and borrowings

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION(continued)

r) Borrowings costs

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

s) Retirement benefit costs

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

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

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

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

t) Taxes

\- ***Current income tax***

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

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

\- ***Deferred tax***

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

- ***Sales and acquisition tax***

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

u) Dividends

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

v) Foreign Currency Transactions

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

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

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

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

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

w) Derivative financial instruments

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

Hedge effective is assessed based on:

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

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

Fair value hedge

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash Flow Hedge

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

The Company buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.) and CO_2 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 CO_2 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 CO_2 emission rights.

Cash flow hedge is applied for the refinery margin Swap instruments and CO_2 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

CO_2 (allowances) emission rights quota are allocated to the Company's refining and petrochemicals operations. For the period 2021 - 2025 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Company accounts for the liability resulting from generating of these emissions using the net liability approach. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective companies and purchase rights are also initially recognized at cost, but the Company remeasures (to fair value) the emission rights that it holds and can use to settle the liability up the amount of emission made in the period; the liability component is measures at the best estimate of the cost to settle the liability taking into account the cost of any allowances currently held (and remeasured to fair value). Remeasurement to fair value is made using the latest available price for CO_2 allowance at the end of the reporting period.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

y) Fair value measurement

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

- In the principal market for the asset or liability;

Or

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

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

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

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

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

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

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

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

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

z) Current versus non-current classification

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

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

Or

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

All other assets are classified as non-current.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

A liability is current when:

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

Or

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

The Company classifies all other liabilities as non-current.

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

aa) Contingencies

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

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

3. INTANGIBLE ASSETS

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

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

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

4. GOODWILL

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

5. PROPERTY, PLANT AND EQUIPMENT

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- Construction in progress

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

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

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

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

- Disposal

No asset disposals were recorded in 2023 and 2022.

- *Capitalization of borrowing costs*

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

- Specific impairment

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

As at 31 December 2023, a new revaluation process was conducted, the properties fair values for property, plant and equipment are based on valuations performed by PricewaterhouseCoopers Management Consultants S.R.L., an accredited independent appraiser with experience on similar valuation exercises. Fair value of the properties was determined using net replacement cost approach for majority of assets, but also the market approach was applied for several assets like land and residential buildings. The valuation of equipment was performed by the appraiser based on net replacement cost method and subsequently the items were tested foreconomic obsolescence. A revaluation deficit forproperty was recognized in OCI (RON 519.5 million) and a net revaluation loss of RON 685.5 million was recognized in profit or loss (RON 686.5 millionas of 31 December 2023.

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

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

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

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Refining

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

Petrochemicals

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

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

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

Volumes

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

Contribution margin

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

Perpetuity Growth rate

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

Cost of capital

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

New taxes

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

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

Other key considerations

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

Sensitivity analysis

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Reconciliation of carrying amount

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

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

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

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

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

In 2010, for Rompetrol Rafinare SA it was established by ANAF an asset freeze on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favor of the Romanian state (represented by ANAF) – see details under Note 27 Distress assets – Hybrid Conversion. On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

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

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

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

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

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

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

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

5.1 IMPAIRMENT TEST

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

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

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

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

6. RIGHTS OF USE ASSETS

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

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

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

Land, buildings and special construction category includes mainly:

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

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

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

7. INVESTMENT IN SUBSIDIARIES

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

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

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

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

**Note: all subsidiaries are Romanian companies*

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

7. INVESTMENT IN SUBSIDIARIES (continued)

Description of significant unobservable inputs to valuation:

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

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

7. INVESTMENT IN SUBSIDIARIES (continued)

The main steps in this approach are:

- Estimating the market value / fair value of the assets and liabilities related to the analyzed company, using appropriate valuation approaches and methods;

- Summarizing the values of component assets and deducting debts to obtain the value of the company's equity.

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

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

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

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

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

8. INVENTORIES, NET

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

8. INVENTORIES, NET (continued)

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

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

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

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

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

9. RECEIVABLES AND PREPAYMENTS, NET

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

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

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

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

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

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

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

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

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

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

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

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

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

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

9. RECEIVABLES AND PREPAYMENTS, NET (continued)

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

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

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

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

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

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

10. CASH AND CASH EQUIVALENTS

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

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

11. EQUITY

11.1 SHARE CAPITAL

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

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

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

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

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

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

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

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

11. EQUITY (continued)

11.2 SHARE PREMIUM

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

11.3 REVALUATION RESERVES

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

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

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

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

11.4 OTHER RESERVES

Hybrid Loan

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

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

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

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

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

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

11. EQUITY (continued)

The addendums have retroactive effects.

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

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

12. TRADE AND OTHER PAYABLES

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

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

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

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

13. CONTRACT LIABILITIES

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

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

14. SHORT-TERM BORROWINGS

Short-term loan from banks

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

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

15. LONG-TERM BORROWINGS

Long-term loan from banks

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

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

15. LONG-TERM BORROWINGS (continued)

The movement of loans in 2023 is presented below:

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

The movement of loans in 2022 is presented below:

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

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

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

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

16. OBLIGATION UNDER LEASE AGREEMENTS

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

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

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

17. PROVISIONS

The movement of the provisions is presented below:

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

Environmental provision

Vega lagoons

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

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

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

Vadu cassettes

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

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

17. PROVISIONS (continued)

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

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

Retirement benefit provision

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

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

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

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

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

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

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

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

17. PROVISIONS (continued)

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

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

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

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

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

Fiscal provision

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

18. NET REVENUES FROM CONTRACT WITH CUSTOMERS

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

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

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

19. COST OF SALES

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

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

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

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

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

19. COST OF SALES (continued)

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

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

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

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

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

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

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

21. OTHER OPERATING (INCOME) / EXPENSES, NET

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

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

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

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

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

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

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

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

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

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

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

23. INCOME TAX

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

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

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

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

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

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

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

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

23. INCOME TAX (continued)

Reconciliation of comprehensive income with tax result

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

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

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

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

In 2023 the following income was considered non-taxable when calculating tax loss:

- Tax provisions (income from reversal of provisions for which no deduction was allowed) in amount of RON 220.7 million;
- Non-taxable income from revaluations (RON 369.5 million).
- Revenues from deferred tax (RON 130.1 million)

The following were considered non-deductible expenses when determining tax loss:

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

b. The deferred tax assets and liabilities

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

23. INCOME TAX (continued)

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

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

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

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

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

24. OPERATING SEGMENT INFORMATION

A. Operating segments

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

2023 Income statement

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

24. OPERATING SEGMENT INFORMATION (continued)

2022 Income statement

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

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

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

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

B. Geographical segments

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

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

25. RELATED PARTIES

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

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

25. RELATED PARTIES (continued)

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

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

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

25. RELATED PARTIES (continued)

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

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

25. RELATED PARTIES (continued)

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

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

25. RELATED PARTIES (continued)

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

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

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

26. EARNINGS PER SHARE

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

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

27. CONTINGENT LIABILITIES

Rompetrol Rafinare SA - Distressed Assets - Hybrid Conversion

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

In accordance with the above mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 100m, redeemed 2,160,000 Bonds for EUR 54m in August 2010 and converted into shares the remaining bods in September 2010. Therefore from October 1, 2010 the State became therefore shareholder of the Company with 44.69%.

The Ministry of Public Finance publicly took an adverse position against such course of action and challenged it in various course procedures and on 10 September 2010 the National Agency of Fiscal Administration ("**ANAF**") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. and its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories.

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

The Memorandum of Understanding includes also the following aspects:

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

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

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

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

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

27. CONTINGENT LIABILITIES (continued)

Risk management and internal control

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

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

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

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

28. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

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

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

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

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

II. Civil files

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

Litigation on Tax Assessments received by Rompetrol Rafinare SA in 2017

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

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

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

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

The Company submitted an appeal in front of the High Court of Justice. The first term was set in the appeal for May 25, 2023 when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal having the first hearing on December 7, 2023 and on February 22, 2024, the Court admitted partially the challenge of Rompetrol The court canceled mainly the fiscal authority decision regarding the amount of RON 6.47 million (referring to withholding tax for non-residents and related penalties) and sets that the amount of RON 80.5 million should be included in the fiscal loss.

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

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

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

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

28. LEGAL MATTERS (continued)

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

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

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

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

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

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

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

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

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

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

28. LEGAL MATTERS (continued)

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

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

Windfall tax litigation

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

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

29. COMMITMENTS

Environmental risks and obligation

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

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

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

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

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

Climate change and energy transition

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

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

29. COMMITMENTS (continued)

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

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

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

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

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

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

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

29. COMMITMENTS (continued)

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

War and conflict riks

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

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

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

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

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

Cyber risk

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

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

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

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

29. COMMITMENTS (continued)

Work safety and safe operations

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

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

Other commitments

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

Sale and purchase commitments

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS

A. CAPITAL RISK

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

B. GEARING RATIO

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

C. FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

Fair value hierarchy

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

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

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

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

D. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

Balance sheet

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

Income Statement

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

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

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

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

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

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

In respect of 2023 compliance, a total of 251k EUA were brought spot from the market, during March – May following the assessment made on CO2 emissions estimates for 2023. In June 2023 following MHC unit incident the entire production flow was changed for the rest of the period in which MHC unit remained shut down for repairs, thus leading to lower CO2 emissions for 2023 against initial estimates. For details regarding the EUA certificates surplus as of December 31, 2023 see Note 3.

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

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

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

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

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

E. MARKET RISK

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

F. FOREIGN CURRENCY RISK MANAGEMENT

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

G. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

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

H. INTEREST RATE RISK MANAGEMENT

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

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

I. Liquidity risk

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

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

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

30. FINANCIAL AND RISK MANAGEMENT INSTRUMENTS (continued)

J. OIL PRODUCTS and RAW MATERIAL PRICE RISK

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

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

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

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

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

K. CREDIT RISK

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

Trade receivables

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

Financial instruments and bank deposits

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

31 AUDIT EXPENSES

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

32.SUBSEQUENT EVENTS

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

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

BATYRZHAN TERGEUSSIZOV
Chairman of the Board of Directors

ALEXANDRU STAVARACHE
Financial Manager

FLORIAN-DANIEL POP
General Manager

Prepared by, Alexandru Cornel Anton
Chief Accountant

ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2023

The figures for 2023 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS"). Consolidated financial statements of Rompetrol Rafinare Group (the Group) include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare S.A., Member Company of the KMG International Group, operates Petromidia Refinery located in Navodari, Constanta County. Starting with December 1, 2007, the company also operates Vega Refinery, located in Ploiesti, Prahova County. Starting with January 1, 2014, Rompetrol Rafinare S.A. took over the operational facilities (polymer production and utilities) of Rompetrol Petrochemicals S.R.L.

Petromidia refinery processes a variety of crude oils with different content of sulphur. The crude oil feeding is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea. Vega refinery is a niche refinery specialized in the production of solvents, hexane and bitumen (being the only Romanian producer). Throughout its petrochemicals division the company is the sole polypropylene and polyethylene producer in Romania.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbour, by building two new loading and offloading berths, Berth 9B and Berth 9C. In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tons/year and efficient production and focus on the petroleum products required by the market.

Petromidia Refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs successfully continued until present days.

The company employs best practices for attracting, retaining and motivating its employees, who are the principal contributors to the development of the Group. The company is fully committed to its responsibilities for their development and for the communities in which it operates.

In 2019, the Petromidia Refinery celebrated 40 years of activity, the period in which it grew up becoming the largest profile unit in Romania and one of the most modern in the Black Sea region. In 2020 Vega Refinery celebrated 115 years of activity, being an important landmark in the Romanian energy sector.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of 2023 was 1,930.

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COMPANY SHARES AND LISTING

Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 31.12.2023, the total number of shares issued by the Issuer is 26,559,205,726, representing a total share capital of 2,655,920,572.60 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti, as an independent register, authorized by the Financial Supervisory Authority.

The activity carried out by RRC in 2023, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2023, there were a total number of 1,743 transactions with RRC shares, with an average daily number of 7 transactions;
- the total volume of the RRC shares traded in 2023 was of 13,827,615 shares (approximately 22% more than in 2022, when the total volume of 11,329,859 shares was registered);
- the total value of transactions in 2023 with RRC amounted to RON 1,137,610 (approximately 31% more than in 2022, when the total value of transactions was RON 870,670);
- the price of 1 share during 2023 was between a maximum value of 0.089 RON (reached on 3rd of March 2023) and a minimum value of 0.076 RON (reached on 3rd of February 2023);
- the RRC transactions in 2023 were concluded only on the REGS market;

The market capitalization[1] on the last trading day in 2021, 2022 and 2023 is shown in the table below:

The Rompetrol Rafinare shares	2021	2022	2023
Number of shares	26,559,205,726[2]	26,559,205,726[3]	26,559,205,726[4]
Stock exchange capitalization, Lei mil.[5]	2,177.85	2,124.74	2,230.97
Stock exchange capitalization, Euro mil.[6]	440.06	429.60	448.47
Price at the end of the year, lei	0.082	0.080	0.084

[1] *Capitalization represents the total market value of the Company (number of shares * market price of the share)*

[2] *On December 8, 2021, the Central Depository registered the reduction of the share capital from 44,109,205,726 shares to 26,559,205,726 shares. We mention that the reduction of the share capital was carried out in the share of all shareholders registered with the Rompetrol Rafinare Register on December 7, 2021, in proportion to the participation share in the share capital on this date*

[3] *On December 30, 2022 (the last trading day of 2022), the total number of shares issued by Rompetrol Rafinare was identical to the one recorded on December 30, 2021 (the last trading day of 2021)*

[4] *On December 29, 2023 (the last trading day of 2023), the total number of shares issued by Rompetrol Rafinare was identical to the one recorded on December 30, 2022 (the last trading day of 2022)*

[5] *Calculated based on the share price on the last trading day of the year under consideration, respectively December 29, 2023, December 30, 2022, December 30, 2021*

[6] *Calculated at the EURO exchange rate (4.9746 lei) applicable in the last trading session of the analyzed year, namely December 29, 2023*

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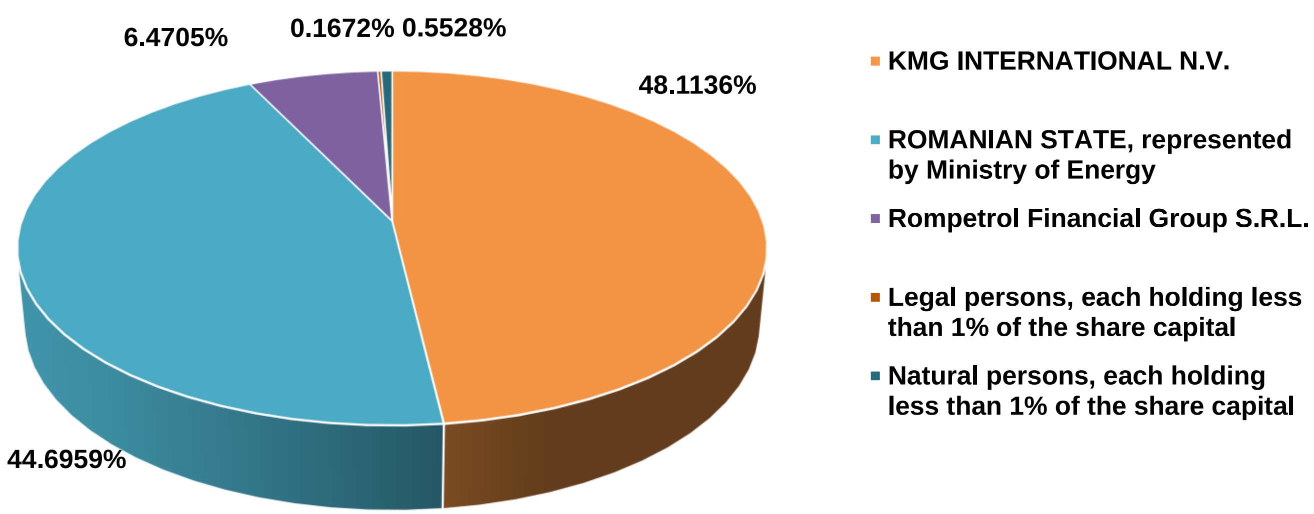
WEIGHTED AVERAGE PRICE

The weighted average price (WAP)[7] of the RRC shares during 2023 = RON 0.0823 per share taking into account the transactions carried out on the Bucharest Stock Exchange on the main market of the regulated market (REGS).

ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

The structure of the Company's significant shareholders is presented in the following graph:

The structure consolidated by the Depozitarul Central S.A. on 31.12.2023



Note:
At 31 December 2023, the shareholders of KMG International Group own a number of 14,510,324,147 shares, representing 54.6339% of the share capital.

COMPANY'S OWN SHARES

At 31.12.2023, ROMPETROL RAFINARE S.A. held a number of own shares of 3,698,582 having a nominal value of RON 0.10 per share and a total value of RON 369,858.20, which represents 0.01393% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2023.

In 2023, Rompetrol Rafinare did not redeem or cancel its own shares.

[7] *Calculated as the ratio between Total Trading Value and Total Trading Volume.*

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THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, OWNED BY SUBSIDIARIES

In 2023, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2024

Financial Calendar	Date
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2023 and fourth Quarter of 2023	**Thursday, February 29th, 2024**
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2023	**Friday, April 26th, 2024 (first meeting) Monday, April 29th, 2024 (second meeting)**
Publication of the 2023 Annual Report	**Monday, April 29th, 2024**
Presentation of the results recorded during the first quarter of 2024	**Wednesday, May 15th, 2024**
Presentation of the results recorded during the first semester and second quarter of 2024	**Wednesday, August 14th, 2024**
Presentation of the results recorded during the third quarter of 2024 and between January – September 2024	**Friday, November 15th, 2024**
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	On request

CORPORATE GOVERNANCE

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2023 it is drawn up on the basis of the Corporate Governance Code ("CGC" or "the Code"), of Law no. 24/2017 regarding the issuers of financial instruments and market operations, of the regulations and instructions issued by the Financial Supervisory Authority - "Autoritatea de Supraveghere Financiara ASF" and of the stock exchange regulations.

The statement "Apply or Explain" presents the stage of compliance of the Company with the new provisions of the CGC BVB. Rompetrol Rafinare will continue to evaluate the provisions of the Code and any subsequent progress that the Company will make in complying with it will be reported on the market. The “negative” aspects (from compliance to non-compliance) will also be reported.

In 2023, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

SUSTAINABILITY REPORT

The report of the Board of Directors does not include the sustainability report, which will be submitted at a later date than the date of approval of the Financial Statements by the Board of Directors.

PRESENTATION OF THE COMPANY'S ADMINISTRATORS

The Board of Directors is responsible for fulfilling all the measures necessary for the development of the Company's activity, as well as for supervising the activity. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation of the Company, available on our website (https://rompetrol-rafinare.kmginternational.com/, Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

As of December 31, 2023, the structure of the Board of Directors was as follows:

- **Batyrzhan Tergeussizov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors;
- **Adrian Tohănean**, Romanian citizen, member of the Board of Directors;
- **Nicolae Bogdan Codruț Stănescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Cătălin Steriopol**, Romanian citizen, member of the Board of Directors;
- **Tamila Mikulich,** citizen of the state of Ukraine, member of the Board of Directors;
- **Constantin Saragea,** Romanian citizen, member of the Board of Directors;
- **Zhamilya Meshitbay**, citizen of the state of Kazakhstan, member of the Board of Directors.

Advisory committees

In its activity, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being responsible for conducting analyses and developing recommendations for the Board of Directors, in specific areas, having the obligation to submit periodically activity reports to the members of the Board of Directors.

Audit Advisory Committee
The Committee was set up on the basis of Decision no. 1 of the Board of Directors of April 13, 2018.

Strategy Advisory Committee
The Committee was set up on the basis of Decision no. 4 of the Board of Directors of March 20, 2019.

The detailed presentation of the attributions and responsibilities of the Advisory Committees can be found in the Organization and functioning Regulations approved by the Board of Directors, regulations published on the Company's website https://rompetrol-rafinare.kmginternational.com/, section Investor Relations - Corporate Governance - Corporate Governance Documents.

INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS

The corporate bodies of RRC, company managed in unitary system, are structured as follows: The General Meeting of Shareholders, which is the highest decision-making body of the Company and the Board of Directors.

The General Meeting of the Shareholders ("GMS")

The General Meeting of Shareholders is the main corporate governing body of the Company, having decision making tasks on detailed activities within the Article of Incorporation of the Company.

In terms of structure, depending on the points on the agenda that the shareholders are required to approve, the General Meeting of the Shareholders can be ordinary or extraordinary.

The Ordinary General Meeting of the Shareholders ("OGMS")

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According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the term required mandatory by the law, and includes the following main tasks:

a) to discuss, to approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
b) to appoint and to revoke Company directors;
c) to appoint and to establish the minimum duration for the financial audit contract, and also to revoke the financial auditor;
d) to establish for each current financial year the remuneration owed to the directors;
e) to pass opinion on the directors' manner of administration;
f) to establish the income and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
g) to decide the pledge, the lease or the cancellation of one or more units of the Company;
h) to approve the maximum limits of the remuneration of the people handling/having managing positions according to the legal provisions in force.
i) to approve the Remuneration Policy for administrators and executive directors.

The Extraordinary General Meeting of the Shareholders ("EGMS")

The Extraordinary General Meeting has the following tasks:

a) to change the Company's legal form;
b) to move the headquarters of the company;
c) to change the company's object of activity;
d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
e) to extend the company duration;
f) to increase the share capital;
g) to reduce the share capital or to replenish it by the issue of new shares;
h) merger with other companies or the division of the company;
i) the company's anticipated dissolution;
j) conversion of shares from one category to another;
k) conversion of one category of bonds into another one or into shares;
l) issue of bonds;
m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required;

The Extraordinary General Meeting delegates the Board of Directors to exercise the tasks mentioned at letters b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to directors the increase of the share capital, according to the provisions of art. 86 of Law 24/2017 on the issuers of financial instruments and market operations.

Summoning, operation, voting process as well as other provisions regarding the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A. as well as in the "Regulations on the conduct of the General Meeting and the observance of the rights of the shareholders of Rompetrol Rafinare S.A." published on the Company's website, in the section Investor Relations - Corporate Governance - Corporate Governance Documents.

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SHARES AND THE SHAREHOLDERS RIGHTS

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on companies, Law no. 24/2017 on the issuers of financial instruments and market operations, F.S.A. Regulation no. 5/2018, other regulations and guidelines, issued by F.S.A., of the Stock Exchange Code and other legal regulations currently in force.

All holders of RRC shares are treated fairly. All issued shares confer equal rights to the holders.

Each share subscribed and paid-up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has as an effect the acquisition of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.
The shareholder who in certain operation has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.

The shares issued as dematerialized shares are traded on a regulated market in compliance with the legislation of the capital market. The rights and obligations related to the shares follow the shares in case there are transferred under the ownership of other persons. The shareholders have the right to be completely informed during the General Meeting of the Shareholders on the Company's situation. In case that new shares are issued, the shareholders existing have the pre-emption right for subscription, under the conditions of the law, in relation with the percent of shares held within the Company.

All holders of financial instruments issued by Rompetrol Rafinare of the same type and class of titles benefit of equal treatment, and the Company makes permanent efforts to ensure transparent communication for the exercise of rights in an equitable manner.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, the responses to shareholders' questions, Current Reports, Annual, semester and quarterly reports, financial statements, exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, that contributing to transparency and equitable information for all persons interested.

The main shareholders' rights regarding GMS are:

- *The right to notice regarding a new GMS*

The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Romanian Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor relation section and it is transmitted to the Financial Supervisory Authority and the Bucharest Stock Exchange.

- *The right of access to information*

Rompetrol Rafinare publishes the documents and informative materials on its website.

- *The right to supplement the agenda of the meeting*

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One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolutions for the items included or proposed to be included in the agenda of the general meetings.

- *The right to participate at the GMS*

The shareholders registered in the list of shareholders on the reference date received from the Central Depositary shall be entitled to attend in person or by representative the GMS.

- *Voting right*

Each share registered on the shareholder's name on the reference date confers a voting right in GMS.

The shareholders of Rompetrol Rafinare can exercise their vote right as follows:

1. Direct vote – in person, during the General Meeting of the Shareholders;
2. Vote by representative with a special or general proxy;
3. Vote by correspondence.

- *The right to ask questions*

Each shareholder, regardless of the participation to the share capital, has the right to ask questions referring to the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions must be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline until which shareholders may exercise the above-mentioned rights.

Shareholders have the right to participate effectively and vote in the GMS and to be informed of the rules, including voting procedures that govern the GMS. Each share confers a voting right, a dividend. There are no preferential shares without the right to vote or shares that confer the right to more than one vote.

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.

INVESTOR RELATIONS CONTACT

The annual, semi-annual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at:

Investor.Relations.RRC@rompetrol.com.

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STRATEGY

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

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

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

As regard to Cogeneration plant, the project, worth over 164 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment.
Construction is expected to be completed in Q2 2024.

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

CORPORATE SOCIAL RESPONSIBILITY

The KMG International Group considers social responsibility and sustainability to be fundamental principles in formulating its business strategy and conducting operations. The Group is dedicated to integrating environmental sustainability, economic development, and social equity into its global and local activities, with a steadfast commitment to advancing the United Nations Sustainable Development Goals outlined in the 2030 Agenda.

SUSTAINABILITY

The KMG International Group is fully committed to collaborate with all stakeholders and play a part in combatting climate change. The Group is constantly working to transform the governance and practices to reduce operational environmental footprint and improve resource efficiency, contribute to sustainable economic growth and develop sustainable solutions supporting the energy transition.

The KMG International Group has embarked on a comprehensive process in defining the decarbonization strategy and setting realistic goals for future operations, strategy which was approved at the beginning of 2023. The Group classified the future projects into medium- and long-term initiatives, the main immediate priorities are addressing the production of biofuels and the extension of the electrical energy value chain. The projects include the expansion of the Group's retail network, charging electric vehicles in own network, renewable energy production, biodiesel and bioethanol production. 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.

On disclosing the ESG (environment, social, governance) performance - the Group uses the Global Reporting Initiative Sustainability Reporting Guidelines, the most popular sustainability guidelines and reporting principles, as a guide for determining the relevant content for the annual sustainability report, a mean to solidify the Group commitment to transparency and continuous improvement. Additionally, other reporting frameworks such as the IPIECA voluntary guidance for the oil and gas industry, the EU Taxonomy, Sustainability Accounting Standards Board (SASB) are included. Greenhouse gas emissions, occupational health and safety, environmental and socioeconomic compliance, fair labor practices, customer health and safety or community engagement continue to be some of the main topics addressed by the Group.

In 2023, KMG International continued to be a member of the United Nations Global Compact, an initiative aimed at promoting the adoption and implementation of sustainability policies by businesses globally, enabling companies to adopt an established and globally recognized policy framework for development.

Abiding to a "0 Deforestation" commitment, the Group made significant investments by planting over 17,000 trees in regions that impact local communities. Additionally, the company developed a comprehensive plan to plant trees in the Rompetrol stations, with the objective to cover the entire retail network by 2030.

COMMUNITY AND CORPORATE PARTNERSHIPS

The KMG International Group is part of a large community and trusts the mission to provide support through financial investments and know-how so the stakeholders from the areas in which operates can benefit from a continuous, long-term and sustainable development.

The KMG International Group works in close partnership with NGOs, local authorities and other actors to identify the needs that can be covered by KMG International, focusing on four key areas:

- Health - the health and safety of the members of the community is equally important as the health and safety of the Group's employees. The Group extended the care towards stakeholders and invests in hospitals, support for medical personnel and NGOs providing specialized assistance to patients (both medical and palliative care at home or at the hospitals). The Group provides equipment, medical devices, uniforms, fuel, protective garments - all that is necessary to support the medical act.
- Environment – The Group monitors the impact of the operations and invests in modern and environmental-friendly technologies. Our planet is our legacy for the future generations and The Group supports forestation and other environmental projects in communities in which operates.
- Education - the partnerships with universities in Constanta and Prahova provide future generations of highly performing employees, and the Group constantly invests in internship programs; also a partnerships was

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developed with organizations such as "Teach for Romania", "Association for Values in Education", which aim at the professional development of professors and school directors.

- Culture – The Group is supporting the landmark George Enescu International Festival and Contest for 14 years and also invests in cultural events which promote the culture of Kazakhstan in Romania and Kazakh Film Festival

In 2023 the KMG International Group implemented more than **70** community initiatives, most of them in Prahova and Constanța counties and some at national level.

OUTLOOK FOR 2024

Group operations: The Rompetrol Rafinare Group will continue to further improve its operational performance and carry on the operational initiatives which were identified and put in motion since several years ago, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, Retail gas stations network development, increase of non-fuel profitability, as follows:

- Petromidia 2024 Feedstock Target performance set at 4.956 million tons, corresponding to 15.9 ktons/day of operation, with -0.1 million tons below achieved level of 5.01 million tons in 2023 mainly due to mandatory 4 years shutdown activities (358 days of operation in 2023 vs 311 scheduled in 2024); relative low decrease in feedstock processes in comparison with the decrease in number of days due to shutdown of the Mild-Hydrocracker installation as a result of the incident occurred on 21st of June 2023.
- White products 2024 yield target of 85.85%.
- Retail entities sales volumes performance 2024 targeted at 3.44 million tons, +360 ktons above 2023 reached performance level, of which Downstream Romania sales target set at 2.18 million tons, +12% growth target versus 2023.
- Downstream Romania Non-Fuel Margin performance 2024 targeted at USD 51.1 million, +12% versus 2023.

Based on the Rompetrol Rafinare Group's budget for 2024, it's Medium-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.

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FINANCIAL HIGHLIGHTS – CONSOLIDATED

	2023	2022	%	2023	2022	%
Financial	**USD**	**USD**		**RON**	**RON**	
Gross Revenues	5,330,226,989	6,572,037,534	-19%	23,963,634,497	29,546,566,341	-19%
Net Revenues	4,210,768,482	5,361,328,254	-21%	18,930,772,941	24,103,459,564	-21%
EBITDA	201,188,019	464,457,570	-57%	904,501,096	2,088,108,343	-57%
EBITDA margin	4.8%	8.7%		4.8%	8.7%	
EBIT	(153,900,483)	264,315,488	N/A	(691,905,790)	1,188,309,573	N/A
Net profit / (loss)	(240,513,120)	90,343,782	N/A	(1,081,298,885)	406,167,576	N/A
Net profit / (loss) margin	-5.7%	1.7%		-5.7%	1.7%	

Rompetrol Rafinare S.A. consolidated gross revenues reached over USD 5.3 billion in 2023, lower by 19% as against last year, having as background the volatility of international quotations for crude oil and refined products. The international quotations for petroleum products continued their downward trend, reaching in 2023 a decrease of 14% for gasoline quotations and 21% for diesel quotations compared to last year.

In line with the Rompetrol Rafinare Group's (Group) commitment to providing accurate and transparent financial information, the accounting policy adopted in 2021, transitioning from the cost model to fair value for the recognition of tangible assets and investments in subsidiaries, continues to be upheld. As part of this policy, the Group conducted a revaluation process during the fiscal year ending December 31, 2023, in accordance with regulatory requirements and internal guidelines. The periodic reassessment of asset values ensures that our financial statements reflect current market conditions and provide stakeholders with reliable insights into the Group's asset base. This approach not only enhances the credibility and transparency of the Group's financial reporting but also reflects the Group's ongoing commitment to providing stakeholders with accurate and relevant information about the Group's financial position.

Additionally, it is important to mention that this process involved recognizing losses on property, plant, and equipment, which negatively affected the profit and loss account by a total of 226.8 million USD.

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ECONOMIC ENVIRONMENT

		2023	2022	%
Brent Dated	USD/bbl	82.6	101.3	-18%
CPC Blend CIF	USD/bbl	79.7	94.2	-15%
Brent-CPC Differential	USD/bbl	2.9	7.2	-59%
Premium Unleaded 10 ppm FOB Med	USD/ton	843	985	-14%
Diesel ULSD 10 ppm FOB Med	USD/ton	815	1,037	-21%
RON/USD Average exchange rate		4.58	4.69	-2%
RON/USD Closing exchange rate		4.50	4.63	-3%
RON/EURO Average exchange rate		4.95	4.93	0%
RON/EURO Closing exchange rate		4.97	4.95	1%
USD/EURO Closing rate		1.11	1.07	4%
Inflation in Romania*		6.61%	16.37%	-60%

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

In 2023, **Dated Brent** decreased by -18.6$/bbl. (-18%) compared to 2022 reaching an average of 82.6$/bbl.

During the same period, the **CPC** quotation also registered a decline, dropping by -14.5$/bbl. (-15%), averaging at 79.7$/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 the Russian Federation, 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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In Q4 the price of Dated Brent had a downward trend of 11%, dropping from 95$/bbl. at the beginning of October to 75$/bbl. by the end of December. This decrease was primarily influenced by the temporary suspension of sanctions on Venezuelan oil, gas, and gold production by the United States. Additionally, there were uncertainties surrounding OPEC+'s to effectively implement planned production cuts, which raised concerns about oversupply in the market. The situation worsened due to the increased crude oil shipments from the Russian Federation and the significant rise in US crude exports, nearing a record of 6 million barrels per day. Amidst these factors, the market witnessed increased volatility and downward pressure on oil prices throughout the quarter.

Concerns about the global economy and uncertainties surrounding the Israel-Hamas conflict have led to a decline in crude oil prices, particularly in the Mediterranean region from where Israel imports about 70% of its crude oil needs. Additionally, the United States' decision to increase its oil production to an average of 12.93 million barrels per day in 2023 has emphasized the perception of a global crude oil market heading towards oversupply.

Goldman Sachs has adjusted its forecast range for 2024 Brent crude oil prices by 10$/bbl. to $70-$90. This adjustment reflects their expectation of only a modest deficit and slightly lower long-term prices. Goldmans Sachs now forecasts that Brent crude oil will rise to $85 by June 2024, and average $80-81 in 2024-2025, which is $5-6 higher than current forward prices.

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.

In Q4, the refinery margins had an upward trend, rising from 52$/MT at the beginning of October to 80$/MT by the end of the year, with peaks reaching 101$/MT in late November. This increase was attributed to various factors, including a decrease in crude prices and unplanned outages across Europe.

Compared to 2022, European margins decreased by -37.5$/MT (-27.5%) in 2023 and settled to an average level of 98.6$/MT.

Amid the challenges faced by European refiners including concerns of a looming recession and a slowing demand recovery, factors such as crude feedstock, refinery delays and low inventories levels may help sustain profits through the first quarter of 2024. While margins are expected to gradually return to more typical levels after the peaks of the past two years, Goldman Sachs expects them to remain above historical averages.

Gasoline cracks remained high throughout 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

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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.

Gasoline cracks underwent a significant decline during Q4 primarily due to the conclusion of the summer driving season and a decrease gasoline consumption across the US. This decline resulted in the lowest level observed since September 2022. Contributing to this trend were seasonal factors such as the transition to winter-grade gasoline and diminished trans-Atlantic flows, which applied additional pressure and lead to inventory builds.

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.

Diesel cracks demonstrated a steady increase throughout Q4, driven by tight supply and resilient demand. The anticipation of a 1.22 million barrels per day deficit in the extremely tight Q4 balance further contributed to the increased Diesel cracks.

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.

Jet cracks strengthened in Q4 as Europe's need for winter-grade diesel influenced kerosene blending, thus reducing jet yields, and reinforcing cracks.

In 2023, the **EU Allowances (CO2 certificates)** price averaged 83.5 EUR/EUA, reflecting a year of notable volatility.

The EUA market in Q1 experienced fluctuating prices, ranging between 75-97 EUR/EUA. This was primarily driven by subdued demand owing to unseasonably warm temperatures. February witnessed a surge following the European Parliament's commitment to phasing out internal combustion vehicles by 2035. However, March saw a downturn due to the significant bankruptcy of the Silicon Valley Bank, introducing unexpected shifts in market dynamics.

Moving into Q2, April marked a robust rebound, driving the EUA price to 95 EUR/EUA, fueled by regulatory communications and market anticipation. May, however, witnessed a retreat influenced by negative auction results and declining energy prices.

In Q3, June recorded the highest monthly increase, surging from 77 to 93 EUR/EUA due to various factors including gas price hikes and favorable auction outcomes. July, however, saw a dip triggered by a decline in fossil energy production. August's EUA price of 81 EUR/EUA was driven by sales pressure, technical breaches, and speculators unwinding positions.

Entering Q4, September witnessed downward pressure, dipping below 80 EUR/EUA, influenced by typical auction volumes, and weakened energy markets. October and November saw further declines, attributed to various factors including temperature fluctuations, market sentiment, and regulatory expectations.

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December saw a decline followed by a recovery to 77 EUR/EUA, rounding out the complex journey of the EUA market in 2023 amidst global uncertainties.

Analysts have subsequently revised down price forecasts for EU carbon permits for 2024 to 2026, with expectations averaging 74.1 EUR in 2024 and 83.3 EUR in 2025 (January 2024 Reuters survey).

Forex & Interest Rates

US zone

In 2023, monetary policy and forex rates stabilized compared to the volatile conditions of 2022. Central banks maintained high interest rates without further adjustments throughout the year. Despite a global decrease in inflation rates, they weren't significant enough to prompt central banks to consider rate cuts. The economic environment remained unstable, characterized by minimal changes in the forex market.

In 2023, the U.S. Dollar declined from its 2022 highs but remained strong due to steady interest rates.

Following significant rate hikes in 2022, the Federal Reserve held rates steady since July 2023 as inflation eased from its peak. Despite a slowdown in economic growth, the USD depreciated about 3% against the EUR throughout 2023, averaging 1.08 compared to 1.05 in 2022.

Euro zone

In the last quarters of 2023, the European Central Bank pushed back against expectations of interest rate cuts by reaffirming its commitment to maintaining record-high borrowing costs. Despite lower inflation expectations, the ECB remained focused on combating the most severe inflationary pressures in decades, opting to keep rates unchanged without suggesting any potential reductions.

In December 2023, consumer price inflation in the Euro Area was confirmed at 2.9% year-on-year, up from November's 2.4%, exceeding the European Central Bank's target of 2.0%.

Romania

In 2023, the Romanian Leu (RON) appreciated against the U.S. Dollar (USD) by almost 3%. The yearly average USD/RON exchange rate was lower than in 2022, at 4.58 compared to 4.69.

Regarding EUR/RON, the RON slightly depreciated by 1% against the Euro (EUR), with the exchange rate at 4.97 in 2023 compared to 4.95 in 2022.

In January 2023, the National Bank of Romania (NBR) raised the monetary policy rate to 7% p.a. from 6.75% p.a. and maintained existing minimum reserve requirement ratios. The interest rate remained unchanged thereafter, with no plans for cuts.

Romania's annual inflation rate decreased to 6.61% in December 2023 from 6.72% in November. This was the lowest level since September 2021, driven by moderation in food prices due to lower oil, lard, and fat costs. However, inflation slightly increased for non-food products and services.

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

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REFINING SEGMENT

		2023	2022	%	2023	2022	%
Financial		**USD**	**USD**		**RON**	**RON**	
Gross Revenues	USD/RON	4,526,000,989	5,592,084,863	-19%	20,347,995,246	25,140,895,127	-19%
Net Revenues	USD/RON	3,616,812,214	4,673,930,182	-23%	16,260,464,352	21,013,055,312	-23%
EBITDA	USD/RON	187,750,181	467,592,027	-60%	844,087,264	2,102,200,235	-60%
EBITDA margin	%	5.2%	10.0%		5.2%	10.0%	
EBIT	USD/RON	(91,131,319)	322,216,590	N/A	(409,708,184)	1,448,621,350	N/A
Net profit / (loss)	USD/RON	(171,293,802)	155,227,307	N/A	(770,102,677)	697,870,932	N/A
Net profit / (loss) margin	%	-4.7%	3.3%		-4.7%	3.3%	
Gross cash refinery margin/ton (Petromidia)	USD/(RON)/ton	86.3	135.7	-36%	387.8	610.1	-36%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	11.9	18.7	-36%	53.4	84.0	-36%
Net cash refinery margin/ton (Petromidia)	USD/(RON)/ton	38.4	93.3	-59%	172.6	419.5	-59%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	5.3	12.8	-59%	23.8	57.8	-59%
Operational							
Feedstock processed in Petromidia refinery	thousand tons	5,012	5,258	-5%			
Feedstock processed in Vega refinery	thousand tons	374	373	0%			
Gasoline produced	thousand tons	1,378	1,417	-3%			
Diesel & jet fuel produced	thousand tons	2,443	2,674	-9%			
Motor fuels sales - domestic	thousand tons	2,380	2,419	-2%			
Motor fuels sales - export	thousand tons	1,264	1,445	-13%			
Export	%	35%	37%				
Domestic	%	65%	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. In 2023, in vast proportion, Petromidia processed Kazakh crude oil – KEBCO and CPC.

Gross revenues of refining segment reached over USD 4.5 billion in 2023, showing a 19% decrease as against same last year.

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In 2023, the total throughput for Petromidia refinery was 5.012 million tons lower by 5% as against last year. The decrease was affected by operation of Petromidia refinery without the Mild Hydrocraking unit (MHC), due to a technical incident that occurred on 21st of June 2023.

The rehabilitation works of MHC unit are carried out by the company's contractor, Rominserv, with the support of specialized subcontractors from the region. The MHC unit restarted successfully on 26th of February 2024.

In 2023 the refining capacity utilization in Petromidia refinery reached 78.2%, lower as against last year, being influenced by MHC incident.

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

- ✓ White finished products yield of 84.1%wt;
- ✓ Technological loss of 0.66%wt;
- ✓ Record for RON 98 gasoline production and special diesel grades production (Diesel 55, EFIX Diesel, Super Diesel Euro 5)

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 374,327 tons in 2023, higher by 0.38%, compared with last year when the total throughput was 372,920 tons for full year 2022.

In 2023 the refining capacity utilization for Vega refinery was higher by 0.43% compared with the same periods last year.

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

- ✓ Technological loss of 0.58%;
- ✓ Energy consumption of 2.33 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 2023 of USD 31.3 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 1.65 billion in 2023 of which USD 128 million representing solidarity contribution for year 2022, paid on June 23, 2023.

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PETROCHEMICALS SEGMENT

		2023	2022	%	2023	2022	%
Financial		**USD**	**USD**		**RON**	**RON**	
Revenues	USD/RON	124,449,234	202,248,543	-38%	559,498,866	909,269,000	-38%
EBITDA	USD/RON	(76,451,505)	(66,597,392)	-15%	(343,710,676)	(299,408,555)	15%
EBIT	USD/RON	(113,257,631)	(87,900,203)	-29%	(509,183,657)	(395,181,733)	-29%
Net profit / (loss)	USD/RON	(103,819,053)	(85,840,566)	-21%	(466,749,697)	(385,922,021)	-21%
Operational							
Propylene processed	thousand tons	117	126	-7%			
Ethylene processed	thousand tons	18	44	-58%			
Total polymers production	thousand tons	105	129	-19%			
Sold from own production	thousand tons	117	138	-15%			
Sold from trading	thousand tons	0.0	0.3	N/A			
Total sold	thousand tons	117	139	-15%			
Export	%	46%	42%				
Domestic	%	54%	58%				

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 2023, the total production of polymers in petrochemical division was 105 thousand tons, lower compared to last year when it produced 129 thousand tons, 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

		2023	2022	%	2023	2022	%
Financial		**USD**	**USD**		**RON**	**RON**	
Gross Revenues	USD/RON	3,461,550,628	3,958,874,423	-13%	15,562,439,313	17,798,307,631	-13%
EBITDA	USD/RON	86,266,067	72,145,890	20%	387,834,984	324,353,492	20%
EBIT	USD/RON	49,859,273	41,470,803	20%	224,157,319	186,444,438	20%
Net profit / (loss)	USD/RON	33,975,687	32,433,700	5%	152,747,893	145,815,433	5%
Operational							
Fuels quantities sold in retail	thousand tons	1,141	994	15%			
Fuels quantities sold in wholesale	thousand tons	804	977	-18%			
LPG quantities sold	thousand tons	268	337	-21%			

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

In 2023 the marketing segment had a turnover of over USD 3.4 billion lower by 13% as compared to last year.

In 2023, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -21% for diesel and by -14% for gasoline compared with 2022. Due to the 2% appreciation of the RON against the US dollar (FY 2023 vs. FY 2022, on average) the international diesel quotation decreased in the national currency by -23.3%, at the same time the international gasoline quotation decreased in the national currency by -16.5% compared to 2022.

In 2023, Rompetrol Downstream faced significant challenges, including an unplanned Refinery slowdown in January and a major incident on the Mild Hydrocracking Unit (MHC) in June, impacting production and the retail market's image negatively.

These events heavily impacted wholesale channels, leading to supply restrictions and higher premium prices for products in the latter half of the year. Despite a loss incurred in wholesale volumes compared to the previous year, higher contribution margins helped mitigate this negative effect.

However, Pump sales in Romania achieved a record high of 1.14 million tons, higher by 15% in 2023 as against last year. This is due to company strategy to address Romanian market needs with priority, and by improvements in both quality (average throughput) and quantity (number of points of sale).

As of the end of 2023 Rompetrol Downstream operated a network of 1.325 stations for selling the fuel, which includes stations owned by Rompetrol, Partener Rompetrol, as well as mobile stations – Rompetrol Express and internal bases (9 and 20 cubic meter tanks located at the premises of companies from various fields of activity - transportation, construction, agriculture, etc.)

With a 3% increase in contribution performance in 2023, Rompetrol Gas managed to overcome the challenges of lower sales volume compared to 2022, despite unforeseen incidents in the Romanian environment.

Rompetrol Quality Control is a competitive company on the laboratory analysis market, which grants its results as reliable proof for third parties and Group companies. In 2023, Rompetrol Quality Control (RQC) continued the good results from last year to consolidate its overall market share and to increase the turnover and profitability from third-party customers, reaching the highest level form non-group revenues in the last years.

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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2023

	2023	2022	%	2023	2022	%
	USD	**USD**		**RON**	**RON**	
Gross Revenues	5,330,226,989	6,572,037,534	-19%	23,963,634,497	29,546,566,341	-19%
Sales taxes and discounts	(1,119,458,507)	(1,210,709,279)	-8%	(5,032,861,556)	(5,443,106,777)	-8%
Net revenues	**4,210,768,482**	**5,361,328,254**	**-21%**	**18,930,772,941**	**24,103,459,564**	**-21%**
Cost of sales	(3,853,049,266)	(4,810,274,622)	-20%	(17,322,538,890)	(21,626,032,646)	-20%
Gross margin	**357,719,216**	**551,053,632**	**-35%**	**1,608,234,051**	**2,477,426,918**	**-35%**
Selling, general and administration	(289,711,524)	(244,381,904)	19%	(1,302,485,069)	(1,098,692,161)	19%
Other operating income	65,638,041	231,511,855	-72%	295,095,506	1,040,830,998	-72%
Other operating expenses	(287,546,216)	(273,868,095)	5%	(1,292,750,278)	(1,231,256,182)	5%
EBIT	**(153,900,483)**	**264,315,488**	**N/A**	**(691,905,790)**	**1,188,309,573**	**N/A**
Finance, net	(79,677,904)	(64,531,435)	23%	(358,215,921)	(290,120,426)	23%
Unrealized net foreign exchange (losses)/gains	(2,935,084)	3,525,702	N/A	(13,195,551)	15,850,851	N/A
Realized net foreign exchange (losses)/gains	(4,536,636)	12,097,953	N/A	(20,395,808)	54,389,977	N/A
EBT	**(241,050,107)**	**215,407,708**	**N/A**	**(1,083,713,070)**	**968,429,975**	**N/A**
Income tax*	536,987	(125,063,926)	N/A	2,414,185	(562,262,399)	N/A
Net result	**(240,513,120)**	**90,343,782**	**N/A**	**(1,081,298,885)**	**406,167,576**	**N/A**
EBITDA	**201,188,019**	**464,457,570**	**-57%**	**904,501,096**	**2,088,108,343**	**-57%**

**it includes solidarity tax based on fiscal results as of December 31, 2023*

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APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2023

	31 December 2023	31 December 2022	%	31 December 2023	31 December 2022	%
Assets						
Non-current assets						
Intangible assets	27,415,224	6,943,884	295%	123,253,364	31,218,314	295%
Goodwill	82,871,706	82,871,706	0%	372,574,616	372,574,616	0%
Property, plant and equipment	877,540,150	1,178,598,536	-26%	3,945,245,006	5,298,743,298	-26%
Right of use assets	259,327,666	124,769,238	108%	1,165,885,321	560,937,540	108%
Financial assets and other	12,448,780	3,811,865	227%	55,967,225	17,137,383	227%
Deferred tax asset	12,828,037	-	N/A	57,672,289	-	N/A
Total Non Current Assets	**1,272,431,563**	**1,396,995,228**	-9%	**5,720,597,821**	**6,280,611,151**	-9%
Current assets						
Inventories	416,671,058	333,870,058	25%	1,873,269,743	1,501,013,007	25%
Trade and other receivables	630,160,187	642,376,936	-2%	2,833,074,169	2,887,998,229	-2%
Derivative financial Instruments	-	2,612,061	-100%	-	11,743,304	-100%
Cash and cash equivalents	155,955,200	16,973,215	819%	701,143,389	76,308,180	819%
Total current assets	**1,202,786,445**	**995,832,269**	21%	**5,407,487,301**	**4,477,062,720**	21%
Total assets	**2,475,218,008**	**2,392,827,498**	3%	**11,128,085,122**	**10,757,673,871**	3%
Equity and liabilities						
Total Equity	**286,338,066**	**536,784,519**	-47%	**1,287,318,677**	**2,413,275,842**	-47%
Non-current liabilities						
Long-term debt	265,900,000	-	N/A	1,195,433,220	-	N/A
Provisions	116,060,824	115,340,643	1%	521,786,253	518,548,463	1%
Obligations under lease agreements	262,011,550	120,283,737	118%	1,177,951,527	540,771,625	118%
Other	19,711,448	57,115,840	-65%	88,618,728	256,781,393	-65%
Total non-current liabilities	**663,683,822**	**292,740,220**	127%	**2,983,789,728**	**1,316,101,481**	127%
Current Liabilities						
Trade and other payables	1,361,853,389	1,295,310,569	5%	6,122,620,467	5,823,457,260	5%
Contract liabilities	76,372,127	41,914,153	82%	343,353,809	188,437,649	82%
Derivative financial instruments	251,864	4,592,619	-95%	1,132,330	20,647,497	-95%
Obligations under lease agreements	8,366,145	4,723,011	77%	37,612,515	21,233,713	77%
Short-term debt	42,856,586	86,210,918	-50%	192,674,639	387,587,045	-50%
Profit tax payable	35,496,009	130,551,489	-73%	159,582,957	586,933,384	-73%
Total current liabilities	**1,525,196,120**	**1,563,302,759**	-2%	**6,856,976,717**	**7,028,296,548**	-2%
Total equity and liabilities	**2,475,218,008**	**2,392,827,498**	3%	**11,128,085,122**	**10,757,673,871**	3%

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RISK MANAGEMENT

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 and to develop a culture of risk awareness where all stakeholders proactively contribute to protect Group's financial results from market volatility, to minimize future losses and optimize returns to maximize shareholder value.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situations have been performed. The primary focus was to ensure health and safety of all our employees, but also multiple measures were taken to ensure business continuity: cost optimization, adapting the production and sales to the new environment, proper cash management and balance of receivables and payables to ensure proper liquidity and business functioning.

INTEREST RATE RISK

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.

FOREIGN EXCHANGE RISK

The Group's functional currency is United States Dollar ("USD") and crude oil imports, and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated 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. Group Treasury is responsible for handling the Group foreign currency transactions.

LIQUIDITY AND CASH FLOW RISKS

The liquidity risk consists in not having financial resources available to fulfil company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfilment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.
One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks to ensure that the economic-financial activity of the company is carried out without any problems. Rompetrol Rafinare is part of the cash pooling facility of the KMG International Group and therefore can cover unexpected cash outflows by drawing from the facility.

Liquidity faced challenges, in 2023, stemming from heightened fiscal pressures and shifts in fiscal regulations, but proper cash management measures were implemented both in operational and financial areas.

The risk is managed through financial processes, cash-flow projections, and stress tests, maintaining a sufficient cash buffer, regular reviews of market conditions and our planning and investment processes.

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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 Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analysed on a regular basis, being undertaken on an individual basis as well as collectively based on 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.

COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. 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, 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 raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective 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 based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

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

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

The net impact of the commodity hedges was positive driven only by Rompetrol Downstream Auction and had a net result of USD +1.36 million, out of which USD +0.94 million Physical Effect and USD +0.42 million Paper Effect. The

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Paper Effect was also positive due to October market movements, when the ICE Gasoil quotations (hedge instrument) decreased with a lower degree than the Diesel Platts quotations (Physical). So, in October the Paper loss was only USD -0.74 million while the Physical gain was USD +1.52 million, meaning a net result of USD +0.78 million only during this month (almost half of the entire year net result).

The Group's refining activity is exposed to the rising prices of EUA certificates. The CO2 emissions of the Rompetrol refinery are offset with EUA certificates. For the current year, Rompetrol Rafinare 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.

OPERATIONAL RISK

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shutdowns in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection, and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality-environment-security.

The management system establishes clear rules and principles which govern key risk management activities such as inspections, maintenance, testing and trainings, business continuity and crisis response planning. Security risks affecting our people and operations are kept as well under close monitoring by specialized departments. The company took significant measures to strengthen existing security and safety controls on all layers.

Environmental risks are strictly monitored, and a special emphasis is given to environment protection activities. The Group is committed to comply with all environmental laws and regulations. Ensuring compliance with environmental obligations put a lot of pressure under the Group’s risk profile. To mitigate this risk, the group made a series of investments to ensure integrity of our technical equipment and compliance with environmental limits and put in place complex projects.

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 applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group’s expectations as to each person’s behavior, in light of the Group’s principles of action. 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 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.

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.

Company is 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. Company is in constant dialogue with our customers and suppliers in the region and stay in connection with competent authorities to identify any potential impact of issued sanctions on its business and supply chains 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.

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 several 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.

Consequently, efforts to bolster the Group's cybersecurity capabilities continued throughout 2023. This involved the implementation of appropriate systems, an increase in the allocation of human resources dedicated to monitoring cybersecurity threats, enhancements to procedural frameworks and controls, and additional training and communication for employees. Our cybersecurity initiatives are closely supervised to ensure the confidentiality, integrity, and availability of data. Moreover, the Group remains committed to continuously educating employees and partners about cybersecurity risks and providing support to promote responsible cyber behavior.

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SUPPLY CHAIN AND LOGISTICS RELATED RISKS

The Group's business operations rely heavily on the timely procurement of supplies, efficient production processes, and effective product distribution to meet customer demands. This risk is assessed as having a significant impact on the overall activities of the Group, since the macroeconomic evolutions and price increases have impacted the cost of supply.

To address this risk, strategies have been devised to: i) secure alternative supply sources promptly and with minimal financial repercussions, thereby enhancing the Group's flexibility in utilizing various production recipes and optimizing relationships with key logistics partners; and ii) enhance the Group's capability to directly intervene and support the logistics process should designated suppliers fail to meet delivery deadlines. A rolling investment budget has been implemented to bolster the supply chain and logistics processes, ensuring ongoing funding for the maintenance and enhancement of storage, measurement, and transportation facilities.

The geopolitical tensions in Ukraine and the Black Sea region continue to exert pressure on logistics and insurance costs, as well as on the availability of crude oil supplies. However, the company has successfully managed to source alternative crude oil grades to sustain refinery operations, mitigating the negative impact on margins and ensuring operational continuity.

STRATEGIC RISK

The Group operates on an international scale, thereby encountering a spectrum of external economic and political risks that have the potential to influence strategy execution and operational continuity. Strategic risk holds paramount importance for the Group, stemming from a diverse array of sources. Consequently, both internal and external environments are meticulously monitored to discern significant developments that could impede the attainment of our objectives. With extensive exposure to various markets over the years, the Group has garnered invaluable experience in effectively navigating and advancing its business operations amidst periods of economic, political, or social turbulence.

- Macroeconomic environment and geopolitical tensions

Various factors can exert considerable influence on our strategic direction, encompassing geopolitical considerations, macroeconomic variables such as high interest rates and rising materials costs, evolving policies and regulations, and the emergence of new technologies. These disruptors have the potential to significantly impact demand and supply dynamics, as well as trade and investment activities within our industry. Macroeconomic factors such as interest rates and exchange rates can adversely affect our targeted operational expenses. The escalation of the conflict in Ukraine and its socioeconomic impacts, coupled with projections of significant global growth deceleration due to high inflation, stringent monetary policies, and restrictive credit conditions, underscore the challenges we face. Inflation remains elevated, with anticipated increases in defaults.

Moreover, fiscal instability in Romania and regulatory volatility add to our concerns. The volatility observed in the fiscal landscape poses a notable risk to the financial well-being of our company, prompting a reevaluation of our strategic approach. Furthermore, shifts in legislation and the unpredictable fiscal environment pose additional challenges, with excessive fiscal burdens jeopardizing our operations.

The prospect of geopolitical conflicts further compounds these risks, with potential repercussions extending to the global economy and our business operations. Geopolitical tensions continue to undermine international trade, with significant implications expected to persist. Consequences may include economic downturns, heightened inflation and interest rates, reduced consumer spending, increased credit risk, and restricted access to financing, alongside the

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possibility of energy crises and escalating utility prices, as well as social unrest leading to business disruptions. Additionally, the escalation of international sanctions and the imposition of embargoes may disrupt supply chains.

Assessment of country risk is a standard practice in accordance with internal regulations, particularly when contemplating operational expansion into foreign markets or managing aspects such as receivables and strategic partnerships. Given the inherent captivity and dependence on various service providers, stringent oversight is maintained over cooperation with strategic partners. In efforts to mitigate associated risks, the company actively explores diversification alternatives.

Efforts have been undertaken to address manageable aspects of the external environment, with regular updates to business forecasts and cash flow projections enabling agile adjustments to investment priorities. This ensures adaptability in navigating the evolving economic and geopolitical landscapes.

- Climate change and decarbonization

The oil and gas industry confronts new challenges amid the global transition towards a low-carbon economy, with sustainability and climate concerns taking center stage. This transformative shift presents both risks and opportunities, necessitating a recalibration of strategies to align with evolving environmental priorities while sustaining economic growth.

For KMGI Group, adapting to the heightened focus on climate change and energy transition is imperative. The dynamic and volatile risk environment, shaped by global, local, and business-level actions, underscores the need for proactive climate risk management frameworks. Initiatives to integrate sustainability considerations into existing risk management systems are underway, alongside the development of policies and regulations to address climate-related risks.

Anticipated changes in consumer behavior towards emission reduction may lead to decreased demand and fossil fuel prices, potentially impacting earnings and future investments. Consequently, the company is laying the groundwork for climate risk mitigation strategies.

Furthermore, the physical effects of climate change pose operational risks. An initial assessment identified moderate impacts on operations, prompting a more comprehensive analysis in 2023 to identify and address both physical and transition risks and opportunities. Gaps have been identified, and an action plan has been initiated, with ongoing efforts to align operations with decarbonization objectives.

A Decarbonization Strategy has been formulated, outlining clear directives for pursuing economically viable emissions reduction solutions. This strategic direction underscores the company's commitment to navigating the complexities of the evolving energy landscape while embracing sustainability principles.

SUBSEQUENT EVENTS

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

Note:
The Board of Directors Annual Report was prepared based on the audited consolidated financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.4958 as of 31 December 2023.

Chairman of the Board of Directors
Batyrzhan Tergeussizov

Member of the Board of Directors
Adrian Tohănean

Member of the Board of Directors
Nicolae Bogdan Codruţ Stănescu

Member of the Board of Directors
Bogdan-Cătălin Steriopol

Member of the Board of Directors
Tamila Mikulich

Member of the Board of Directors
Constantin Saragea

Member of the Board of Directors
Zhamilya Meshitbay

Executive management

General Manager
Florian-Daniel Pop

Finance Manager
Alexandru Stavarache

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rompetrol Rafinare S.A.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Rompetrol Rafinare S.A. (the Company) and its subsidiaries (together referred to as "the Group") with official head office in 215 Navodari Boulevard, Administrative Pavilion, 907500 – Navodari, Romania identified by sole fiscal registration number RO1860712, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of consolidated the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Description of each key audit matter and our procedures performed to address the matter

Key audit matter	How our audit addressed the key audit matter
Fair value measurement of property, plant and equipment and impairment assessment for non-current assets *Disclosures on goodwill, property, plant and equipment and right of use assets are included in Note 2 f) and 2 l), Note 4, Note 5 and Note 6 respectively.*	
Property, plant and equipment amounting to USD 878 million as of 31 December 2023 are significant to our audit because of their magnitude in the consolidated statement of financial position. The Group has a policy of measuring property, plant and equipment at revalued amount, less accumulated depreciation and impairment. Valuations are undertaken with sufficient regularity by an external independent valuation specialist. As of 31 December 2023, a valuation exercise was conducted by an independent appraiser for the Group’s property, plant and equipment considering the volatility of crude oil prices and refinery margins that had an effect on the Group’s performance. For the year ended 31 December 2023 the corresponding net revaluation deficit recorded in Other Comprehensive Income for the Group is USD 18 million and revaluation loss recorded in profit and loss for the Group is USD 227 million. The fair value of property, plant and equipment are determined by an external independent valuation specialist incorporating an economic obsolescence test. The fair value measurement is complex, requires significant management judgments and is based on unobservable market data and assumptions that are affected by expected future market conditions, including the acceleration of the pace of transition to a lower carbon economy and energy system. Further, an impairment test exercise was performed for the Group’s non-current assets, at the level of the three CGUs including goodwill	We evaluated the management’s assessment for the determination of fair value that included an economic obsolescence test and impairment assessment for non-current assets as of 31 December 2023. Specifically, our audit work included, but was not limited to the following procedures: • we obtained, read and understood the valuation report provided by the independent valuation specialist; • we involved our internal valuation specialists to assist us in the assessment of the valuation exercise carried out for property, plant and equipment prepared by an external expert. The procedures performed focused on methodologies and valuation techniques applied, key inputs used, method to determine the range of the fair values and the reliability of revalued amounts given the specialized items valued; • we compared the future short and long-term oil and gas prices and product margins used in the Group’s budgets reflected in the economic obsolescence test and impairment assessment for consensus with analyst’s forecasts and to actual performance in prior years; • we assessed the considerations used by the Group for decarbonization and transition to lower carbon economy and economy system; • we involved our internal valuation specialists to assist us in evaluating the key assumptions and the methodologies used by the Group for the economic obsolescence test for property, plant and equipment and for the impairment

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Key audit matter	How our audit addressed the key audit matter
(allocated to Downstream CGU) of USD 83 million, property plan and equipment of USD 878 million and rights of use assets of 259 million. For all GCUs, the impairment test indicated that the recoverable amount was higher than the carrying value, and therefore no additional impairment adjustment was required. In light of the judgements and estimates used by management in the determination of fair values and future cash flow projections used for economic obsolescence test and impairment assessment as well as uncertainties regarding current and future economic environment, the measurement of fair value for property, plant and equipment and impairment assessment of non-current assets is considered a key audit matter.	assessment of non-current assets. Our evaluation was focused on the discount rate estimate, on the sensitivity analysis of the recoverable amounts to changes in the significant assumptions, as well as on the key assumptions applied in the estimates of future cash flows (such as expected sale prices, production/sales volumes, operating profit, discount rate, growth rate, working capital changes, impact of additional taxes as per local legislation, etc.) by analyzing their consistency with the general and industry-specific economic environment, relevant available market information and the business plans of the Group; • we checked the mathematical accuracy of the valuation report together with the accounting entries performed to reflect the fair values of property, plant and equipment; • we evaluated the competence, capabilities and objectivity of management's external specialist involved for the impairment testing and fair value assessment. Furthermore, we assessed the adequacy of the Group's disclosures about significant estimates, critical judgements made by management and sensitivity analysis in the financial statements in respect of measurement of property, plant and equipment and impairment assessment.

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Key audit matter	How our audit addressed the key audit matter
Completeness and measurement of provisions for litigations Disclosures about litigations are included in Note 29 and Note 30.	
The Group is involved in various and significant litigations, including in relation to regulatory and / or governmental proceedings as well as investigations by tax and other authorities which are disclosed in Note 29 and Note 30 to the consolidated financial statements. This area is significant to our audit due to the inherent uncertainties over the final outcome of these litigations, complexity of the cases and the significant judgement applied by the management in estimating the final outcome of such assessments and exposures (i.e. whether a liability should be recognized or a contingency should be disclosed and whether the potential outflows can be reliably estimated). Due to the significance and complexity of these litigations, adverse outcomes that could potentially significantly impact the Group's reported financial performance and financial position, we considered this as a key audit matter.	Our audit procedures included, among others, obtaining legal confirmations from the Group's external lawyers advising on these matters and also supporting documentation from the Group's internal legal counsel regarding the status of these litigations. We have inspected the minutes of the Board of Directors' meetings and held periodic meetings with management to discuss and understand the developments in legal proceedings and the management assumptions and judgement in respect of these matters. We assessed whether the opinions of external lawyers and internal legal counsel are consistent with the assumptions and estimates applied by management regarding recognition and measurement of provisions or measurement and disclosure of contingent liabilities in respect of these matters, based on the facts and circumstances available. We assessed the competence, objectivity and independence of external lawyers. Our internal specialists were involved, where appropriate, to assist us to analyze the legal cases and the assumptions made by management. We further evaluated the adequacy of disclosures included in the financial statements regarding provisions recognized and contingencies resulting from legal proceedings.

Key audit matter	How our audit addressed the key audit matter
Environmental provisions Disclosures about environmental provision are included in Note 2 f) and 2 m), Note 19 and Note 31.	
As at 31 December 2023, the Group has environmental provision of USD 100 million out of which USD 94 million is related to the provision for the rehabilitation of Vega lagoons as presented in Note 19 to the financial statements. The assessment for environmental provision related to Vega lagoons is significant to our audit due to the magnitude of the amounts involved and the subjective judgments of Group's management in making these estimates, which is impacted by extension of the timeline for the finalization of the rehabilitation works, current environmental and regulatory requirements, the nature of the activities and costs incorporated for the provision estimate. In light of the judgements and estimates used by management in the determination of environmental obligation and inherent complexity in estimating future environmental remediation costs, this is considered a key audit matter.	We evaluated the management's assessment for the environmental obligation. Specifically, our audit work included, but was not limited to the following procedures: • we assessed main assumptions considered for the computation of provision, such as quantities, prices per activity and updated timeline for the rehabilitation plan; • we checked the accuracy of historical remediation provisions by comparing to actual expenditure. We used this information to challenge management's current cost estimations for the remediation works; • we inspected the third party expert report and external underlying documentation for management's determination of future required activities, their timing, and associated cost estimations and comparing them to the nature and quantum of costs contained in the provision balance as of 31 December 2023; • we checked the mathematical accuracy of the management's assessment for the environmental provision and its compliance with the requirements of the International Financial Reporting Standards; • we involved our internal valuation specialists to assist us in evaluating the discount rate used for the computation of the provision. Furthermore, we assessed the adequacy of the Group's disclosures about environmental risks and obligations and related provision.

Other information

The other information comprises the Consolidated Administrators' Report, Sustainability report and Remuneration Report, but does not include the consolidated financial statements and our auditors' report thereon. We obtained the Consolidated Administrators' Report and Remuneration Report before the issuance date of our auditors' report and we expect to obtain the Sustainability Report, as a separate report, subsequent to the issuance date of our auditors' report. Management is responsible for the other information.

Our audit opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

Report on Supplementary Financial Information

Our audit was conducted for the purpose of expressing an opinion on the consolidated financial statements taken as a whole. The information on the translation of the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and the other disclosure Notes into RON, which has been disclosed as supplementary financial information prepared in accordance with Note 2 e) in the accompanying the consolidated financial statements, is the responsibility of management and is presented for information purposes only and is not within the scope of International Financial Reporting Standards adopted by European Union. Such supplementary financial information has been subject to the auditing procedures applied in out audit of the consolidated financial statements and, in our opinion, has been properly prepared, in all material aspects, in accordance with the basis described in Note2e) to the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Reporting on Information Other than the Consolidated Financial Statements and Our Auditors' Report Thereon

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Consolidated Administrators' Report and Remuneration Report, we have read these reports and report that:

a) in the Consolidated Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying consolidated financial statements as at December 31, 2023;
b) the Consolidated Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 – 19 and 26-27;
c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2023, we have not identified information included in the Consolidated Administrators' Report that contains a material misstatement of fact.
d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council

Appointment and Approval of Auditor

We were appointed as auditors of the Group by the General Meeting of Shareholders on 28 April 2022 to audit the consolidated financial statements for the financial year end December 31, 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 16 years, covering the financial periods end from 31 December 2008 till 31 December 2023.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on the same date as the issue date of this report.

Provision of Non-audit Services

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Group and we remain independent from the Group in conducting the audit.
In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

Report on the compliance of the electronic format of the consolidated financial statements, included in the annual consolidated report with the requirements of the ESEF Regulation

We have performed a reasonable assurance engagement on the compliance of the electronic format of the consolidated financial statements of Rompetrol Rafinare SA (the Company) and its subsidiaries (together referred to as "the Group") for the year ended 31 December 2023, included in the attached electronic file „ 549300QBL587DDXVXW29-2023-12-31-en.zip"(identified with the key 0cec2d20d14690429f9c07566c282baae9002b858d8b814366090f4702a1fa11) with the requirements of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation). Our opinion is expressed only in relation to the electronic format of the consolidated financial statements and does not extend to the other information included in the annual consolidated report.

Description of the subject matter and the applicable criteria

The Management has prepared electronic format of consolidated financial statements of the Group for the year ended 31 December 2023 in accordance and to comply with ESEF Regulation requirements. The requirements for the preparation of the consolidated financial statements in ESEF format are specified in the ESEF Regulation and represent, in our opinion, applicable criteria for us to express an opinion providing reasonable assurance.

Responsibilities of the Management and Those Charged with Governance

The Management of the Group is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the consolidated financial statements in XHTML format. Such responsibility includes the selection and application of appropriate iXBRL tags using the taxonomy specified in the ESEF Regulation, ensuring consistency between the human-readable layer of electronic format of the consolidated financial statements and the audited consolidated financial statements. The responsibility of Group's Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the consolidated financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.
Those charged with governance are responsible for overseeing the financial reporting process for the preparation of consolidated financial statements of the Group, including the application of the ESEF Regulation.

Auditor's Responsibility

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the consolidated financial statements of the Group is prepared, in all material respects, in accordance with the applicable criteria, specified above. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.
Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.
We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the consolidated financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic (XHTML) reporting format of the consolidated financial statements of the Group, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the consolidated financial statements of the Group, including the preparation of the consolidated financial statements of the Group in XHTML format and its tagging in machine readable language (iXBR);
- tested the validity of the applied XHTML format;
- checked whether the human-readable layer of electronic format of the consolidated financial statements (XHTML) corresponds to the audited consolidated financial statements;
- assessed the completeness of the tagging of information in the consolidated financial statements while using the machine-readable language (iXBRL) under the requirements of the ESEF Regulation;
- assessed the appropriateness of the applied iXBRL tags selected from the core taxonomy and the creation of extensions to the elements in the extended taxonomy specified in the ESEF Regulation when there were no suitable elements in the core taxonomy;
- evaluated the anchoring of the taxonomy extensions to the elements in the extended taxonomy specified by the ESEF Regulation.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion on the compliance of the electronic format of the consolidated financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, in our opinion, the electronic format of the consolidated financial statements of the Group for the year ended 31 December 2023 is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Firma de audit: ERNST & YOUNG ASSURANCE SERVICES S.R.L.
Registrul Public Electronic: FA77

On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77

Autoritatea pentru Supravegherea Publică a Activităţii de Audit Statutar (ASPAAS)
Auditor financiar: Ivanovici Alice Andreea
Registrul Public Electronic: AF3617

Name of the Auditor/ Partner: Ivanovici Alice Andreea
Registered in the electronic Public Register under No. AF3617

Bucharest, Romania
26 March 2024

ROMPETROL RAFINARE SA

CONSOLIDATED FINANCIAL STATEMENTS

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

31 DECEMBER 2023

CONTENTS	**PAGE**

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

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

Amount in USD

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

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

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

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

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

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN - DANIEL POP
GENERAL MANAGER

1. GENERAL

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

a) Basis of preparation and statement of compliance

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

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

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

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As of 31 December 2023 and 31 December 2022 the Group reported net assets including non-controlling interest, of USD 286.3 million and 536.8 million respectively. For the year ended 31 December 2023, the Group recorded losses in amount of USD 242.5 million (2022: profit of USD 90.6 million) and net current liabilities of USD 332.4 million (2022: net current liabilities of USD 567.5 million). The loss incurred during 2023 was comprised of operational loss USD 153.9 million (2022: operational profit USD 264.3 million) and financial losses of USD 87.1 million (2022: USD 48.9 million). Also, a negative impact on the Group net result derived from the revaluation process conducted in 2023, total loss incurred amounts to USD 226.8 million. The operating losses recorded during 2023 are triggered by the refining activity specificity, characterized by a significant volatility and low level of refinery margins recorded in the current year. The revaluation losses resulted from the revaluation exercise were recorded as expense in the current year profit or loss as there was no respective previous revaluation reserve recorded for the respective assets.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

c) Changes in accounting policies

New and amended standards and interpretations

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

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

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

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

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

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

- **IFRS 17: Insurance Contracts**

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal.

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

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

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model

Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023.

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

Pillar Two legislation has been enacted or substantively enacted before 31 December 2023 in certain jurisdictions in which KMGI Group, one of the major shareholders of Rompetrol Rafinare Group operates. The legislation will be effective for the KMGI Group's financial year beginning 1 January 2024 considering that Pillar Two is effective for Netherlands and Switzerland starting with 1st of January 2024. These are jurisdictions in which KMGI Group is established or has subsidiaries incorporated. The Dutch Minimum Taxation Act 2024 and Swiss BEPS 2.0 Pillar Two provide for a minimum effective tax rate of 15% per jurisdiction for large international enterprises (annual turnover exceeding 750 million euros).

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

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

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

The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments are intended to improve the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction in IFRS 16, while it does not change the accounting for leases unrelated to sale and leaseback transactions. In particular, the seller-lessee determines 'lease payments' or 'revised lease payments' in such a way that the seller-lessee would not recognize any amount of the gain or loss that relates to the right of use it retains.

Applying these requirements does not prevent the seller-lessee from recognizing, in profit or loss, any gain or loss relating to the partial or full termination of a lease. A seller-lessee applies the amendment retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, being the beginning of the annual reporting period in which an entity first applied IFRS 16. Management is in process of assessing the impact at Group level from application of these amendments.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

e) Foreign currency translation

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

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

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

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

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statement of income

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

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

Other matters

Romanian lei translation for information purposes basis

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

f) Significant accounting judgments, estimates and assumptions

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

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

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

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

- Revaluation of property, plant and equipment

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

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

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

The key assumptions used to determine the fair value are disclosed in Note 2 j), Note 5 and Note 6.

- Impairment of Goodwill on acquisitions

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

- Impairment of non- financial assets

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

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

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

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

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

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

- Provision for environmental liability

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

- Deferred tax assets

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

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

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

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

- Carrying value of trade and other receivables

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

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

- Provision for litigations

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g) Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

h) Business combinations and goodwill

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

i) Financial instruments

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

i. *Financial assets*

Initial recognition and measurement

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss

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

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

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

Financial assets at fair value through OCI

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Derecognition

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

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

Or

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

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

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

Impairment of financial assets

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

ii. Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss;
- Loans and borrowings at amortized cost.

Derecognition

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

iii. Offsetting of financial instruments

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

j) Property, plant and equipment

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

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

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

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

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

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

Following the change in the accounting policy regarding property, plant and equipment from historic cost model to revaluation method, also the economic remaining useful life of the property, plant and equipment was revised as at 31 December 2021. The depreciation of property, plant and equipment based on the revaluated remaining useful life applies starting 1 January 2022. The economic remaining useful life of property, plant and equipment as it was updated as at 31 December 2021 is still applicable as of 31 December 2023. The change from cost to revaluation provide a transparent and up to date picture of the value of the Group assets.

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

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

k) Intangible assets

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

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

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

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

l) Impairment of non-financial assets

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

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

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

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

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Goodwill

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

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

m) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management’s best estimate of the expenditure required to settle the present obligation at the reporting date.

Additional comments on the following specific liabilities are:

- *Environmental provisions*

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Group has set up a monitoring system in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements.

The value of the environmental obligation is estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when there is a past event, such environmental damage, for which an outflow of resources is probable, and an estimate can be made. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

n) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

i. Right-of-use assets

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. The most significant category in right-of-used-assets refers to gas station buildings and equipment, land (on which the gas station is located) or rent for road utilization (for access to the gas station), for which the depreciation period is the lease contract term, from 25 up to 30 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section l) Impairment of non-financial assets.

ii. Lease liabilities

At the commencement date of the lease, the Group recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

A lessee shall determine the lease term as a non-cancellable period of a lease, together with both:

- Periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- Period covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

The Group's lease liabilities are included in Lease (see Note 14).

iii. Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases lower than USD 5,000. Lease payments on short-term leases and leases of low value assets are recognized as expense on a straight-line basis over the lease term.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

o) Inventories

Inventories of raw material, petroleum products, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, minus the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

p) Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional. Refer to accounting policies of financial assets in section i) i) Financial instruments -initial recognition and subsequent measurement (financial assets).

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region, product type, customer type and rating, and coverage by letters of credit or other forms of credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

q) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid deposits with an original maturity of three months or less, that are readily convertible to a known amount of cash and subject to an insignificant risk of changes in value.

r) Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of the goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The normal credit term is 30 to 90 days upon delivery.

In recognizing revenue, the Group applies the five-step model based on the requirements of IFRS 15:

a) identifying the contract with the customer;
b) identifying performance obligations under the contract;
c) determining the transaction price;
d) allocating the transaction price to performance obligations;
e) recognizing revenue at (or during) performance of obligation.

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of petroleum products provide customers volume rebates. The volume rebates give rise to variable consideration.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

(ii) Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer. To estimate the variable consideration for the expected future rebates, the Group applies the most likely amount method for contracts with a single-volume threshold and the expected value method for contracts with more than one volume threshold. The selected method that best predicts the amount of variable consideration is primarily driven by the number of volume thresholds contained in the contract. The Group then applies the requirements on constraining estimates of variable consideration and recognizes a refund liability for the expected future rebates.

(iii) Significant financing component

Generally, the Group receives short-term advances from its customers. Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be less than one year.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer when that right is conditioned on something other than the passage of time. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Trade receivables

A receivable represents the Group’s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section i) Financial instruments – initial recognition and subsequent measurement and section p) Trade receivables.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

s) Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

t) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur.

Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

u) Retirement benefit costs

Payments made to state - managed retirement benefit plans are dealt with as defined contribution plans where the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

Under collective labor agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the reporting date based on the following information: applicable benefits provided in the agreement; the number of employees with the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 6.9% (2022: 8.8%) for Romanian subsidiaries with an expected rate of long-term salary increase 3.8% (2022: 4.4%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

v) Taxes

- *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:
- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:
- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss;
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

- *Sales and acquisition tax*

Revenues, expenses and assets are recognized net of the amount of sales tax except:
- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable;
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

w) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

x) Foreign Currency Transactions

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

y) Derivative Financial Instruments

The Group enters into contracts to purchase and sell crude oil, oil products and CO2 emission rights (CO2 allowances) at future delivery dates. These contracts expose the Group primarily to commodity risks of changes in fair value of crude oil and related oil products and volatility of the price for EUA certificates. The Group also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with fair value fluctuation relating to certain firm commitments and forecasted transactions.

The use of financial derivatives is governed by the Group's policies approved by board of directors, which provide written principles on the use of financial derivatives.

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates.

Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

A hedging relationship qualifies for hedge accounting if, and only if, all of the following conditions are met:

- the hedging relationship consists only of eligible hedging instruments and eligible hedged items;
- at the inception of the hedging relationship there is a formal designation and documentation of the hedging relationship and the Group's risk management objective and strategy for undertaking the hedge. Documentation shall include identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements;
- the hedging relationship meets the following hedge effectiveness requirements:
  - existence of an economic relationship between the hedged item and the hedging instrument;
  - the effect of credit risk does not dominate the value changes that result from that economic relationship;
  - the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge the quantity of hedged item.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment;
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognized firm commitment.

Beginning 1 January 2018, the documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined).

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item attributable to the hedged risk are offset by changes in the fair value or cash flows of the hedging instrument. Hedging instruments are considered to be highly effective when the effectiveness is between 80% - 125%.

Effectiveness should be recognized to the extent of hedging instrument notional amount after considering tax effects.

Hedge effective is assessed based on:

- prospective testing performed at the time when the transactions are executed, based on hypothetical derivative method;
- retrospective testing at balance sheet date.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for, as described below:

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognized asset or liability or a previously unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit or loss.

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.). The Group also acquires CO2 emission rights for the purpose of meeting the annual quota in accordance with the European Union legislation related to Carbon Emissions, trading and delivering.

The Group hedges priced inventories (both raw materials and finished products) above BOS (basis operating stock) and CO2 emission rights using futures instruments for a period that approximately matches the operating cycle.

Hedge accounting is applied for the futures instruments. The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as Cost of Sales. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the inventory and is also recognized in the statement of profit or loss as Cost of Sales. If the hedged item is derecognized, the unamortized fair value is recognized immediately in profit or loss (see Note 32.5).

Cash Flow Hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that:

- is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction;
  and
- could affect profit or loss.

The Group buys crude oil from the market, refines it and later sells the finished products (e.g.: gasoline, diesel, jet fuel etc.) and EUA certificates. Throughout a given period, the volatility associated with the oil market, both in crudes and in finished products, is transmitted to the Group's refinery margin (difference between the purchase price of crude oil and the selling price of finished products). Also, the volatility of CO2 emission rights may expose the Group to significant cash flow variability. To reduce these volatilities, the Group hedges the margin with a swap on a hedged basket as relevant for the period and CO2 emission rights.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

Cash flow hedge is applied for the refinery margin Swap instruments and CO2 emission rights futures instruments.

Cash flow hedge is accounted as following:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in the Equity;
- as Other Comprehensive Income;
- any ineffective portion is recognized immediately in the statement of profit or loss.

Amounts recognized as OCI are transferred to profit or loss when the hedged transaction affects profit or loss (see Note 32.5).

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

z) Emission Rights

CO2 (allowances) emission rights quota are allocated to the Group’s refining and petrochemicals operations. For the period 2021 - 2025 the allowances have been validated by European Union and are posted on the Romanian Environmental Ministry website. The Group accounts for the liability resulting from generating of these emissions using the net liability approach. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective group companies and purchase rights are also initially recognized at cost.

The liability component is measured at the amount that it is expected to cost the entity to settle the obligation in addition to the cost of any certificates purchased. The Group measures the provision as the expected cost of the shortfall in number of CO2 allowances, meaning the amount of emissions exceeding the total amount of allowance and purchases, at their market price at the balance sheet date.

Income is recognized only when excess certificates are sold on the market, on the other hand in case the certificates surplus is kept for operations compliance of future periods, emission rights acquired during the period to comply with the quota are accounted for as intangible assets, while the emission rights representing the deficit are accounted for as liability.

Emission rights that are accounted for as intangible assets are unlikely to be amortized as their depreciable amount is usually nil. Their expected residual value at inception will be equal to their fair value. The economic benefits are realized by surrendering the rights to settle obligations under the scheme for emissions made, or by selling rights to another party. They are tested for impairment according to IAS 36 whenever there is an indication of impairment.

aa) Fair value measurement

The Group measures financial instruments such as derivatives at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability;

Or

- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- **Level 1** — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- **Level 2** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable;
- **Level 3** — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

ab) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period;

Or

- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period;

Or

- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

2. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

ac) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**41,642,164**	**44,120,441**	**1,918,286**	**87,680,891**
Additions	17,000	2,188	499,931	519,119
Transfers from CIP	227,248	504,603	(731,850)	-
Transfers and reclassifications*	-	-	193,395	193,395
Closing balance as of December 31, 2022	**41,886,412**	**44,627,231**	**1,879,761**	**88,393,404**
Additions	1,092	22,805,891	357,418	23,164,401
Transfers from CIP	289,907	469,283	(759,190)	-
Disposals	(10,769)	-	-	(10,769)
Transfers and reclassifications*	262,543	(242,750)	(112,083)	(92,290)
Closing balance as of December 31, 2023	**42,429,185**	**67,659,655**	**1,365,906**	**111,454,746**
Accumulated amortization				
Opening balance as of January 1, 2022	**(38,102,683)**	**(39,585,121)**	**(523,380)**	**(78,211,184)**
Charge for the year	(1,024,509)	(2,213,828)	-	(3,238,337)
Closing balance as of December 31, 2022	**(39,127,192)**	**(41,798,949)**	**(523,380)**	**(81,449,521)**
Charge for the year	(1,452,082)	(1,148,688)	-	(2,600,770)
Accumulated amortization of disposals	10,769	-	-	10,769
Reclassification between categories*	(935,518)	935,518	-	-
Closing balance as of December 31, 2023	**(41,504,023)**	**(42,012,119)**	**(523,380)**	**(84,039,522)**
Net book value				
As of December 31, 2022	**2,759,220**	**2,828,283**	**1,356,381**	**6,943,884**
As of December 31, 2023	**925,162**	**25,647,536**	**842,526**	**27,415,224**

*) *includes, transfer from property, plant and equipment, reclassifications between categories and other adjustments.*

Rompetrol Rafinare acquired a number of 251,000 CO_2 allowances amounting USD 22.8 million, representing the estimated quantity of CO_2 allowances needed to comply with the quota for 2023 accounted for as intangible asset as of 31 December 2023. Following the incident that affected the MHC unit, CO_2 emissions were lower considering new refinery flow without MHC unit in function, as a result the CO_2 allowances deficit resulted based on actual emissions was of 97,438 CO_2 allowances amounting USD 9 million was accounted for as liability (Note 16), in line with the accounting policy detailed in Note 2 z).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

3. INTANGIBLE ASSETS (continued)

Amounts in RON (supplementary info – see note 2(e))

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2022	**187,214,841**	**198,356,679**	**8,624,230**	**394,195,750**
Additions	76,429	9,837	2,247,590	2,333,856
Transfers from CIP	1,021,662	2,268,594	(3,290,256)	-
Transfers and reclassifications*	-	-	869,465	869,465
Closing balance as of December 31, 2022	**188,312,932**	**200,635,110**	**8,451,029**	**397,399,071**
Additions	4,909	102,530,725	1,606,880	104,142,514
Transfers from CIP	1,303,364	2,109,803	(3,413,167)	-
Disposals	(48,415)	-	-	(48,415)
Transfers and reclassifications*	1,180,341	(1,091,355)	(503,908)	(414,922)
Closing balance as of December 31, 2023	**190,753,131**	**304,184,283**	**6,140,834**	**501,078,248**
Accumulated amortization				
Opening balance as of January 1, 2022	**(171,302,042)**	**(177,966,787)**	**(2,353,012)**	**(351,621,841)**
Charge for the year	(4,605,988)	(9,952,928)	-	(14,558,916)
Closing balance as of December 31, 2022	**(175,908,030)**	**(187,919,715)**	**(2,353,012)**	**(366,180,757)**
Charge for the year	(6,528,270)	(5,164,272)	-	(11,692,542)
Accumulated amortization of disposals	48,415	-	-	48,415
Reclassification between categories*	(4,205,902)	4,205,902	-	-
Closing balance as of December 31, 2023	**(186,593,787)**	**(188,878,085)**	**(2,353,012)**	**(377,824,884)**
Net book value				
As of December 31, 2022	**12,404,902**	**12,715,395**	**6,098,017**	**31,218,314**
As of December 31, 2023	**4,159,344**	**115,306,198**	**3,787,822**	**123,253,364**

4. GOODWILL

The carrying value of goodwill as of 31 December 2023 and 31 December 2022 was USD 82,871,706 (RON: 372,574,616).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil SA.

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2023 on the Downstream Romania cash generating units ("CGU"). Based on the impairment test no impairment has been identified. For further details see Note 6.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**91,780,532**	**542,649,964**	**698,233,103**	**26,812,635**	**96,861,824**	**1,456,338,059**
Acquisitions	-	421,710	854,148	684,434	67,516,473	69,476,765
Transfers from CIP	-	27,889,297	27,265,592	3,914,960	(59,069,849)	-
Disposals	-	(50,449)	(100,513)	(220,398)	(6,068,720)	(6,440,080)
Transfers and reclassifications*	-	154,776	(382,500)	208,795	(470,939)	(489,868)
As of December 31, 2022	**91,780,532**	**571,065,298**	**725,869,830**	**31,400,426**	**98,768,789**	**1,518,884,876**
Additions	-	699,448	424,384	358,261	57,775,686	59,257,779
Transfers from CIP	-	9,656,741	28,299,275	5,015,489	(42,971,505)	-
Revaluation adjustment	(15,459,101)	(30,154,161)	(205,036,758)	6,020,003	-	(244,630,017)
Disposals	(46,177)	(803,904)	(1,406,857)	(1,071,538)	91,083	(3,237,393)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	(181,749,195)	(220,973,629)	(15,251,768)	-	(417,974,592)
Transfers and reclassifications*	9,903,032	(9,903,032)	-	(19,792)	109,316	89,524
As of December 31, 2023	**86,178,286**	**358,811,195**	**327,176,245**	**26,451,081**	**113,773,369**	**912,390,176**
Accumulated depreciation & Impairment						
As of January 1, 2022	**10,017,503**	**(109,167,409)**	**(62,863,488)**	**62,611**	**(32,742,925)**	**(194,693,707)**
Charge for the year	(1,422,768)	(44,098,090)	(81,649,013)	(10,031,828)	-	(137,201,699)
Accumulated depreciation of disposals	-	23,433	54,147	93,729	-	171,309
Impairment	-	(3,242,117)	(5,730,809)	(133,899)	544,582	(8,562,243)
As of December 31, 2022	**8,594,735**	**(156,484,183)**	**(150,189,163)**	**(10,009,387)**	**(32,198,343)**	**(340,286,340)**
Charge for the year	-	(37,141,762)	(77,664,022)	(6,110,743)	-	(120,916,527)
Accumulated depreciation of disposals	-	78,151	1,145,600	744,301	-	1,968,052
Impairment	-	3,203,864	5,733,956	124,061	(2,651,683)	6,410,198
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	181,749,195	220,973,629	15,251,768	-	417,974,592
Transfers and reclassifications*	(8,594,735)	8,594,735	-	-	-	-
As of December 31, 2023	**-**	**-**	**-**	**-**	**(34,850,026)**	**(34,850,026)**
Net book value as of December 31, 2022	**100,375,268**	**414,581,115**	**575,680,667**	**21,391,040**	**66,570,446**	**1,178,598,536**
Net book value as of December 31, 2023	**86,178,286**	**358,811,195**	**327,176,245**	**26,451,081**	**78,923,343**	**877,540,150**

*) *Includes, transfer from property, plant and equipment to inventories and intangibles and other adjustments in amount of USD 89 thousand (2022: USD 490 thousand).*

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON (supplementary info – see note 2(e))

	Land	Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost						
As of January 1, 2022	**412,626,916**	**2,439,645,708**	**3,139,116,384**	**120,544,244**	**435,471,388**	**6,547,404,640**
Acquisitions	-	1,895,924	3,840,079	3,077,078	303,540,559	312,353,640
Transfers from CIP	-	125,384,701	122,580,649	17,600,877	(265,566,227)	-
Disposals	-	(226,809)	(451,886)	(990,865)	(27,283,751)	(28,953,311)
Transfers and reclassifications*	-	695,842	(1,719,644)	938,701	(2,117,240)	(2,202,341)
As of December 31, 2022	**412,626,916**	**2,567,395,366**	**3,263,365,582**	**141,170,035**	**444,044,729**	**6,828,602,628**
Additions	-	3,144,578	1,907,946	1,610,670	259,747,929	266,411,123
Transfers from CIP	-	43,414,776	127,227,881	22,548,635	(193,191,292)	-
Revaluation adjustment	(69,501,026)	(135,567,077)	(921,804,257)	27,064,729	-	(1,099,807,631)
Disposals	(207,603)	(3,614,192)	(6,324,948)	(4,817,421)	409,491	(14,554,673)
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	(817,108,031)	(993,453,241)	(68,568,899)	-	(1,879,130,171)
Transfers and reclassifications*	44,522,051	(44,522,051)	-	(88,987)	491,463	402,476
As of December 31, 2023	**387,440,338**	**1,613,143,369**	**1,470,918,963**	**118,918,762**	**511,502,320**	**4,101,923,752**
Accumulated depreciation & Impairment						
As of January 1, 2022	**45,036,690**	**(490,794,837)**	**(282,621,669)**	**281,487**	**(147,205,642)**	**(875,303,971)**
Charge for the year	(6,396,480)	(198,256,193)	(367,077,633)	(45,101,092)	-	(616,831,398)
Accumulated depreciation of disposals	-	105,350	243,434	421,387	-	770,171
Impairment	-	(14,575,910)	(25,764,571)	(601,983)	2,448,332	(38,494,132)
As of December 31, 2022	**38,640,210**	**(703,521,590)**	**(675,220,439)**	**(45,000,201)**	**(144,757,310)**	**(1,529,859,330)**
Charge for the year	-	(166,981,934)	(349,161,910)	(27,472,678)	-	(543,616,522)
Accumulated depreciation of disposals	-	351,351	5,150,389	3,346,227	-	8,847,967
Impairment	-	14,403,932	25,778,719	557,753	(11,921,436)	28,818,968
Elimination of accumulated depreciation against the gross carrying amount of the revalued assets	-	817,108,031	993,453,241	68,568,899	-	1,879,130,171
Transfers and reclassifications*	(38,640,210)	38,640,210	-	-	-	-
As of December 31, 2023	**-**	**-**	**-**	**-**	**(156,678,746)**	**(156,678,746)**
Net book value as of December 31, 2022	**451,267,126**	**1,863,873,776**	**2,588,145,143**	**96,169,834**	**299,287,419**	**5,298,743,298**
Net book value as of December 31, 2023	**387,440,338**	**1,613,143,369**	**1,470,918,963**	**118,918,762**	**354,823,574**	**3,945,245,006**

**) Includes, transfer from property plant and equipment to inventories and intangible assets and other adjustments in amount of RON 402 thousand (2022: RON 2.2 million).*

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Construction in progress*

The below tables detail main significant acquisitions for construction in progress and main projects remaining in contraction in progress at year end for both 2023 and 2022:

Construction in progress as at 31 December 2023

Amount in USD	Additions during the year	Balance as at 31 December
Rompetrol Rafinare SA out of which:	**51,799,817**	**62,858,013**
Refinery MHC unit restart_Incident June 2023	19,734,879	19,734,879
Refinery Catalyst Replacement	7,026,122	10,403,693
Expire authorization ISCIR	5,606,881	5,591,770
Tank rehabilitation	4,207,137	964,479
Acquisition and install of 2 new Reactors -125-DHT	3,982,755	3,987,522
Replace subassembly of reformer heater 352-H201	3,407,551	3,407,551
Replace cut/drilling system DCU unit	263,675	1,130,713
Replacement of PEM strategic equipment (rotors)	166,197	4,499,611
Other projects	6,250,949	11,520,003
Vega projects	1,153,671	1,617,792
Rompetrol Downstream SRL out of which	**3,387,865**	**7,401,536**
Construction of new stations RBI, Cuves, Doex, STB, acquisition Fill & GO devices, capital maintenance, acquisitions of new equipment	2,755,017	6,124,823
Other projects	632,848	1,276,713
Romoil SA out of which	**2,275,266**	**4,654,316**
Modernization for administrative offices	2,275,266	4,654,316

Construction in progress as at 31 December 2022

Amounts in USD	Additions during the year	Balance as at 31 December
Rompetrol Rafinare SA out of which:	**54,272,670**	**44,502,407**
2022 PEM Refinery Shut Down	15,064,228	283,154
Expire authorization ISCIR 2021-2022	7,160,529	9,230,234
Refinery Catalyst Replacement	6,362,390	3,631,429
Tank rehabilitation	5,935,714	5,281,487
Refinery Restart - 2021 Incident	3,981,483	1,115,542
Planned revision Petrochemicals	3,532,982	-
Replaced LES (underground electrical) MIDIA	1,318,430	1,579,865
Replacement of electric equipment	1,224,365	103,936
Replacement static equipment Refinery and Petrochemicals	1,218,286	137,945
Replacement of PEM strategic equipment (rotors)	1,208,719	5,920,657
Mild Hydrocracking Unit Reliability	361,335	1,418,764
Refinery other projects	4,225,589	10,104,732
Replace heater in VD unit, Vega Platform	62,795	4,155,582
Vega Shut Down 2022	1,376,568	52,590
Vega other projects	1,239,256	1,486,488
Rompetrol Downstream SRL out of which	**4,759,866**	**10,570,995**
Construction of new stations RBI, Cuves, Doex, STB, acquisition Fill & GO devices, capital maintenance, acquisitions of new equipment	4,759,866	10,570,995
Romoil SA out of which	**1,769,228**	**8,270,490**
Compliance to OMAI firefighting	492,310	5,388,117
Other projects	1,276,918	2,882,373

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals*

In 2022, USD 6 million disposed assets are in respect of Rompetrol Downstream referring to IT and technological equipment for highway retail network development which were transferred to Rompetrol Development.

The transfer of USD 8.6 million between "Land" and "Buildings" categories refer to a land improvement.

- *Borrowing costs capitalized*

As of December 31, 2023, capital projects were financed from Groups' operating cash flow, therefore no borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets was capitalized during the period ended as of December 31, 2023 (2022: USD nil). The Group's borrowing funds are generally obtained for the business and are not used for the purpose of obtaining a qualifying asset, thus Management determined that no borrowing cost is considered eligible in 2023 and 2022 for capitalization by applying a capitalization rate to the expenditure on the asset.

- *Specific impairment*

In June 2023, an incident occurred affecting the Mild Hydrocracker (MHC) unit and based on a preliminary technical assessment specific impairment in amount of USD 7.4 million was recorded, reversed as part the revaluation exercise conducted as of 31 December 2023.

Rompetrol Rafinare SA has certain items of plant and equipment related to production lines that were no longer used for which an impairment provision in amount of USD 8 million was recognized as of 31 December 2022 that was fully reversed due to revaluation performed as of 31 December 2023.

The conversion project for HDPE unit, was temporary put on hold given the current economic environment and a technical assessment for its future use was performed in 2022. Following the assessment prepared it was concluded that a specific impairment is needed and recorded in amount of USD 5.4 million which is included in the total specific impairment adjustment of USD 8 million. The specific impairment was fully reversed due to revaluation performed as of 31 December 2023.

The Group performs an annual assessment for all entities, based on specific asset considerations, as applicable, to identify whether carrying amounts for property, plant and equipment differ significantly as compared to their fair value as of reporting date taking into consideration expectations on future market conditions. As differences were anticipated, the Group proceeded to perform a revaluation of property plan and equipment that also embedded an economic obsolescence test as detailed below in Note 5. Subsequently, impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2023 on the cash generating units ("CGUs") listed below in Note 6.

- *Revaluation of Property, plant and equipment*

Starting with the financial year ended December 31, 2021, the Group implements the voluntary change of the accounting policy regarding the measurement of equipment and land of the Group at fair value as the new method leads to obtaining more relevant and reliable information. Buildings are measured using revalued amount following the voluntary change of accounting as of 31 December 2017.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2023, a new revaluation process was conducted, the fair values for property, plant and equipment are based on valuations performed by PricewaterhouseCoopers Management Consultants S.R.L., an accredited independent appraiser with experience on similar valuation exercises. Fair value of the properties was determined using net replacement cost approach for majority of assets, but also the market approach was applied for a number of assets like land and residential buildings. The valuation of equipment was performed by the appraiser based on net replacement cost method and subsequently the items were tested for economic obsolescence. A net revaluation deficit of property plant and equipment of USD 17.88 million was recognized in OCI and a net revaluation loss of USD 227 million was recognized in profit or loss as of 31 December 2023.

The fair value measurement of property, plant and equipment is considered as Level 3 as valuation techniques use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Details about valuation techniques used and key inputs are detailed below.

Description of key inputs used for valuation used for Property, plant and equipment

Asset	Valuation technique	Significant unobservable input	Range (weighted average)
Petromidia Refinery	Net replacement cost	Projected crude oil processing capacity of the refinery	5,320K tons/year (110K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming “ISBL” costs – Inside Battery Limit and “overnight” costs (excluding off-site, financing or other costs);	35.7 USD/ton
Vega Refinery	Net replacement cost	Average processing capacity of the refinery	500K tons/year (11K bbl/day)
		The unit cost of an atmospheric distillation for a heavy crude oil refinery, assuming “ISBL” costs – Inside Battery Limit and “overnight” costs (excluding off-site, financing or other costs);	70 USD / ton
		The Nelson complexity factor	Vacuum distillation plant 2.0 n-Hexan 1.5 Rectification 1.0
Rompetrol Downstream	Net replacement cost	Tank - cost capacity method	18,499 USD – 30,719 USD
		Underground construction related to tank – cost capacity method	15,808 USD – 35,638 USD
		Pipelines and technological network – acquisition cost adjusted with CET index / inflation rate	899 USD/sqm – 1,565 USD/sqm
Rompetrol Gas	Net replacement cost	GPL and water tanks – cost capacity method	USD 174 thousand – USD 454 thousand
RomOil	Net replacement cost	Tank – cost capacity method	337 USD for tanks with capacity of 1,000 cubic meter – 952 USD for tanks with capacity of 5,000 cubic meter
		Special construction (i.e. platforms) – replacement cost estimated based on IROVAL catalogue	126 USD/sqm

Description of valuation techniques used for valuation of Property, plant and equipment

The fair value of the Group’s land was estimated using the market-based approach, the method of direct comparison. For the selection of comparable properties used in the application of the direct comparison method, the offers of similar properties were analyzed by in terms of differences and similarities compared to the lands subject to this valuation, such as category of land (i.e. industrial, agricultural, etc), location, size, surface.

The gross replacement cost for special buildings and constructions, for which technical information was available, was estimated on the basis of technical characteristics, using catalogs for appropriate construction costs and adjustments.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The gross replacement cost for railways, ramps, cooling towers and tanks were estimated on the basis of unit costs and volumes. Gross replacement cost for refinery specialized assets resulted from updating the acquisition value / revalued value with specific indices or the consumer price index. In case of gas stations, the gross replacement cost for each asset category was estimated based on the Group's recent work statements for each type of station expressed in USD and current offers of specialized suppliers, for different elements of the stations.

Physical impairment was estimated based on acquisition date and subsequent upgrades, the environment of use and the normal / technical operating times for each category of assets. Physical impairment was applied to gross replacement cost leading to net replacement cost.

As part of the revaluation process carried out as of December 31, 2023, an economic obsolescence test as performed for the revalued property, plant and equipment of the Group. The value in use was estimated based on the approved 5-year Business Plan (2024-2028) prepared by the Group's management. The results of the economic obsolescence test are incorporated in the revaluation exercise.

The economic obsolescence test covering Refinery and Petrochemicals CGUs had impact at the level of Rompetrol Rafinare leading to recognition of revaluation deficit and revaluation loss, while in case of the other entities from the group that represent Downstream CGU, it was concluded that the fair value estimated based on cost is below recoverable amount as determined through the economic obsolescence test.

Refining

Refining CGU includes the operations of Petromidia Refinery, Polypropylene Installations, Vega Refinery. The recoverable amount of Refining CGU unit has been determined based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a negative growth rate of 1.5% (2022: positive growth rate 2.1%). The capitalization rate used for residual values is 13.1% (2022: 10%).

Petrochemicals

Petrochemicals CGU includes the petrochemical business of the group, mainly Low Density Polyethylene Unit, which is included within the Rompetrol Rafinare, legal entity; the unit is involved in the production and distribution of olefins in Romania. The recoverable amount of Rompetrol Petrochemicals has been determined based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a negative growth rate of 1.5% (2022: positive growth rate 2.1%). The capitalization rate used for residual values is 13.1% (2022: 10%).

The key assumptions used in test of economic obsolescence for Rompetrol Rafinare, performed as part of the fair value assessment, are as following:

- Volumes;
- Contribution margin;
- Cost of capital;
- Perpetuity Growth rate
- New taxes.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Volumes

Over the projected period, the quantity of diesel is expected to weight on average 48% of total quantity of products sold by Petromidia Refinery, whereas the weight of gasoline is expected to remain constant at about 24% of total quantity of products sold. According to the new regulation, in 2024 diesel and gasoline products will incorporate biodiesel 6.8%, respectively 8% bioethanol for gasoline. Moreover, gasoline and diesel will contain a value of 0.2% starting with 2024 and will be increased to 1% starting with 2025 from the percentage of biocomponents. The decrease in production volume is determined by the general turnaround of Petromidia, planned for 2024 (approximately 55 days). The average full year crude run rate is envisaged at 15 k tons/day. The production yield of Petromidia Refinery is expected to reach 94.1% for 2024 and it is expected to remain relatively flat over the forecast period.

Contribution margin

The main assumptions incorporated within the Operating profit margin are the following: refinery Margin, demand and contribution on retail segments.

The approved business plan used by Management for the explicit period projects lower EBIT for the forecasting period as compared with previous impairment tests, reflecting in this way the worsening market assumptions (decrease in market refining margins, decrease in market demand) as per international market agencies.

In 2023, Refinery's actual EBIT were below projected in the business plans designed in the last two years, due to the volatility of international quotations for crude oil and refined products as well as the operation of Petromidia refinery without the MHC, following the technical incident occurred in June 2023.

Cracks of key products gasoline and diesel were assumed at the average of all main external forecasters such as, Wood Mackenzie, Platts and Kpler. However, the cracks of diesel are expected to be above the base case scenario of Kpler forecast, whereas quotations for gasoline are below the Kpler and Platts forecasts.

Brent quotation used in the business plan are as average between Kpler base case, Wood Mackenzie and Platts forecasts for the period 2024 – 2028.

Perpetuity Growth rate

The perpetuity growth rate (the period after the explicit forecast period) was estimated as the annual growth rate during 2028-2051 for market refinery margins estimated by Platts-PIRA and Wood Mackenzie available as at valuation date 31 December 2023. Considering the long-term perspective of the oil & gas sector as per the market reports provided by well-known research agencies related to the market refining margins / oil products demand, the long term growth rate was estimated at an annual negative average of 1.5%.

Cost of capital

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the industry. The weighted average cost of capital of 11.6% used reflects the capital recovery rates expected of shareholders and creditors, weighted according to their contribution to invested capital.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

New taxes

As per Law no 296/2023, the companies in the oil & gas sector with turnover of more than EUR 50m will have to pay an additional 0.5% turnover tax to the corporate income tax for 2024-2025 and the maximum value between 1% turnover tax and corporate income tax from 2026 onwards. The impact of the new revenue tax over the forecast period was considered in the analysis: the 5-year business plan cash-flows were adjusted considering the current fiscal environment. However, considering the early stage of the current legislation and the market uncertainty, Group Management assumed in the impairment assessment that no recovery for the first two years, followed by partial recovery (50% of the tax) starting 2026 through prices from final clients, while in perpetuity 90% of the new tax would be recovered through prices from final clients in case of Refinery CGU and 100% recovery for the Downstream CGU. This is considered as a reasonable assumption, given the following factors:

- the new tax applies to the entire Romanian market without incremental price regulations, allowing for a self-correction mechanism in the free market, particularly given the essential nature of the taxed product;
- market macroeconomic analysts are expecting that the new turnover tax will be incorporated in the product price leading to an increase in inflation;
- the business model allows for improving the operational efficiency through a proper restructuring process which will also lead to a better management of the tax base to mitigate these risks;
- the direct impact on fuel prices is relatively minor compared to other market factors, with potential for cost recovery through renegotiated contracts.

Other key considerations

It became a constant preoccupation for KMGI Group that it has to adapt its strategy to the rising climate change concern and energy transition effects. Global focus on climate change has created a risk environment very dynamic and volatile as a result of actions of various actors at global, local or business level. As a result of changing behavior of our clients to reduce emissions it might expect a decline in demand and a negative impact in fossil fuels prices with a potential negative effect on earnings or future investment. Physical effects of climate change might also affect operations.

Pressure of regulators both on climate and sustainability side has added on the need of urgent actions therefore a **Decarbonization Strategy** with clear directions has been developed in which we are seeking to find economically viable solutions to reduce emissions. A climate risk framework including policies and regulations, as well as inclusion of sustainability aspects in current risk management system are directions which KMGI Group wants to strengthen in the future.

The Group constantly monitors the latest government legislation in relation to climate-related matters. The Group will adjust the key assumptions used in fair value less cost of disposal calculations and sensitivity to changes in assumptions should a change be required.

The impact of decarbonization is reflected in the impairment test through the sensitivity analysis at the level of the worst-case scenario (potential higher impact due to decarbonization) where, it is considered a higher increase / decrease of the main factors which impact the fair value for Refinery through higher cost of capital and lower: volumes, contribution margin and perpetuity growth rate.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Sensitivity analysis

As part of the economic obsolescence test, a sensitivity analysis was performed for the value in use of the property, plant and equipment held by Rompetrol Rafinare to ascertain the critical (most sensitive) drivers which influence the fair value. As a result, it was considered an increase / decrease for each key value driver as presented in the table below:

Key drivers	Scenario	Key drivers variance (%)	Key drivers value (%)	VIU (k USD)	VIU variation (%)
Volumes	**Base case**	**0%**	**100.0%**	**535,403**	-
	Worst case	(2%)	98%	439,171	(9.4%)
	Best case	2%	102%	630,970	9.4%
Contribution margin	**Base case**	**0%**	**100.0%**	**535,403**	-
	Worst case	(2%)	98.0%	471,976	(6.2%)
	Best case	2%	102.0%	598,830	6.2%
New taxes	**Base case**	**0%**	**0%**	**535,403**	-
	Worst case	1%	100.0%	411,697	(23.1%)
	Best case	(1%)	10.0%	556,595	4.0%
Cost of capital	**Base case**	**0%**	**11.6%**	**535,403**	-
	Worst case	1%	12.6%	431,864	(10.2%)
	Best case	(1%)	10.6%	535,403	0.0%
Perpetuity growth rate	**Base case**	**0%**	**(1.5) %**	**535,403**	-
	Worst case	(1.5%)	(3.0) %	485,140	(4.9%)
	Best case	1.5%	0.0%	625,014	8.8%

Reconciliation of carrying amount					**mill USD**
	Land	**Buildings**	**Plant and equipment**	**Furniture and others**	**Total**
Carrying amount and fair value as at 31 December 2022	**100.38**	**414.58**	**575.68**	**21.39**	**1,112.03**
Gains from revaluation	3.58	68.58	26.04	11.31	**109.51**
Losses from revaluation	(19.04)	(98.73)	(231.07)	(5.29)	**(354.13)**
Depreciation for the year	(0.83)	(36.32)	(77.66)	(6.11)	**(120.92)**
Additions / Disposals / Impairment / Transfers and reclassifications	(0.05)	12.83	34.20	5.15	**52.13**
Carrying amount and fair value as at 31 December 2023	**84.04**	**360.95**	**327.18**	**26.45**	**798.62**

** Carrying amount does not include Construction in progress in amount of USD 78.9 million (2023: RON 354.8 million) related to 2023 (2022:USD 66.6 million; RON 229.28 million) .*

If property, plant and equipment would be measured using the cost model, carrying value would be higher as compared fair value measured through revaluation, therefore an impairment assessment would be required as of 31 December 2023.

- *Pledged property, plant and equipment*

As at December 31, 2023 the Group has pledged property, plant and equipment with a carrying value of USD 352.4 million (31 December 2022: USD 399.6 million) net, for securing banking facilities granted to Group entities.

In 2010, for Rompetrol Rafinare SA (the "Company") it was established by ANAF an asset freeze on all fixed assets and investments and on the equity as well as on the shares, amounting to RON 1,595,020,055 in favor of the Romanian state (represented by ANAF) – see details under Note 29 Distress assets – Hybrid Conversion. On these titles there was set up a rank 2 guarantee in favor of KMG International N.V.

5. PROPERTY, PLANT AND EQUIPMENT (continued)

On the guarantees in favor of ANAF, on 10 September 2010, ANAF has established an asset freeze on the investments held by the Company in its subsidiaries and on the movable and immovable assets of the Company, except inventories. The asset freeze is based on article 129 of the Fiscal Procedure Code and the main result is that the Company cannot sell / transfer the assets under freeze.

According with the Memorandum of Understanding signed with the Romanian State and approved by Government Decision no. 35/2014, ANAF should remove and revoke the asset freeze established on 10 September 2010.

On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (see Note 30 - Litigation with the State involving criminal charges - Case 225) and at that date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to asset freeze.

On 22 April 2019, DIICOT issued an ordinance whereby all participations held by the company to its subsidiaries, as well as part of the movable and immovable property of Rompetrol Rafinare S.A. were released from the criminal seizure. On 5 December 2019, DIICOT issued another Ordinance by which all criminal charges have been dismissed either on merits or because of passing the status of limitation period. As result, the seizure is lifted entirely but to protect the civil parties, namely Faber and State Authority which manages the State assets, seizure on assets is kept up to USD 106 m over four Rompetrol Rafinare S.A.' installations.

On 10 July 2020, the Supreme Court issued the final decision according to which all the complaints formulated against the dismissal ordinance issued on 5 December 2019, issued in file no. 225 / D / P / 2006 by PICCJ-DIICOT were rejected as inadmissible.

Considering the final decision issued by the Supreme Court, in 2020, Rompetrol Rafinare filled in a complaint against ANAF to release all precautionary measures imposed back in 2010, including the partial seizure on assets decided in 2019.

On 20 December 2021, a decision was issued in favor of the company by releasing the seizure. The decision was appealed by ANAF to the Supreme Court and on 22 June 2023, the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal. The next hearing was scheduled on 5 February 2024, when the Court admitted the claim and lifted the seizure to which ANAF made another appeal and the Court has to communicate next hearing to all parties.

6. IMPAIRMENT TEST

At the level of KMGI Group impairment test was performed as of 31 December 2023 and 2022. Management assessed the financial performance of the Refining, Downstream and Petrochemicals CGU and the future market conditions, including the acceleration of the pace of transition to a lower carbon economy and energy system, and concluded that indicators for impairment exist as of 31 December 2023.

Impairment tests have been performed by the Group for the carrying value of goodwill, property plant and equipment and right of use assets as of 31 December 2023 on the cash generating units ("CGUs") Refining, Petrochemicals and Downstream Romania. Based on the impairment tests performed, no impairment has been identified in addition to the effect of revaluation of property, plant and equipment already reflected in the carrying amounts as detailed at Note 5.

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil SA.

6. IMPAIRMENT TEST (continued)

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 11.6% (2022: 12.1%) and cash flows beyond the 5-year period are extrapolated using a 0.4% (2022: 2.1%) growth rate. The capitalization rate used for residual values is 11.2% (2022:10%).

The key assumptions used in the fair value less costs to sell calculations for the above-mentioned CGUs are:

- Volumes;
- Contribution margin;
- Cost of capital;
- Perpetuity Growth rate
- New taxes.

- Volumes

Total volumes of petroleum products, mainly for the retail segment are supported by the completion of 34 new stations in 2025. The retail segment share in total sold volume is estimated to grow from 54% in 2024 to 56% starting 2026, while the wholesale channel slightly reduces its share to 44%.

- Gross margin

Gross margins are considered based on unit margins assumed at the historical average 2020 – 2023 for retail and 2021 – 2023 for wholesale, normalized for second half of 2022 where abnormal deviation coming from price reduction of RON 0.5/Liter was imposed by the Romanian Government.

- Cost of capital

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the industry. The weighted average cost of capital of 11.6% used reflects the capital recovery rates expected of shareholders and creditors, weighted according to their contribution to invested capital.

- Perpetuity growth rate

The perpetuity growth rate (the period after the explicit forecast period) was estimated at 0.4% for the CGU Downstream, taking into account an annual average market demand decrease of 1.8% during 2029 – 2051, according to market studies (Wood Mackenzie, Platts as at December 2023).

- New taxes

The impact of the new revenue tax over the forecast period was considered in the analysis, thus the 5-year business plan cash-flows were adjusted considering the current fiscal environment. However, considering the early stage of the current legislation and the market uncertainty, it was assumed in the impairment test that no recovery will occur for the first two years, followed by partial recovery (50% of the tax) starting 2026 through prices from final clients, while in perpetuity 100% of the new tax would be recovered through prices from final clients.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

6. IMPAIRMENT TEST (continued)

Sensitivity analysis

Key drivers	Scenario	Key drivers variance (%)	Key drivers value (%)	FVLCOD (k USD)	FVLCOD variation (%)
Volumes	**Base case**	**0%**	**100.0%**	**483,609**	-
	Worst case	(2%)	98%	451,224	(6.7%)
	Best case	2%	102%	515,995	6.7%
Gross margin	**Base case**	**0%**	**100.0%**	**483,609**	-
	Worst case	(2%)	98.0%	438,911	(9.2%)
	Best case	2%	102.0%	528,308	9.2%
New taxes	**Base case**	**0%**	**50%**	**483,609**	-
	Worst case	50%	100%	348,495	(27.9%)
	Best case	(50%)	0%	504,731	4.4%
Cost of capital	**Base case**	**0%**	**11.6%**	**483,609**	-
	Worst case	1%	12.6%	442,459	(8.5%)
	Best case	(1%)	10.6%	532,311	10.1%
Perpetuity growth rate	**Base case**	**0%**	**0.4 %**	**483,609**	-
	Worst case	(1.5%)	(1.1) %	439,443	(9.1%)
	Best case	1.5%	1.9%	539,089	11.5%

7. RIGHT OF USE ASSETS

Amounts in USD

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**125,402,673**	**401,294**	**1,743,053**	**127,547,020**
Additions	22,472,286	-	192,457	22,664,743
Disposals	-	-	(61,853)	(61,853)
Reclassifications and other transfers	-	-	(2,894)	(2,894)
Re-measurement	420,812	190,574	-	611,386
As of December 31, 2022	**148,295,772**	**591,867**	**1,870,763**	**150,758,402**
Additions	144,578,004	-	48,402	144,626,406
Disposals	(34,034)	-	(29,288)	(63,322)
Re-measurement	1,665,264	23,491	159,540	1,848,295
As of December 31, 2023	**294,505,006**	**615,358**	**2,049,417**	**297,169,781**
Depreciation and Impairment:				
As of January 1, 2022	**(16,798,321)**	**(331,913)**	**(811,818)**	**(17,942,052)**
Depreciation	(7,520,619)	(122,413)	(468,395)	(8,111,427)
Accumulated depreciation of disposals	102	-	61,853	61,954
Reclassifications and other transfers	(535)	-	2,895	2,360
As of December 31, 2022	**(24,319,374)**	**(454,326)**	**(1,215,465)**	**(25,989,165)**
Depreciation	(11,361,004)	(114,203)	(413,657)	(11,888,864)
Accumulated depreciation of disposals	34,023	-	1,891	35,914
As of December 31, 2023	**(35,646,355)**	**(568,529)**	**(1,627,231)**	**(37,842,115)**
Net Book value at December 31, 2022	**123,976,398**	**137,541**	**655,298**	**124,769,238**
Net Book value at December 31, 2023	**258,858,651**	**46,829**	**422,186**	**259,327,666**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

7. RIGHT OF USE ASSETS (continued)

Amounts in RON (supplementary info – see note 2(e))

	Land, buildings and special constructions	Plant and equipment	Vehicles	Total
Cost:				
As of January 1, 2022	**563,785,337**	**1,804,138**	**7,836,418**	**573,425,893**
Additions	101,030,903	-	865,248	101,896,151
Disposals	-	-	(278,079)	(278,079)
Reclassifications and other transfers	-	-	(13,013)	(13,013)
Re-measurement	1,891,887	856,783	-	2,748,670
As of December 31, 2022	**666,708,127**	**2,660,921**	**8,410,574**	**677,779,622**
Additions	649,993,790	-	217,606	650,211,396
Disposals	(153,010)	-	(131,673)	(284,683)
Re-measurement	7,486,694	105,611	717,260	8,309,565
As of December 31, 2023	**1,324,035,601**	**2,766,532**	**9,213,767**	**1,336,015,900**
Depreciation and Impairment:				
As of January 1, 2022	**(75,521,892)**	**(1,492,214)**	**(3,649,771)**	**(80,663,877)**
Depreciation	(33,811,199)	(550,344)	(2,105,810)	(36,467,353)
Accumulated depreciation of disposals	459	-	278,079	278,538
Reclassifications and other transfers	(2,405)	-	13,015	10,610
As of December 31, 2022	**(109,335,037)**	**(2,042,558)**	**(5,464,487)**	**(116,842,082)**
Depreciation	(51,076,802)	(513,434)	(1,859,719)	(53,449,955)
Accumulated depreciation of disposals	152,956	-	8,502	161,458
As of December 31, 2023	**(160,258,883)**	**(2,555,992)**	**(7,315,704)**	**(170,130,579)**
Net Book value at December 31, 2022	**557,373,090**	**618,363**	**2,946,087**	**560,937,540**
Net Book value at December 31, 2023	**1,163,776,718**	**210,540**	**1,898,063**	**1,165,885,321**

Following a public auction initiated by the National Company for Road Infrastructure administration ("CNAIR"), whose winner was Rompetrol Downstream SRL, a service concession agreement was concluded between the two parties. The object of the contract is to build on the land plots, property of the CNAIR and operate 12 gas stations on A1 highway. Considering the agreement, Rompetrol Downstream SRL opened in 2023 10 stations on the A1 highway. The construction of the gas stations was further subcontracted to KMG Rompetrol Development, a subsidiary of KMG International Group. When gas stations will become operational, KMG Rompetrol Development will lease the gas stations to Rompetrol Downstream for a period of 18 years. During 2023 11 gas stations were opened and one gas stations was opened subsequently in February 2024. This is part of the framework agreement signed in 2019 between Rompetrol Downstream and KMG Rompetrol Development SRL which states that a number of 66 gas stations will be developed over a period of 5 years. Gas stations will be further operated by Rompetrol Downstream.

The A1 highway stations have been developed on a new concept which ensures a natural development of the "Hei" brand, by turning it into an umbrella brand and by creating three distinctive service lines - Hei & Gourmet for the assisted service for the restaurant food type, Hei & Go for the shop products and Hei & Coffee for coffee, pastry and sandwiches.

New similar gas stations are expected to be opened in the foreseeable future considering that a new service concession agreement was concluded between Rompetrol Downstream and CNAIR.

The Group recognized right of use assets for the following main categories of leases.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

7. RIGHT OF USE ASSETS (continued)

Land, buildings and special construction category includes mainly:

- Rent agreements for gas stations - in Rompetrol Downstream, in this category are included rent agreements for gas station buildings, land (on which the gas station is located) or rent for road utilization (for access to the gas station);
- Rental of administrative buildings;
- Rent for usage of maritime port - berths of Midia Port used by Rompetrol Rafinare;
- Depots rent – used for storage of petroleum products.

USD	Net book value at December 31, 2023	Net book value at December 31, 2022
Rent agreements for gas stations	245,473,872	111,048,874
Rental of administrative buildings	1,703,246	280,678
Rent for usage of maritime port	11,663,178	12,196,669
Depots rent	18,355	450,178
Total	**258,858,651**	**123,976,398**

Plant and equipment category includes mainly equipment for industrial water pumping stations.

Vehicles and other category includes mainly the agreements in relation the car fleet rental.

The right-of-use assets are also subject to impairment and assessed within the CGUs to which they belong. For details please refer to Note 6.

8. INVESTMENTS

Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at 31 December 2023 and 31 December 2022 are as follows:

Company name	Country of incorporation	Range of activity	Effective ownership 31 December 2023 %	Control 31 December 2023 %	Effective ownership 31 December 2022 %	Control 31 December 2022 %
Rompetrol Downstream SRL	Romania	Retail Trade of Fuels and Lubricants	100	100	100	100
Rom Oil SA	Romania	Wholesale of Fuels; fuel storage	100	100	100	100
Rompetrol Logistics SRL	Romania	Logistics operations	66.19	100	66.19	100
Rompetrol Petrochemicals SRL	Romania	Petrochemicals	100	100	100	100
Rompetrol Quality Control SRL	Romania	Quality Control Services	100	100	100	100
Rompetrol Gas SRL	Romania	LPG Sales	66.19	100	66.19	100

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and this percentage is used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

- *Disposals through sales of subsidiaries and liquidations*

During 2023 and 2022, there was no disposal of companies.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

9. INVENTORIES, NET

The inventories balance in 2023 and 2022 is provided below:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 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)	185,604,494	150,187,088	834,440,686	675,211,110
Petroleum and petrochemical products (at lower of cost and net realisable value)	143,938,958	120,884,520	647,120,767	543,472,625
Work in progress (at cost)	56,972,518	32,881,936	256,137,046	147,830,608
Spare parts (at cost less inventories write-down)	4,745,210	4,713,148	21,333,515	21,189,371
Consumables and other raw materials (at cost less inventories write-down)	5,432,882	5,320,012	24,425,151	23,917,710
Merchandises (at cost less inventories write-down)	18,180,089	17,512,960	81,734,044	78,734,766
Other inventories (at cost less inventories write-down)	1,796,907	2,370,394	8,078,534	10,656,817
	416,671,058	**333,870,058**	**1,873,269,743**	**1,501,013,007**

Movements in inventories reserve:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Reserve as of January 1	**(38,665,890)**	**(26,934,093)**	**(173,834,108)**	**(121,090,295)**
Accrued provision	(35,430,394)	(39,447,604)	(159,287,965)	(177,348,538)
Reversal of provision	37,601,733	27,715,807	169,049,871	124,604,725
Reserve as of Dec 31	**(36,494,551)**	**(38,665,890)**	**(164,072,202)**	**(173,834,108)**

The inventories provisions mainly represent the provision for net realizable value in relation to refineries and petrochemical plant inventories (such as petroleum and petrochemicals products from production and trading, raw materials).

The Group has pledged inventories in gross amount of USD 410 million (2022: USD 273 million) to secure banking facilities.

In accordance with the decree no. 1132/25.11.2021 and the approval proposal no. 258.237/08.12.2022 related to the Ordinance for the minimum mandatory crude oil and/or petroleum products stock of 519,860 TO was performed as of December 31, 2023.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 27.

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Trade receivables	215,398,520	245,406,406	968,388,666	1,103,298,111
Advances to suppliers	17,421,914	24,948,120	78,325,441	112,161,758
Sundry debtors	84,475,319	74,226,928	379,784,139	333,709,423
VAT to be recovered	81,942	101,922	368,395	458,221
Cash pooling receivables	296,644,802	267,473,915	1,333,655,701	1,202,509,227
Fuel subsidy	22,628,786	39,501,703	101,734,496	177,591,756
Other receivables	38,420,002	26,862,483	172,728,645	120,768,351
Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables	(44,911,098)	(36,144,539)	(201,911,314)	(162,498,618)
	630,160,187	**642,376,936**	**2,833,074,169**	**2,887,998,229**

Movement in the above provision is disclosed below and in Note 23.

Fuel subsidy in amount of USD 22.62 million is in relation to 0.25 RON/liter fuel subvention according to Government Emergency Ordinance OUG 106 that was applicable in 2021; the subsidy is to be offset with Rompetrol Downstream tax liabilities and the expected timeline for the offset is by the end of 2024.

Included in Sundry debtors as of December 31, 2023 is an amount of USD 5.6 million (2022: USD 5.4 million) for principal liabilities and related penalties paid to ANAF following General Tax Inspection Report covering 2011 - 2015 period; the amount is fully provided as at December 31, 2022. In 2023 the fiscal provision recognized in 2022 in amount of USD 5.4 million was reclassified to “Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables” from “Fiscal provision” under “Other provisions” category, following the fact that the amount in substance refers to a receivable for which a recovery from the fiscal authority is expected.

As of December 31, 2023, Rompetrol Rafinare SA offset the total amount of USD 3 million (RON 13.7 million) owed by Navodari City Hall through sundry debtors, resulting from a fiscal audit on local taxes regarding the revaluation of buildings for the year 2012. The amounts resulted from applying a higher local tax rate of 10% to certain buildings, leading to an additional tax assessment and penalties total of USD 4.5 million (RON 20.4 million). The Supreme Court ruled in July 2021 in favor of Rompetrol Rafinare SA, ordering Navodari City Hall to repay RON 13.7 million to the company. Rompetrol Rafinare SA executed the repayment through various set-off operations by the end of December 2023 (the balance as of December 2022 was USD 0.8 million).

At the end of 2022 another amount included in Sundry debtors refers to USD 2.56 million in respect of Omniasig Vienna Insurance for insurance claim following the 2nd of July 2021 incident. As December 31, 2023 the remaining amount to be collected is USD 0.06 million.

Also, included in Sundry debtors category is an amount of USD 64.1 million (2022: USD 62.2 million) relating to Rompetrol Petrochemicals SRL receivables against KMG International N.V. (“KMGI”) as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts (see Note 12). Following the contract agreement in place Rompetrol Petrochemicals SRL charges interest for late payment from KMGI. As of 31 December 2023, the interest receivable is in amount of USD 0.55 million, during 2023 the interest accrued and received was in amount of USD 6.2 million.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

Following the Supreme Court decision issued in June 2020, which admitted the Company's claim related to a number of 2,577,938 CO2 emission certificates for the entire period 2008 – 2012, this being part of the court case opened by the Company against the Romanian Government and the Ministry of Environment (Supreme Court decision 69/CA/2021 issued on 28 February 2011), the Company recorded as of 31 December 2020 a receivable in amount of EUR 36 million representing the countervalue of 2.577,938 CO2 emission rights. During December 2020 – May 2022 the Romanian Government and Ministry of Environment paid the entire amount as follows USD 7.5 million in 2020, USD 11 million in 2021 and USD 17.4 million in 2022. As of 31 December 2023 the entire amount was received.

In 2023, out of the total amount of USD 17.4 million (2022: 24.9 million) representing advances to suppliers, USD 13.9 million (2022: 20.5 million) are in respect of other raw materials, investment projects related to Rompetrol Rafinare and USD 2.6 million (2022: 2.1 million) are in respect of investment projects related to the construction of new stations, rebranding process, advance for utilities and petroleum product related to Rompetrol Downstream and USD 0.5 million related to Romoil.

Cash pooling receivables refers to: Rompetrol Downstream USD 173.7 million (2022: USD 84.7 million), Rompetrol Rafinare USD 45.8 million (2022: USD 84.8 million), Rompetrol Gas USD 47.8 million (2022: USD 74.5 million), Rompetrol Quality Control USD 1.7 million (2022: USD 3.1 million), Rompetrol Logistics USD 6.3 million (2022: USD 6.4 million) and Rompetrol Petrochemicals USD 21.5 million (2022: USD 14 million).

Also, in other receivables an amount of USD 24.73 million (2022: USD 14.36 million) refers to excise receivables in Rompetrol Rafinare.

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Sundry debtors	84,475,319	74,226,928	379,784,139	333,709,423
Other receivables	38,420,002	26,862,483	172,728,645	120,768,351
Provision for expected credit losses related to sundry debtors and other receivables	(7,968,192)	(2,317,828)	(35,823,398)	(10,420,491)

Out of the total amount of other receivables and sundry debtors of USD 122.9 million (2022: USD 101.1 million) an amount of USD 8 million (2022: USD 2.3 million) is provisioned.

No additional provision was considered in respect of Rompetrol Petrochemicals SRL receivables against KMGI as a result of Rompetrol Petrochemicals SRL assignment of receivables to KMGI starting with November 2017 for Rompetrol Rafinare SA debts.

The movement in the provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables is as follows:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Balance at the beginning of the year	**(36,144,539)**	**(40,343,673)**	**(162,498,618)**	**(181,377,085)**
Charge for the year	(2,649,824)	(2,399,026)	(11,913,079)	(10,785,541)
Utilised	172,032	33,621	773,421	151,153
Unused amounts reversed	795,849	1,387,519	3,577,978	6,238,008
Reclassification between categories trade and other receivables and other provisions	(5,424,701)	2,946,175	(24,388,371)	13,245,414
Exchange rate differences	(1,659,915)	2,230,844	(7,462,645)	10,029,434
Balance at the end of the year	**(44,911,098)**	**(36,144,539)**	**(201,911,314)**	**(162,498,618)**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

31 December 2023	Trade receivables						
USD	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.90%**	**0.75%**	**38.66%**	**28.95%**	**161.81%**	**70.99%**	
Estimated total gross carrying amount at default	144,493,851	20,092,666	560,527	1,500,114	249,918	48,501,444	**215,398,520**
Expected credit loss	1,304,982	150,772	216,708	434,342	404,396	34,431,706	**36,942,906**

31 December 2023	Trade receivables						
RON	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.90%**	**0.75%**	**38.66%**	**28.95%**	**161.81%**	**70.99%**	
Estimated total gross carrying amount at default	649,615,455	90,332,608	2,520,017	6,744,213	1,123,581	218,052,792	**968,388,666**
Expected credit loss	5,866,938	677,841	974,276	1,952,715	1,818,084	154,798,062	**166,087,916**

31 December 2022	Trade receivables						
USD	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	171,183,588	28,205,735	9,160,383	4,189,171	288,952	32,378,577	**245,406,406**
Expected credit loss	946,445	273,620	370,566	333,783	80,030	31,822,267	**33,826,711**

31 December 2022	Trade receivables						
RON	Days past due						
	Current	**<30 days**	**30-60 days**	**61-90 days**	**90-120 days**	**>120 days**	**Total**
Expected credit loss rate	**0.55%**	**0.97%**	**4.05%**	**7.97%**	**27.70%**	**98.28%**	
Estimated total gross carrying amount at default	769,607,175	126,807,343	41,183,250	18,833,675	1,299,070	145,567,598	**1,103,298,111**
Expected credit loss	4,255,027	1,230,141	1,665,991	1,500,622	359,799	143,066,547	**152,078,127**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

10. TRADE AND OTHER RECEIVABLES (continued)

As at 31 December 2023, trade receivables at initial value of USD 36.9 million (2022: USD 33.8 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	Individually impaired	Collectively impaired	Total
	USD	USD	USD
At 1 January 2022	**29,967,398**	**5,116,761**	**35,084,159**
Charge for the year	867,445	1,208,551	2,075,996
Utilised	3,451	(37,212)	(33,761)
Unused amounts reversed	(1,387,519)	-	(1,387,519)
Exchange rate differences	(1,337,211)	(574,952)	(1,912,163)
At 31 December 2022	**28,113,563**	**5,713,148**	**33,826,711**
Charge for the year	979,505	1,707,357	2,686,862
Utilised	2,950	(175,103)	(172,153)
Unused amounts reversed	(781,968)	(13,881)	(795,849)
Exchange rate differences	1,085,051	312,284	1,397,335
At 31 December 2023	**29,399,101**	**7,543,805**	**36,942,906**

(supplementary info – see Note 2(e))

	Individually impaired	Collectively impaired	Total
	RON	RON	RON
At 1 January 2022	**134,727,428**	**23,003,934**	**157,731,362**
Charge for the year	3,899,859	5,433,404	9,333,263
Utilised	15,515	(167,298)	(151,783)
Unused amounts reversed	(6,238,008)	-	(6,238,008)
Exchange rate differences	(6,011,835)	(2,584,871)	(8,596,706)
At 31 December 2022	**126,392,958**	**25,685,169**	**152,078,127**
Charge for the year	4,403,659	7,675,936	12,079,595
Utilised	13,263	(787,228)	(773,965)
Unused amounts reversed	(3,515,572)	(62,406)	(3,577,978)
Exchange rate differences	4,878,172	1,403,966	6,282,138
At 31 December 2023	**132,172,479**	**33,915,437**	**166,087,916**

Trade receivables totaling USD 123.4 million as at 31 December 2023 and USD 149 million as at 31 December 2022 are pledged to obtain credit facilities (see Notes 13 and 18).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

11. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Cash at bank	149,073,317	12,907,647	670,203,819	58,030,200
Cash on hand	4,909,759	3,919,676	22,073,295	17,622,079
Cash equivalents	1,972,124	145,892	8,866,275	655,901
	155,955,200	**16,973,215**	**701,143,389**	**76,308,180**

Cash equivalents represent mainly cheques and promissory notes in the course of being settled.

12. EQUITY

Shareholders' structure as at 31 December 2023 is as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,905,902,717
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,770,520,813
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	256,313,020
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	1,973,957
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	26,548,989
Total	**100%**	**2,655,920,573**	**881,102,250**	**3,961,259,496**

Shareholders' structure as at 31 December 2022 was as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
KMG International N.V.	48.11%	1,277,857,773	423,929,605	1,905,902,717
Romanian State represented by the Ministry of Energy	44.70%	1,187,087,758	393,816,632	1,770,520,813
Rompetrol Financial Group S.R.L.	6.47%	171,851,155	57,011,660	256,313,020
Rompetrol Well Services S.A.	0.05%	1,323,486	439,067	1,973,957
Others (not State or KMGI Group)	0.67%	17,800,400	5,905,287	26,548,989
Total	**100%**	**2,655,920,573**	**881,102,250**	**3,961,259,496**

Share premium and effect of transfers with equity holders

Share premium and effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at 30 September 2010 in favor of the Romanian State represented by the Ministry of Finance, based on the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect of transfer with equity holders reserve amounting USD 596.83 million and share premium of USD 74 million.

12. EQUITY (continued)

Hybrid Loan

In 2012, USD 800 million of the total outstanding balance of the loan payable to KMG International NV was converted into an unsecured hybrid loan, repayable after 51 years. During 2013, an additional USD 200 million were converted (USD 150 million related to Rompetrol Rafinare and USD 50 million to Rompetrol Downstream), the hybrid loan amounting to USD 1,000 million. The loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares at the option of the issuer. The interest rate for this loan is 15% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year;
- ✓ the company will be able to distribute dividends as per the Romanian law requirements.

In 2017, an additional USD 72.2 million related to Rompetrol Rafinare SA were converted to hybrid loan repayable after 51 years. As of 31 December 2017, the total value of the hybrid loan is amounting USD 1,072 million. The additional loan is subordinated to any present and future liability of the companies. At maturity the loan can be repaid in cash or fully or partially converted into shares. The interest rate for this loan is 2% of the aggregate amount of the company's annual EBIT (operational profit), and it is computed and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year;
- ✓ the company will be able to distribute dividends as per the Romanian law requirements.

Also, in 2017 management carried out an assessment on the potential hybrid loan interest liability and recorded an amount of USD 14.6 million, based on the projected profitability of the business for the upcoming period. This liability was updated in 2018 to USD 17 million and no change in the interest assessment resulted for 2019. On annual basis, a reassessment of the future interest is performed with direct impact in the current year result.

As of 31 December 2020, management carried out an assessment on the potential hybrid loan interest liability and it resulted that no interest payable should be recorded based on the projected profitability of the business by the end of the contractual period, considering the current accumulated accounting losses. As result of the assessment performed, the potential hybrid loan interest liability was reversed through 2020 result.

In May 2021, the parent company concluded addendums to the hybrid loan agreements stating that interest will be computed and becomes payable when:

- ✓ the company records net profit after tax in the year;
- ✓ the company will distribute dividends as per the Romanian law requirements.

Revaluation reserve

As of 31 December 2023, the balance of the revaluation reserves is affected by revaluation deficit of USD 17.8 million following the revaluation process carried out at the end of 2023 for property, plant and equipment. The above impact is partially offset by the transfer in retained earnings of the difference between depreciation based on revalued carrying amount and depreciation based on the initial cost of assets in the buildings category. The revaluation surplus included in the revaluation reserve is capitalized by the transfer in retained earnings as a result of the use of the asset or disposal. Thus, as of 31 December 2023, the revaluation surplus transferred to retained earnings was USD 33.7 million (2022: USD 49.8 million).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

13. LONG-TERM BORROWINGS FROM BANKS

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank	**265,900,000**	**-**	**1,195,433,220**	**-**
Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 23, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.				
Total	**265,900,000**	**-**	**1,195,433,220**	**-**

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
One year or less - principal	299,357	-	1,345,849	-
Between two and five years	265,900,000	-	1,195,433,220	-
Total	**266,199,357**	**-**	**1,196,779,069**	**-**

In April 2023 KMG International Group finalized the negotiation for refinancing the previous syndicated loan in total amount of USD 405 million. As a result of the negotiations, a new senior facilities agreement was signed with a total amount of USD 600 million. The facility consists of two parts as following: USD 265.9 million are committed over 3 years period with an option of adding another 2 years period, and USD 265.9 million as overdraft over one-year period, being an uncommitted facility. In addition, the senior facilities agreement includes an accordition clause of USD 68 million which, provided certain conditions are met such as pro forma compliance with a leverage test, lenders under the facilities agreement who wish to do so can lend additional debt or there are new lenders that want to join the consortium. As of December 31, 2023, the accordition clause is not used.

At the level of KMG International, loan covenants are tested every 6 months, at half-year and at year end. For both 2023 and 2022, the loan covenants were respected.

The loans bearing guarantees are secured with pledges on property plant and equipment of 352.4 million (31 December 2022: USD 399.6 million), inventories of USD 410 million (2022: USD 273 million) and trade receivables of USD: 123.4 million (2022: USD 149 million).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

14. OBLIGATIONS UNDER LEASE AGREEMENTS

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
As at 1 January	**125,006,748**	**111,916,989**	**562,005,338**	**503,156,399**
Additions	144,626,336	22,665,080	650,211,081	101,897,667
Re-measurement	1,848,295	611,388	8,309,565	2,748,678
Payments	(20,019,855)	(12,355,932)	(90,005,264)	(55,549,799)
Interest accrued	12,896,849	8,092,995	57,981,654	36,384,487
Exchange rate impact	6,046,720	(5,923,772)	27,184,844	(26,632,094)
Other changes	(27,398)	-	(123,176)	-
As at 31 December	**270,377,695**	**125,006,748**	**1,215,564,042**	**562,005,338**
Non-current	262,011,550	120,283,737	1,177,951,527	540,771,625
Current	8,366,145	4,723,011	37,612,515	21,233,713

As of 31 December 2023, the Group recognized leasing additions amounting to USD 144.6 million (2022: USD 22. 6 million) out of which the most significant relate to Rompetrol Downstream USD 92.9 million in 2023, mainly are related to service concession contracts concluded between Rompetrol Downstream and the National Company for Road Infrastructure Administration ("CNAIR").See also Note 7 for details related to Rompetrol Downstream additions.

The Group had total cash outflows for leases of USD 20 million in 2023 (of 12.3 million USD in 2022).

The following amounts were recognized in profit or loss:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Recognised in profit or loss	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Depreciation expense of right-of-use assets	11,888,864	8,111,426	53,449,955	36,467,349
Interest expense on lease liabilities	12,896,849	8,092,995	57,981,654	36,384,487
Variable lease payments (included in selling and distribution)	7,406,353	6,736,557	33,297,482	30,286,213
Total amount recognised in profit or loss	**32,192,066**	**22,940,978**	**144,729,091**	**103,138,049**

The Group has lease contracts for gas stations that contains a fixed payment plus a variable payment based on of petroleum quantities sold:

	December 31, 2023		December 31, 2022	
	Fixed payments	Variable payments	Fixed payments	Variable payments
Fixed rent	20,019,855	-	12,355,932	-
Variable rent with minimum payment	-	7,406,353	-	6,736,557
Total	**20,019,855**	**7,406,353**	**12,355,932**	**6,736,557**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax, net balances are presented in the statement of financial position as follows:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Deferred tax assets	(12,828,037)	-	(57,672,289)	-
Deferred tax liabilities	19,272,484	56,950,487	86,645,234	256,037,999
Deferred tax (asset) / liability, net	**6,444,447**	**56,950,487**	**28,972,945**	**256,037,999**

The deferred tax (assets) / liabilities are comprised of the tax effect of the temporary differences related to:

USD

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	452,881,112	(261,173,619)	(51,602,619)	140,104,874
Inventories	82,619	-	-	82,619
Provisions	(97,071,769)	(2,886,500)	-	(99,958,269)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**355,940,538**	**(264,060,119)**	**(51,602,619)**	**40,277,800**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	72,460,978	(41,787,779)	(8,256,419)	22,416,780
Inventories	13,219	-	-	13,219
Provisions	(15,531,483)	(461,840)	-	(15,993,323)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**56,950,487**	**(42,249,619)**	**(8,256,419)**	**6,444,447**

RON (supplementary info – see note 2(e))

2023	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	221,364	-	-	221,364
Property, plant and equipment	2,036,062,903	(1,174,184,356)	(231,995,055)	629,883,492
Inventories	371,439	-	-	371,439
Provisions	(436,415,254)	(12,977,127)	-	(449,392,381)
Other	(2,981)	-	-	(2,981)
Total temporary differences (asset)/liability	**1,600,237,471**	**(1,187,161,483)**	**(231,995,055)**	**181,080,933**
Deferred tax effect				
Intangible assets	35,418	-	-	35,418
Property, plant and equipment	325,770,069	(187,869,497)	(37,119,217)	100,781,355
Inventories	59,430	-	-	59,430
Provisions	(69,826,441)	(2,076,340)	-	(71,902,781)
Other	(477)	-	-	(477)
Deferred tax (asset)/liability recognized	**256,037,999**	**(189,945,837)**	**(37,119,217)**	**28,972,945**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The deferred tax (assets) / liabilities recognized at each company level is presented below:

USD

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare S.A.	44,119,040	(41,030,592)	(15,916,493)	(12,828,045)
Rompetrol Downstream S.R.L.	4,719,165	(605,678)	6,868,023	10,981,510
Rom Oil S.A.	5,981,412	(591,309)	500,814	5,890,917
Rompetrol Gas S.R.L.	739,413	(36,171)	246,983	950,225
Rompetrol Logistics S.R.L.	1,352,361	14,317	13,616	1,380,294
Rompetrol Quality Control S.R.L.	39,094	(186)	30,638	69,546
Deferred tax (asset)/liability recognized	**56,950,487**	**(42,249,619)**	**(8,256,419)**	**6,444,447**

RON (supplementary info - see Note 2(e))

Deferred tax (asset)/liability recognized	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Rompetrol Rafinare S.A.	198,350,380	(184,465,335)	(71,557,378)	(57,672,333)
Rompetrol Downstream S.R.L.	21,216,422	(2,723,007)	30,877,258	49,370,673
Rom Oil S.A.	26,891,235	(2,658,407)	2,251,560	26,484,388
Rompetrol Gas S.R.L.	3,324,255	(162,618)	1,110,386	4,272,023
Rompetrol Logistics S.R.L.	6,079,948	64,366	61,215	6,205,529
Rompetrol Quality Control S.R.L.	175,759	(836)	137,742	312,665
Deferred tax (asset)/liability recognized	**256,037,999**	**(189,945,837)**	**(37,119,217)**	**28,972,945**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

USD

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	49,238	-	-	49,238
Property, plant and equipment	525,512,357	(22,850,573)	(49,780,671)	452,881,112
Inventories	82,619	-	-	82,619
Provisions	(71,523,893)	(25,547,875)	-	(97,071,769)
Other	(663)	-	-	(663)
Total temporary differences (asset)/liability	**454,119,656**	**(48,398,448)**	**(49,780,671)**	**355,940,538**
Deferred tax effect				
Intangible assets	7,878	-	-	7,878
Property, plant and equipment	84,081,977	(3,656,092)	(7,964,907)	72,460,978
Inventories	13,219	-	-	13,219
Provisions	(11,443,823)	(4,087,660)	-	(15,531,483)
Other	(106)	-	-	(106)
Deferred tax (asset)/liability recognized	**72,659,146**	**(7,743,752)**	**(7,964,907)**	**56,950,487**

RON (supplementary info – see note 2(e))

2022	Opening balance	Charged / (Credited) to income	Charged / (Credited) to equity	Closing balance
Temporary differences				
Intangible assets	221,364	-	-	221,364
Property, plant and equipment	2,362,598,455	(102,731,606)	(223,803,941)	2,036,062,903
Inventories	371,439	-	-	371,439
Provisions	(321,557,118)	(114,858,136)	-	(436,415,254)
Other	(2,981)	-	-	(2,981)
Total temporary differences (asset)/liability	**2,041,631,159**	**(217,589,742)**	**(223,803,941)**	**1,600,237,471**
Deferred tax effect				
Intangible assets	35,418	-	-	35,418
Property, plant and equipment	378,015,752	(16,437,058)	(35,808,625)	325,770,069
Inventories	59,430	-	-	59,430
Provisions	(51,449,139)	(18,377,302)	-	(69,826,441)
Other	(477)	-	-	(477)
Deferred tax (asset)/liability recognized	**326,660,984**	**(34,814,360)**	**(35,808,625)**	**256,037,999**

As of 31 December 2023, the Group recognized deferred tax asset for the provision related to Vega and Vadu Environmental projects. The reassessment of the provisions as of 31 December 2023 (Note 19), lead to an increase of USD 0.5 million (2022 USD 4 million) in the related deferred tax asset. Also, an increase of USD 36 million of deferred tax asset was recognized for revaluation losses charged to P&L following the revaluation process concluded at the end of the year. The related deferred tax asset was recorded considering Management's assessment on the ability of the Group to generate taxable profits in the future.

The ability of the Group to obtain recovery of its deferred tax asset depends on the entities ability, to generate sufficient taxable income to cover the applicable tax losses available.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

15. DEFERRED TAX ASSETS AND LIABILITIES (continued)

The Group has USD 122.87 million (2022: USD 160.33 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2023 (2022: nil). Based on the available evidence, on the volatility of the market in which the Group operates and the current climate change, Group Management believes that a valuation allowance for deferred tax assets for fiscal losses carried forward is not necessary, because it is more likely that the deferred tax assets will be fully utilized against future taxable profits.

As of 31 December 2023, the Group has made an assessment of unrecognized deferred tax assets and such items are related to deductible temporary differences generated by retirement benefits and inventories allowance (NRV assessment) amounting USD 8.3 million (2022: 8.1 million).

See also Note 25 for details for the income tax rate and other related matters.

Deferred tax assets and liabilities cannot be offset between the companies from Romania.

16. TRADE AND OTHER PAYABLES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Trade payables	964,445,294	770,724,269	4,335,953,154	3,465,022,167
Excise taxes	698	417	3,138	1,875
Special fund tax for oil products	6,130,311	5,946,758	27,560,652	26,735,435
VAT payable	37,161,013	80,795,835	167,068,482	363,241,915
Other taxes payable	(3,403)	19,160	(15,299)	86,140
Employees and social obligations	11,466,191	15,125,388	51,549,701	68,000,719
Cash pooling payables	330,265,125	410,008,202	1,484,805,949	1,843,314,875
Other liabilities	12,388,160	12,690,541	55,694,690	57,054,134
Total	**1,361,853,389**	**1,295,310,569**	**6,122,620,467**	**5,823,457,260**

The Group entered into a cash pooling contract for optimizing cash, with KMG Rompetrol SRL (“Master Company”). The amounts in balance as of 31 December 2023 are for the following companies: Rompetrol Rafinare S.A. USD 314.4 million (2022: USD 365.4 million), Romoil USD 14.2 million (2022: USD 13.4 million) and Rompetrol Gas USD 1.7 million (2022: USD 31.2 million).

Also, in other liabilities are included short term guarantees in Rompetrol Downstream SRL, in amount of USD 6.68 million (2022: USD 5.51 million).

Trade payables line include payable in relation to KazMunayGas Trading AG in amount of USD 794.8 million as of 31 December 2023 (2022: USD 535 million) which represents the liability for the acquisition of crude oil. Acquisitions of crude oil are financed through a series of credit facilities obtained by KazMunayGas Trading AG from different financial institutions. According to the agreements, the liability is due in a period up to 720 days from withdrawn date and different interest rates are applied.

Further, according to the agreement concluded between Rompetrol Rafinare SA and KazMunayGas Trading AG, interest rate is calculated differently depending on the financing institution, as well as penalties in case payments are not made by Rompetrol Rafinare according to the agreed payments terms (Note 24).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

17. CONTRACT LIABILITIES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Short-term advances from wholesale customers	22,527,821	22,051,856	101,280,578	99,140,734
Short-term advances from other customers	45,881,624	12,705,053	206,274,605	57,119,377
Deferred revenues	7,962,682	7,157,244	35,798,626	32,177,538
Total short-term advances	**76,372,127**	**41,914,153**	**343,353,809**	**188,437,649**

Contract liability relates to payments received in advance of performance under the contract. Contract liabilities are recognized as revenue as (or when) the Group performs under the contract.

The disclosed amounts refer to advances from customers is in respect of petroleum products sales and excises. As of December 31, 2023 the main increase of Short-term advances from other customers as compared with last year refers to advances for petroleum products in relation to KazMunayGas Trading AG by USD 22.8 million and Rompetrol Moldova by USD 11.4 million.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

18. SHORT-TERM BORROWINGS FROM BANKS

DEBT SHORT-TERM	**December 31, 2023 USD**	**December 31, 2022 USD**	**December 31, 2023 RON**	**December 31, 2022 RON** *(supplementary info – see Note 2(e))*
Banca Transilvania Rompetrol Rafinare S.A.: Two revolving credit ceiling on short term credit facility, one up to EUR 30 million and the second up to EUR 27.96 million, for issue of letters of credit and letters of guarantee. Maturity date is July 28, 2024. Drawings in USD/EUR/RON.	34,559,797	36,181,181	155,373,935	162,663,353
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	112,395,000
Unicredit Bank, ING Bank, BCR, Raiffeisen Bank Rompetrol Downstream: General corporate purposes and working capital facility of USD 405,000,000. The facility consists of three parts: (I) USD 240 million committed line and the maturity date is April 23, 2023, (II) USD 75 million revolving facility with maturity April 23, 2023 and (III) USD 90 million uncommitted with the maturity date for BCR, ING Bank and Raiffeisen Bank is April 23, 2023. The facility is secured by: inventories, receivables, depots, current accounts. The facility was refinanced by the new loan agreement signed on April 13, 2023.	-	25,000,000	-	112,395,000
BCR, ING Bank, Raiffeisen Bank, UniCredit Bank, Alpha Bank, Garanti Bank and OTP Bank Rompetrol Rafinare: General corporate purposes and working capital facility of USD 531,800,000 with possibility to increase up to USD 600,000,000 considering an accordion clause of USD 68,200,000. The facility consists of two parts: (I) USD 265,9 million committed line and the maturity date is April 23, 2026 with an option of adding another 2 years until 2028 and (II) USD 265,9 million uncommitted line for a period of 1 year, with yearly possibility of prolongation. The facility is secured by: inventories, receivables, depots, gas stations and current accounts.	7,997,432	-	35,954,855	-
Accrued interest	-	29,737	-	133,692
Current portion of long-term debt	299,357	-	1,345,849	-
	42,856,586	**86,210,918**	**192,674,639**	**387,587,045**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

At the level of KMG International NV, loan covenants are tested every 6 months, at half-year and at year end. For both 2023 and 2022, the loan covenants were respected (Note 13).

The loans bearing guarantees are secured with pledges on property plant and equipment of 352.4 million (31 December 2022: USD 399.6 million), inventories of USD 410 million (2022: USD 273 million) and trade receivables of USD: 123.4 million (2022: USD 149 million).

The movement in loans is presented below:

USD	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**December 31, 2023**
Long-term borrowings from banks (Note 13)	-	306,770,363	(40,870,363)	-	-	265,900,000
Short-term borrowings from banks	86,181,181	318,263,981	(362,254,496)	-	366,563	42,557,229
Interest Long-term borrowings banks (Note 13)	-	-	(14,591,803)	14,591,803	-	-
Interest Short-term borrowings from banks	29,737	-	(5,359,390)	5,629,010	-	299,357
Total	**86,210,918**	**625,034,344**	**(423,076,052)**	**20,220,813**	**366,563**	**308,756,586**

RON (supplementary info – see Note 2(e))	**At 1 January 2023**	**Drawings**	**Repayment**	**Interest accrual**	**Exchange rate impact**	**December 31, 2023**
Long-term borrowings from banks (Note 13)	-	1,379,178,198	(183,744,978)	-	-	1,195,433,220
Short-term borrowings from banks	387,453,353	1,430,851,206	(1,628,623,763)	-	1,647,994	191,328,790
Interest Long-term borrowings banks (Note13)	-	-	(65,601,828)	65,601,828	-	-
Interest Short-term borrowings from banks	133,692	-	(24,094,746)	25,306,903	-	1,345,849
Total	**387,587,045**	**2,810,029,404**	**(1,902,065,315)**	**90,908,731**	**1,647,994**	**1,388,107,859**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

18. SHORT-TERM BORROWINGS FROM BANKS (continued)

USD	At 1 January 2022	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2022
Long-term borrowings from banks	191,729,052	48,270,948	-	-	(240,000,000)	-	-
Short-term borrowings from banks	42,372,534	280,123,646	(475,609,147)	-	240,000,000	(705,851)	86,181,181
Interest Short-term borrowings from banks	49,261	-	(11,211,633)	11,192,110	-	-	29,737
Total	**234,150,846**	**328,394,594**	**(486,820,781)**	**11,192,110**	**-**	**(705,851)**	**86,210,918**

RON (supplementary info – see Note 2(e))	At 1 January 2022	Drawings	Repayment	Interest accrual	Reclassification between LT and ST	Exchange rate impact	At 31 December 2022
Long-term borrowings from banks	861,975,472	217,016,528	-	-	(1,078,992,000)	-	-
Short-term borrowings from banks	190,498,438	1,259,379,883	(2,138,243,603)	-	1,078,992,000	(3,173,365)	387,453,353
Interest Short-term borrowings from banks	221,468	-	(50,405,264)	50,317,488	-	-	133,692
Total	**1,052,695,378**	**1,476,396,411**	**(2,188,648,867)**	**50,317,488**	**-**	**(3,173,365)**	**387,587,045**

During 2023, the Group reimbursed in full the previous syndicated loan and entered into a new senior facilities agreement obtained at KMG International Group level (detailed also in note 13). Under the terms of the new contract, KMG International Group secured up USD 600 million revolving facility, comprising two components out of which: USD 265.9 million are committed over 3 years period with an option of adding another 2 years period (extended maturity by April 2028), and USD 265.9 million as overdraft over one-year period, being an uncommitted facility (maturity by April 2024).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

19. PROVISIONS

Provisions comprise the following:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Non-current provisions	116,060,824	115,340,643	521,786,253	518,548,463
Total Provisions	**116,060,824**	**115,340,643**	**521,786,253**	**518,548,463**

The movement in provisions is presented below:

USD	At 1 January 2023	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2023
Provision for retirement benefit	11,983,718	2,164,198	2,253,128	(1,279,460)	-	-	15,121,584
Environmental provisions	97,141,972	-	1,367,789	(455,867)	1,974,581	-	100,028,475
Other provisions	6,214,953	-	120,513	-	-	(5,424,701)	910,765
Total	**115,340,643**	**2,164,198**	**3,741,430**	**(1,735,327)**	**1,974,581**	**(5,424,701)**	**116,060,824**

	At 1 January 2023	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2023
RON (supplementary info – see Note 2(e))							
Provision for retirement benefit	53,876,400	9,729,801	10,129,614	(5,752,196)	-	-	67,983,619
Environmental provisions	436,730,877	-	6,149,306	(2,049,487)	8,877,321	-	449,708,017
Other provisions	27,941,186	-	541,802	-	-	(24,388,371)	4,094,617
Total	**518,548,463**	**9,729,801**	**16,820,722**	**(7,801,683)**	**8,877,321**	**(24,388,371)**	**521,786,253**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

19. PROVISIONS (continued)

USD	At 1 January 2022	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2022
Provision for retirement benefit	12,568,630	(1,659,340)	1,720,667	(646,239)	-	-	11,983,718
Environmental provisions	71,594,097	-	37,530,618	(10,880,185)	(1,102,558)	-	97,141,972
Other provisions	443,486	-	2,825,292	-	-	2,946,175	6,214,953
Total	**84,606,213**	**(1,659,340)**	**42,076,578**	**(11,526,425)**	**(1,102,558)**	**2,946,175**	**115,340,643**

	At 1 January 2022	Charged to equity	Arising during the year	Utilized	Unwinding of discount	Reclassification between balance sheet items	At 31 December 2022
RON (supplementary info – see Note 2(e))							
Provision for retirement benefit	56,506,047	(7,460,061)	7,735,775	(2,905,361)	-	-	53,876,400
Environmental provisions	321,872,741	-	168,730,152	(48,915,136)	(4,956,880)	-	436,730,877
Other provisions	1,993,824	-	12,701,948	-	-	13,245,414	27,941,186
Total	**380,372,612**	**(7,460,061)**	**189,167,875**	**(51,820,497)**	**(4,956,880)**	**13,245,414**	**518,548,463**

Environmental provision

Vega lagoons

As of 31 December 2023, the Group recognized an environmental provision of USD 94.32 million (2022: USD 92.11 million) based on reassessment of the site restoration provision. Reassessment was performed considering the following change in assumptions as compared with previous period:

- updated prices for rehabilitation work related to lagoons 16, 19 - 20, 7 - 12, 13 - 15 considering the evolution of prices for additives and fuel, also the increase of the minimum gross salary. The updated prices use as reference basis last offers available aligned with a benchmark review from an independent specialist; Moreover, tariffs are indexed on an annual basis with a market factor increase, representing the forecasted inflation rate as per Romanian National Statistics Institute for the period 2024 – 2027;
- Quantities of acid tars and contaminated soil used for the estimation of costs are the quantities as per Environmental Permit issued on 14 Jan 2021 to which an increase of 30% was considered given that according to the Environmental Permit, volumes after treatment can be higher with 30%;
- updated contingency considering an additional increase in quantities of contaminated soil, from 40% as per previous assessment to 50% and in addition, potential effect of the recent developments of the infringement procedure against Romania in respect of non-compliance with European environmental obligations for deposit of waste;
- updated variable indicators over the project timeline (i.e. exchange rate, discount rate, inflation rate) as following: exchange rate changed from 4.6346 RON/USD to 4.4958 RON/USD, decreased discount rate from 7.17% used for the provision assessment as of 31 December 2022 to 6.19% as of 31 December 2023 and updated inflation rate prevision as per Romanian National Institute of Statistics;
- extended timeline for the rehabilitation plan until the end of 2027.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

19. PROVISIONS (continued)

The results of the reassessment lead to a net increase of provision by USD 2.2 million (2022: USD 25.55 million increase), being mainly triggered by updated computation due to change in assumptions and foreign exchange effect of USD 4.52 million offset by unwinding of discount effect of USD 2.32 million (2022: USD 1.1 million).

Vadu cassettes

In 2023, testing of the technical solution was conducted to facilitate the preparation of documentation required for environmental compliance. Subsequently, the initiation of contracting and development of the technical project commenced. The deadline set by the competent authority for the submission of the technical project is by the end of May 2024.

During the previous period, the Group conducted due diligence procedures according to Law 74/2019 for the biological waste storage area resulting from IAZ no.1 ("Vadu cassettes"), a process ongoing in compliance with EPA Constanta. A detailed investigation report was submitted to environmental authorities, and a feasibility study completed, paving the way for forthcoming remedial actions. Management determined a constructive obligation for parent company rehabilitation of the cassettes, prompting an assessment as of December 31, 2021, resulting in a provision computation.

As at 31 December 2023, considering the information available, the provision was updated to USD 5.6 million (2022: USD 4.9 million).

Retirement benefit provision

Under the collective labor agreements that certain of the Group's entities have in force, employees are entitled to specific retirement benefits that are payable upon retirement, if the employees are employed with Group entities at the date of their retirement. The level of benefits provided depends on the member's length of service, the employees is entitled to a fix amount per each year of service. A corresponding provision has been recognized based on: the specific benefits provided in the updated Collective Labor Agreement signed in 2022; the number of employees working within the relevant Group entities; and actuarial assumptions on future liabilities. For the computation an actuarial valuation is involved making various assumptions that may differ from actual developments in the future. Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 6.9% (2022: 8.8%) for Romanian subsidiaries with an expected rate of long-term salary increase 3.8% (2022: 4.4%). Also, attrition rate was considered calculated on each company as average number of employees leaving the company in the last 3 years divided by opening number of staff. Retirement age for men 65 years old and for women 63 years old.

Amounts recognized in the salaries, interest expenses in respect of this obligation are as follows:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Interest on obligation	1,047,304	601,408	4,708,469	2,703,810
Service cost	1,205,824	1,119,259	5,421,144	5,031,965
Costs related to benefits granted	(1,279,460)	(646,239)	(5,752,196)	(2,905,361)
Total	**973,668**	**1,074,428**	**4,377,417**	**4,830,414**

19. PROVISIONS (continued)

The amounts included in the statement of financial position arising from the retirement benefit obligation are as follows:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Opening balance	**11,983,718**	**12,568,630**	**53,876,400**	**56,506,047**
Amounts recognized in income statement	973,668	1,074,428	4,377,417	4,830,413
Actuarial losses / (gains) recorded in the year (amounts recognized in "Other comprehensive income")	2,164,198	(1,659,340)	9,729,802	(7,460,061)
Closing balance	**15,121,584**	**11,983,718**	**67,983,619**	**53,876,400**

Actuarial losses refer to change in assumption in amount of USD 2.2 million (2022: gain of USD 1.6 million) (using a discount rate of 6.9% (2022: 8.8%), with an expected rate of long-term salary increase of 3.8% (2022: 4.4%)), the charge for the year is included in the staff costs in the income statement for 2023, amounting to USD 1 million (2022: USD 1 million).

It is estimated that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2024.

A quantitative sensitivity analysis for significant assumptions as of December, is shown below:

	Impact on defined benefit obligation	
	2023	2022
	USD million	USD million
Discount rate assumptions:		
1% increase	(2.21)	(1.01)
1% decrease	0.51	1.14

	2023	2022
	USD million	USD million
Salary sensitivity assumption:		
1% increase	0.59	1.22
1% decrease	(2.29)	(1.08)

	2023	2022
	USD million	USD million
Longevity sensitivity assumption:		
1% increase	0.86	0.08

The other variables (exchange rate, mortality rate and turnover) had no significant impact in 2023.

Other provisions

In 2022, other provisions in amount of USD 6.21 million (2021: USD 0.4 million) refers mainly to the provision recorded in relation to the litigation with the National Agency for Tax Administration (“ANAF”), in amount of USD 5.4 million out of which additional charge recorded during 2022 is of USD 2.5 million (Note 30). In 2023 the ANAF provision was reclassified to “Provision for expected credit losses related to trade receivables and provision for sundry debtors and other receivables”.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

20. REVENUES FROM CONTRACTS WITH CUSTOMERS

2023

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	4,515,685,394	-	-	393,940,769	4,909,626,163
Less sales taxes from petroleum products production	(909,188,775)	-	-	866,274,059	(42,914,716)
Net revenues from petroleum products production	**3,606,496,619**	**-**	**-**	**1,260,214,828**	**4,866,711,447**
Gross revenues from petroleum products trading	-	-	3,219,440,480	(3,163,581,863)	55,858,617
Less sales taxes petroleum products trading	-	-	(873,217,378)	1,745,711	(871,471,667)
Less commercial discounts petroleum products trading	-	-	(207,604,720)	2,532,596	(205,072,124)
Net revenues from petroleum products trading	**-**	**-**	**2,138,618,382**	**(3,159,303,556)**	**(1,020,685,174)**
Revenues from petrochemicals production	-	124,438,889	-	-	124,438,889
Revenues from petrochemicals trading	-	10,345	-	-	10,345
Revenues from merchandise sales	438,551	-	214,886,243	(435)	215,324,359
Revenues from utilities sold	6,049,442	-	-	(189,364)	5,860,078
Revenues from transportation fees	-	-	3,537,474	-	3,537,474
Revenues from rents and other services	3,827,602	-	23,686,432	(11,942,970)	15,571,064
Total Net Revenues	**3,616,812,214**	**124,449,234**	**2,380,728,531**	**(1,911,221,497)**	**4,210,768,482**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	20,301,618,395	-	-	1,771,078,909	22,072,697,304
Less sales taxes from petroleum products production	(4,087,530,895)	-	-	3,894,594,914	(192,935,981)
Net revenues from petroleum products production	**16,214,087,500**	**-**	**-**	**5,665,673,823**	**21,879,761,323**
Gross revenues from petroleum products trading	-	-	14,473,960,509	(14,222,831,338)	251,129,171
Less sales taxes petroleum products trading	-	-	(3,925,810,688)	7,848,368	(3,917,962,320)
Less commercial discounts petroleum products trading	-	-	(933,349,300)	11,386,045	(921,963,255)
Net revenues from petroleum products trading	**-**	**-**	**9,614,800,521**	**(14,203,596,925)**	**(4,588,796,404)**
Revenues from petrochemicals production	-	559,452,357	-	-	559,452,357
Revenues from petrochemicals trading	-	46,509	-	-	46,509
Revenues from merchandise sales	1,971,638	-	966,085,571	(1,956)	968,055,253
Revenues from utilities sold	27,197,081	-	-	(851,343)	26,345,738
Revenues from transportation fees	-	-	15,903,776	-	15,903,776
Revenues from rents and other services	17,208,133	-	106,489,461	(53,693,205)	70,004,389
Total Net Revenues	**16,260,464,352**	**559,498,866**	**10,703,279,329**	**(8,592,469,606)**	**18,930,772,941**

In 2023 the decrease of revenues compared with 2022 was triggered by the decrease with 18% 2023 vs 2022 in international market quotations of crude oil (Dated Brent) and refined products (Gasoline decreased by 14% and Diesel decreased by 21% in 2023 vs 2022).

There is no significant time difference between payment and transfer of control over goods and/or services.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

20. REVENUES FROM CONTRACTS WITH CUSTOMERS (continued)

2022

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	5,575,468,072	-	-	471,923,513	6,047,391,585
Less sales taxes from petroleum products production	(918,154,681)	-	-	879,296,963	(38,857,719)
Net revenues from petroleum products production	**4,657,313,391**	**-**	**-**	**1,351,220,475**	**6,008,533,866**
Gross revenues from petroleum products trading	-	-	3,766,699,995	(3,642,810,358)	123,889,636
Less sales taxes petroleum products trading	-	-	(916,352,459)	2,685,053	(913,667,405)
Less commercial discounts petroleum products trading	-	-	(262,264,160)	4,080,005	(258,184,155)
Net revenues from petroleum products trading	**-**	**-**	**2,588,083,376**	**(3,636,045,300)**	**(1,047,961,924)**
Revenues from petrochemicals production	-	201,864,251	-	-	201,864,251
Revenues from petrochemicals trading	-	384,292	-	-	384,292
Revenues from merchandise sales	9,258,548	-	168,491,817	(212)	177,750,153
Revenues from utilities sold	3,674,582	-	-	(167,685)	3,506,897
Revenues from transportation fees	-	-	2,792,384	-	2,792,384
Revenues from rents and other services	3,683,661	-	20,890,228	(10,115,553)	14,458,336
Total Net Revenues	**4,673,930,182**	**202,248,543**	**2,780,257,804**	**(2,295,108,275)**	**5,361,328,254**

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Gross revenues from petroleum products production	25,066,189,358	-	-	2,121,673,730	27,187,863,088
Less sales taxes from petroleum products production	(4,127,839,815)	-	-	3,953,143,286	(174,696,529)
Net revenues from petroleum products production	**20,938,349,543**	**-**	**-**	**6,074,817,016**	**27,013,166,559**
Gross revenues from petroleum products trading	-	-	16,934,329,833	(16,377,346,812)	556,983,021
Less sales taxes petroleum products trading	-	-	(4,119,737,385)	12,071,461	(4,107,665,924)
Less commercial discounts petroleum products trading	-	-	(1,179,087,211)	18,342,886	(1,160,744,325)
Net revenues from petroleum products trading	**-**	**-**	**11,635,505,237**	**(16,346,932,465)**	**(4,711,427,228)**
Revenues from petrochemicals production	-	907,541,300	-	-	907,541,300
Revenues from petrochemicals trading	-	1,727,700	-	-	1,727,700
Revenues from merchandise sales	41,624,580	-	757,505,511	(953)	799,129,138
Revenues from utilities sold	16,520,186	-	-	(753,878)	15,766,308
Revenues from transportation fees	-	-	12,554,000	-	12,554,000
Revenues from rents and other services	16,561,003	-	93,918,287	(45,477,503)	65,001,787
Total Net Revenues	**21,013,055,312**	**909,269,000**	**12,499,483,035**	**(10,318,347,783)**	**24,103,459,564**

There is no significant time difference between payment and transfer of control over goods and/or services.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

21. COST OF SALES

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Crude oil and other raw materials	3,261,802,739	3,854,640,647	14,664,412,755	17,329,693,423
Consumables and other materials	13,064,331	13,923,253	58,734,619	62,596,161
Utilities	196,306,912	209,801,063	882,556,615	943,223,619
Staff costs	47,344,079	37,716,924	212,849,510	169,567,747
Transportation	214,006	205,220	962,128	922,628
Maintenance and repairs	32,286,433	29,994,703	145,153,345	134,850,186
Insurance	2,693,333	2,241,457	12,108,687	10,077,142
Environmental expenses	10,764,755	21,994,480	48,396,186	98,882,783
Other	11,117,874	10,645,289	49,983,738	47,859,090
Total	**3,575,594,462**	**4,181,163,036**	**16,075,157,583**	**18,797,672,779**
Depreciation and amortization	85,375,426	98,192,491	383,830,840	441,453,801
Total	**3,660,969,888**	**4,279,355,528**	**16,458,988,423**	**19,239,126,580**
Plus: Change in inventories	(34,103,622)	6,100,277	(153,323,064)	27,425,625
Less: Own production of property, plant & equipment	(821,184)	(2,975,637)	(3,691,879)	(13,377,869)
Cost of petroleum products trading	49,798,631	115,310,858	223,884,685	518,414,555
Cost of petrochemicals trading	9,329	369,133	41,941	1,659,548
Cost of merchandise sold	173,322,824	146,620,247	779,224,752	659,175,306
Cost of utilities resold	4,015,199	2,560,826	18,051,532	11,512,962
Realized (gains)/losses on derivatives	(141,799)	262,933,391	(637,500)	1,182,095,939
Total	**3,853,049,266**	**4,810,274,622**	**17,322,538,890**	**21,626,032,646**

In 2023 crude oil costs are lower compared with prior year given the following:

- decrease of crude oil quotations by 18% for Brent and 15% for CPC, decrease which was attributed to the correction in the oil market from the peak reached in March 2022, a level not seen since 2008.
- total throughput for Petromidia refinery was 5.012 million tons, lower by 5% as compared with the same period from last year. The decrease was affected by operation of Petromidia refinery without the Mild Hydrocraking unit (MHC), due to a technical incident that occurred on 21st of June 2023. The new production flow led also to lower costs with utilities and chemicals.

In terms of staff costs the main deviation in 2023 against 2022 was impacted by collective salary increase as per union negotiation starting with the second quarter of 2023.

The decrease in depreciation compared to the prior year can be attributed to certain portions of our property, plant, and equipment reaching the end of their useful lives. Following the revaluation process conducted in 2023, the useful life of assets was revised, particularly in cases where technological equipment will be further utilized.

In 2023 Cost of petroleum products trading was lower as compared with 2022 due to lower purchases by USD 36 million made by Rompetrol Downstream and by USD 29 million in relation to Rompetrol Gas.

Higher cost of merchandise in 2023 mainly for Rompetrol Downstream SRL by USD 36 million against prior year, in respect of dry channel acquisitions following the increase in the number of CODO stations by 11 stations, of which 10 stations are on the A1, stations with significant Dry sales.

Rompetrol Rafinare has the obligation to comply with the CO2 emission rights quota. Thus, Refinery CO2 emissions are offset with EUA certificates. The actual emissions have exceeded the certificates and in this respect the difference is recognized by Rompetrol Rafinare as environmental expenses, the amount recorded for 2023 is USD 9.8 million (2022: USD 24.2 million), of which USD 8 million in Cost of sales (2022: USD 20 million) and USD 1.8 million (2022: USD 4.2 million) in General and Administrative expenses – Note 22. As presented in Notes 3 and 32.5, in 2023, following MHC unit incident, Petromidia refinery CO2 emissions were lower due to the new refinery flow without MHC unit in function, thus leading to lower CO2 emissions and implicitly, lower environmental cost as compared to prior year.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

21. COST OF SALES (continued)

During 2023 the positive Realized hedging impact of USD 0.14 million resulted from Rompetrol Downstream, mainly from auctions hedging program which protects against market price increase.

The variance as compared with the similar period from last year is triggered by the following:

- negative result of USD 35.2 million generated by hedging activities recorded during 2022 which were primarily focused on mitigating risks associated with Base Operating Stocks (BOS) on the ICE Exchange Market using Futures contracts, alongside hedging Refinery margins and Urals-Dated Brent differentials through Over-the-Counter (OTC) swap instruments. Despite the intended protection against declining prices, the increase in Dated Brent by 74% from USD 79 to USD 137.6 per bbl. resulted in a loss on hedging instruments. This negative impact, totaling USD -31.9 million, with USD -35.2 million recorded in the Profit and Loss (P&L), contrasted with the demand recovery witnessed in 2021, exacerbated by geopolitical tensions arising from the Russian invasion of Ukraine. Additionally, swap transactions executed by Rompetrol Rafinare during Oct'21 – Feb'22 to hedge the Urals-Dated Brent differential resulted in significant losses due to unforeseen fluctuations in refinery margins and the Urals-Dated Brent differential, exacerbated by the drop in demand for Russian crude oil. The volumes remained unhedged (85% refinery margins and 50% Urals differential), helped the Company to benefit on the physical side from higher margins and a cheaper Urals compared to Dated Brent. This impact is recorded as FV through PL.

- loss of USD 21.57 million recorded in 2022 triggered by the hedge around benchmark stocks) for gasoline and diesel stocks in Downstream depots and forex hedging in amount of USD +0.35 million (gain). These are considered FV through PL.

- losses of USD 206.5 million recorded in 2022 from swap instruments for refinery margin and BOS ("Base operating stock") to protect against price increase, triggered by the high refinery margins and the drop in demand for Russian crude oil. These are measured at fair value through profit or loss.

22. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Staff costs	33,859,401	29,623,488	152,225,095	133,181,277
Utilities	10,139,995	8,809,511	45,587,390	39,605,800
Transportation	82,926,823	65,945,907	372,822,408	296,479,605
Professional and consulting fees	39,450,691	33,818,779	177,362,417	152,042,467
Royalties and rents	12,481,063	4,542,936	56,112,363	20,424,132
Consumables	245,204	113,839	1,102,388	511,797
Marketing	2,656,421	3,438,174	11,942,738	15,457,343
Taxes	2,988,888	2,012,420	13,437,443	9,047,438
Communications	658,616	654,282	2,961,006	2,941,521
Insurance	1,898,406	1,479,587	8,534,854	6,651,927
IT services	9,421,157	8,357,638	42,355,638	37,574,269
Environmental expenses	970,238	4,226,545	4,361,996	19,001,701
Maintenance and repairs	13,977,551	11,459,492	62,840,274	51,519,584
Other expenses	28,006,335	19,540,336	125,910,881	87,849,443
Costs before depreciation	**239,680,789**	**194,022,934**	**1,077,556,891**	**872,288,304**
Depreciation and amortisation	50,030,735	50,358,970	224,928,178	226,403,857
Total	**289,711,524**	**244,381,904**	**1,302,485,069**	**1,098,692,161**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

23. OTHER OPERATING INCOME / (EXPENSES), NET

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Net gain /(loss) on disposal of assets	218,524	329,904	982,440	1,483,182
(Reserve)/reversal for/of impairment of tangible assets, net	6,410,198	(8,562,243)	28,818,970	(38,494,132)
Provision for receivables and write-off, net	(2,720,353)	(1,908,310)	(12,230,163)	(8,579,380)
Provision for inventories, net	2,171,341	(11,731,797)	9,761,915	(52,743,813)
Tangible and intangible assets write-off	(249,495)	(167,714)	(1,121,680)	(754,009)
Loss from revaluation of non-current assets	(226,744,607)	-	(1,019,398,404)	-
Inventories write-off	(45,383)	(76,775)	(204,033)	(345,165)
Other provisions, net	(1,488,302)	(31,458,771)	(6,691,108)	(141,432,338)
Other, net	539,902	11,219,465	2,427,291	50,440,471
Total	**(221,908,175)**	**(42,356,240)**	**(997,654,772)**	**(190,425,184)**

Other provision net includes as of 31 December 2023 USD 0.9 million (2022: USD 26.65 million) mainly refers to environmental provision in respect of Vega lagoons representing additional environmental provision of USD 1.4 million (2022: USD 37.53 million) offset by the provision decrease of USD 0.5 million (2022: USD 10.8 million) detailed in Note 19.

In 2023, following the voluntary change of accounting policy, adopted in the previous periods (2017 and 2021), a revaluation exercise was carried out for property, plant and equipment. Considering this, a loss from revaluation was recorded in amount of USD 226,8 million, being related to items for which the revalued amount was lower than the carrying amount and no previous revaluation reserve recorded or revaluation reserve previously recorded was lower.

The reversal reserve of impairment related to specific equipment in amount of USD 6.4 million is related to Rompetrol Rafinare SA also detailed in Note 5.

Other provision net includes as of 31 December 2022 USD 2.5 million additional fiscal provision for principal liabilities and penalties paid to ANAF following the fiscal audit conducted by the Romanian Tax Authorities for the 2011 - 2015, as detailed in Note 10 and Note 19 and provision for litigation in amount of USD 0.3 million related to the technical incident occurred in Petromidia Refinery in August 2016 (Note 30).

In respect of tangible assets provision, in 2022, an additional USD 8.5 million were recorded. Mainly for the assets currently not in use in amount of USD 8 million for Petromidia Refinery (of which HDPE unit amounts USD 5.4 million and the Aromatic complex amounts USD 1.5 million) and USD 1 million for Vega Refinery (please see Note 5).

In 2022, Other, net includes an amount of USD 9.6 million that refers to revenue from claim to be received from the insurance company in relation to Petromidia incident occurred in 2 July 2021 (2021: USD 7.5 million partially offset by USD 5 million representing reversal of accrual recorded for CO2 allowances related to 2020 quota).

The movement in provisions is presented in Notes 5, 9 and 10.

24. FINANCE COST, FINANCE INCOME AND FOREIGN EXCHANGE

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Finance cost				
Late payment interest	(4,354,904)	(5,393,794)	(19,578,777)	(24,249,419)
Interest expense	(77,502,291)	(64,870,255)	(348,434,799)	(291,643,688)
Unwinding of discount - lease	(12,896,849)	(8,092,995)	(57,981,654)	(36,384,487)
Unwinding of discount - environmental provision	(1,974,580)	(7,794,582)	(8,877,317)	(35,042,882)
Other financial expense	(51,500,592)	(32,288,516)	(231,536,362)	(145,162,710)
Total	**(148,229,216)**	**(118,440,141)**	**(666,408,909)**	**(532,483,186)**
Finance income				
Interest income	67,826,206	51,675,443	304,933,056	232,322,456
Other financial income	725,106	2,233,263	3,259,932	10,040,304
Total	**68,551,312**	**53,908,706**	**308,192,988**	**242,362,760**
Finance income/(cost) net	**(79,677,904)**	**(64,531,435)**	**(358,215,921)**	**(290,120,426)**
Unrealized net foreign exchange (losses)/gains	(2,935,084)	3,525,702	(13,195,551)	15,850,851
Realized net foreign exchange (losses)/gains	(4,536,636)	12,097,953	(20,395,808)	54,389,977
Foreign exchange gain/(loss), net	**(7,471,720)**	**15,623,655**	**(33,591,359)**	**70,240,828**
Total	**(87,149,624)**	**(48,907,780)**	**(391,807,280)**	**(219,879,598)**

In 2023 out of the total of USD 51.5 million (2022: USD 32.3 million) representing other financial expenses an amount of approximately USD 42.9 million (2022: USD 24.3 million) represents other financial expenses owed to KMG Trading for financing activities.

25. INCOME TAX

a. The current income tax rate in 2023 was 16%, the same as in 2022.

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Tax expense comprises:				
Current tax expense	(9,717,702)	(7,878,667)	(43,688,845)	(35,420,911)
Deferred tax credit relating to the origination and reversal of temporary differences	5,970,482	7,743,752	26,842,093	34,814,360
Deferred income tax related to revaluation, recognised in Profit and loss	36,279,137	-	163,103,744	-
Solidarity tax	(31,994,930)	(124,929,011)	(143,842,807)	(561,655,848)
Total tax income/(expense)	**536,987**	**(125,063,926)**	**2,414,185**	**(562,262,399)**

The net effect of deferred tax in 2023 was in amount of USD 42.2 million (2022: USD 7.7 million).

As of 31 December 2023, the Group had the following total unused fiscal losses:

Entity	Carried forward fiscal losses 2023 USD million	Recognised Deferred Tax Asset 2023	Carry forward fiscal losses 2022 USD million	Recognised Deferred Tax Asset 2022
Rompetrol Rafinare SA	120.89	-	153.69	-
Rompetrol Petrochemicals SRL	-	-	2.61	-
Rompetrol Logistics SRL	1.98	-	2.53	-
Rom Oil SA	-	-	1.50	-
As at December 31	**122.87**	**-**	**160.33**	**-**

25. INCOME TAX (continued)

The Group has USD 122.87 million (2022: USD 160.33 million) of tax losses carried forward, for which no deferred tax asset was recognized as of 31 December 2023 (2022: nil) on the basis of the assessment made.

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA			
2020	14.17	63.72	2027
2021	106.72	479.79	2028
	120.89	**543.51**	
Rompetrol Logistics SRL			
2017	1.36	6.13	2024
2018	0.15	0.67	2025
2019	0.11	0.48	2026
2023	0.36	1.63	2030
	1.98	**8.91**	
	122.87	**552.42**	

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

b) The deferred tax assets and liabilities details are disclosed in Note 15.

c) The prima facie tax charge to the statements of income calculated based on regulatory accounts is reconciled to the profit tax expense calculated based on tax rules as follows, taking into account temporary differences and non-deductible items:

	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Result before tax	(241,050,107)	215,407,708	(1,083,713,071)	968,429,974
Tax at prevailing tax rate (16%)	(9,340,368)	(36,607,150)	(41,992,426)	(164,578,425)
Effect of losses carried forward for which no DTA was recognized	19,023,074	20,314,875	85,523,936	91,331,615
Effect of statutory items non deductible / (not taxable) for tax purposes	(19,400,408)	8,413,608	(87,220,355)	37,825,899
Non-deductible expenses	10,116,429	26,153,152	45,481,441	117,579,341
Not - taxable income	(29,516,837)	(17,739,544)	(132,701,796)	(79,753,442)
Effect of temporary differences	42,249,619	7,743,752	189,945,837	34,814,360
Solidarity tax	(31,994,930)	(124,929,011)	(143,842,807)	(561,655,848)
Income tax credit/(expense) recognised in profit or loss	**536,987**	**(125,063,926)**	**2,414,185**	**(562,262,399)**

25. INCOME TAX (continued)

d) Other taxes – Solidarity contribution

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022, adopted by Law no. 119/2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of USD 31.3 million (2022: USD 124.9 million). Its subsidiary, Rompetrol Quality Control SRL, preliminary recorded an amount of USD 0.68 million provision (2022: USD 0.29 million).

The actual level of the contribution is to be determined by June 25th, 2024, the legal deadline for the payment of the contribution, in accordance with the applicable law.

26. OPERATING SEGMENT INFORMATION

a. Operating Segments

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises petrochemical division of Rompetrol Rafinare SA and Rompetrol Petrochemicals operations and Marketing comprises the operations of Rompetrol Downstream, Rom Oil, Rompetrol Logistics, Rompetrol Gas and Rompetrol Quality Control SRL.

For the income statement, management analysis is made separately for the 3 segments: Refining, Petrochemicals and Marketing. The balance sheet is analyzed by management at cumulated level for Refining and Petrochemicals segments. As a result, the balance sheet information for segments Refining and Petrochemicals are presented together.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2023 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	1,717,055,691	124,449,234	-	2,369,263,557	-	4,210,768,482
Net revenues "Inter segment"	1,899,756,523	-	-	11,464,974	(1,911,221,497)	-
Cost of sales	(3,445,375,552)	(202,666,788)	-	(2,160,182,817)	1,955,175,891	(3,853,049,266)
Gross margin	**171,436,662**	**(78,217,554)**	**-**	**220,545,714**	**43,954,394**	**357,719,216**
Selling, general and administrative expenses	(73,399,681)	(11,456,499)	-	(161,483,897)	(43,371,447)	(289,711,524)
Other operating income/(expenses), net	(189,168,300)	(23,583,578)	-	(9,202,544)	46,247	(221,908,175)
Operating margin (EBIT)	**(91,131,319)**	**(113,257,631)**	**-**	**49,859,273**	**629,194**	**(153,900,483)**
Financial expenses, net	-	-	(75,457,913)	(4,214,845)	(5,146)	(79,677,904)
Net foreign exchange result	-	-	(3,746,642)	(3,725,078)	-	(7,471,720)
Profit/(loss) before income tax	**(91,131,319)**	**(113,257,631)**	**(79,204,555)**	**41,919,350**	**624,048**	**(241,050,107)**
Income tax	-	-	8,480,650	(7,943,663)	-	536,987
Net Profit/(Loss)	**(91,131,319)**	**(113,257,631)**	**(70,723,905)**	**33,975,687**	**624,048**	**(240,513,120)**
Depreciation and amortization	89,739,685	13,257,979	-	29,368,734	3,039,763	135,406,161
Revaluation loss	194,552,426	24,573,261	-	7,618,920	-	226,744,607

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	7,719,538,976	559,498,866	-	10,651,735,099	-	18,930,772,941
Net revenues "Inter segment"	8,540,925,376	-	-	51,544,230	(8,592,469,606)	-
Cost of sales	(15,489,719,407)	(911,149,345)	-	(9,711,749,909)	8,790,079,771	(17,322,538,890)
Gross margin	**770,744,945**	**(351,650,479)**	**-**	**991,529,420**	**197,610,165**	**1,608,234,051**
Selling, general and administrative expenses	(329,990,286)	(51,506,128)	-	(725,999,304)	(194,989,351)	(1,302,485,069)
Other operating income/(expenses), net	(850,462,843)	(106,027,050)	-	(41,372,797)	207,918	(997,654,772)
Operating margin (EBIT)	**(409,708,184)**	**(509,183,657)**	**-**	**224,157,319**	**2,828,732**	**(691,905,790)**
Financial expenses, net	-	-	(339,243,685)	(18,949,101)	(23,135)	(358,215,921)
Net foreign exchange result	-	-	(16,844,153)	(16,747,206)	-	(33,591,359)
Profit/(loss) before income tax	**(409,708,184)**	**(509,183,657)**	**(356,087,838)**	**188,461,012**	**2,805,597**	**(1,083,713,070)**
Income tax	-	-	38,127,305	(35,713,119)	-	2,414,185
Net Profit/(Loss)	**(409,708,184)**	**(509,183,657)**	**(317,960,533)**	**152,747,893**	**2,805,597**	**(1,081,298,885)**
Depreciation and amortization	403,451,677	59,605,222	-	132,035,954	13,666,166	608,759,019
Revaluation loss	874,668,798	110,476,467	-	34,253,141	-	1,019,398,406

For additional information regarding operating segments and streams please also see Note 20 Revenues from contract with customers.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2023 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,345,013,565	530,510,780	(603,092,782)	1,272,431,563
Total current assets	860,615,276	539,512,466	(197,341,297)	1,202,786,445
TOTAL ASSETS	**2,205,628,841**	**1,070,023,246**	**(800,434,079)**	**2,475,218,008**
Total equity	410,335,470	478,708,388	(602,705,792)	286,338,066
Total non-current liabilities	388,888,941	274,829,652	(34,771)	663,683,822
Total current liabilities	1,406,404,430	316,485,206	(197,693,516)	1,525,196,120
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,205,628,841**	**1,070,023,246**	**(800,434,079)**	**2,475,218,008**
Capital expenditure	52,224,623	7,439,356	(28,364)	59,635,615

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	6,046,911,985	2,385,070,363	(2,711,384,527)	5,720,597,821
Total current assets	3,869,154,158	2,425,540,146	(887,207,003)	5,407,487,301
TOTAL ASSETS	**9,916,066,143**	**4,810,610,509**	**(3,598,591,530)**	**11,128,085,122**
Total equity	1,844,786,206	2,152,177,171	(2,709,644,700)	1,287,318,677
Total non-current liabilities	1,748,366,901	1,235,579,149	(156,322)	2,983,789,728
Total current liabilities	6,322,913,036	1,422,854,189	(888,790,508)	6,856,976,717
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**9,916,066,143**	**4,810,610,509**	**(3,598,591,530)**	**11,128,085,122**
Capital expenditure	234,791,460	33,445,857	(127,519)	268,109,798

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

2022 Income Statement information

USD	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	2,388,484,688	202,248,543	-	2,770,595,024	-	5,361,328,254
Net revenues "Inter segment"	2,285,445,494	-	-	9,662,781	(2,295,108,275)	-
Cost of sales	(4,248,475,918)	(274,385,530)	-	(2,605,708,104)	2,318,294,929	(4,810,274,622)
Gross margin	**425,454,264**	**(72,136,987)**	-	**174,549,700**	**23,186,655**	**551,053,632**
Selling, general and administrative expenses	(67,077,383)	(9,286,329)	-	(133,104,329)	(34,913,863)	(244,381,904)
Other operating income/(expenses), net	(36,160,290)	(6,476,887)	-	25,432	255,506	(42,356,240)
Operating margin (EBIT)	**322,216,590**	**(87,900,203)**	**-**	**41,470,803**	**(11,471,703)**	**264,315,488**
Financial expenses, net	-	-	(69,588,137)	5,061,659	(4,957)	(64,531,435)
Net foreign exchange result	-	-	22,095,214	(6,471,559)	-	15,623,655
Profit/(loss) before income tax	**322,216,590**	**(87,900,203)**	**(47,492,923)**	**40,060,903**	**(11,476,659)**	**215,407,708**
Income tax	-	-	(117,436,723)	(7,627,203)	-	(125,063,926)
Net Profit/(Loss)	**322,216,590**	**(87,900,203)**	**(164,929,646)**	**32,433,700**	**(11,476,659)**	**90,343,782**
Depreciation and amortization	99,089,300	14,826,344	-	31,596,054	3,039,764	148,551,463

RON (supplementary info – see Note 2(e))	Refining	Petrochemicals	Amounts not allocated between Refining & Petrochemicals segments	Marketing	Impact from transactions between segments	Consolidated
Net revenues "external customers"	10,738,149,460	909,269,000	-	12,456,041,104	-	24,103,459,564
Net revenues "Inter segment"	10,274,905,852	-	-	43,441,931	(10,318,347,783)	-
Cost of sales	(19,100,298,032)	(1,233,582,466)	-	(11,714,742,490)	10,422,590,342	(21,626,032,646)
Gross margin	**1,912,757,280**	**(324,313,466)**	-	**784,740,545**	**104,242,559**	**2,477,426,918**
Selling, general and administrative expenses	(301,566,498)	(41,749,478)	-	(598,410,440)	(156,965,745)	(1,098,692,161)
Other operating income/(expenses), net	(162,569,432)	(29,118,789)	-	114,333	1,148,704	(190,425,184)
Operating margin (EBIT)	**1,448,621,350**	**(395,181,733)**	**-**	**186,444,438**	**(51,574,482)**	**1,188,309,573**
Financial expenses, net	-	-	(312,854,346)	22,756,206	(22,286)	(290,120,426)
Net foreign exchange result	-	-	99,335,659	(29,094,831)	-	70,240,828
Profit/(loss) before income tax	**1,448,621,350**	**(395,181,733)**	**(213,518,687)**	**180,105,813**	**(51,596,768)**	**968,429,975**
Income tax	-	-	(527,972,019)	(34,290,380)	-	(562,262,399)
Net Profit/(Loss)	**1,448,621,350**	**(395,181,733)**	**(741,490,706)**	**145,815,433**	**(51,596,768)**	**406,167,576**
Depreciation and amortization	445,485,679	66,656,277	-	142,049,540	13,666,171	667,857,667

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

26. OPERATING SEGMENT INFORMATION (continued)

In total net revenues are included customers that own more than 10% of total sales (i.e. KazMunayGas Trading AG), their value amounting USD 666 million in 2023 and USD 945 million in 2022.

2022 Statement of financial position information

USD	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,637,677,873	359,519,320	(600,201,965)	1,396,995,228
Total current assets	657,999,470	451,902,111	(114,069,312)	995,832,269
TOTAL ASSETS	**2,295,677,343**	**811,421,431**	**(714,271,276)**	**2,392,827,498**
Total equity	740,318,786	399,795,575	(603,329,842)	536,784,519
Total non-current liabilities	167,976,956	124,943,896	(180,631)	292,740,220
Total current liabilities	1,387,381,602	286,681,960	(110,760,803)	1,563,302,759
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,295,677,343**	**811,421,431**	**(714,271,276)**	**2,392,827,498**
Capital expenditure	55,676,506	14,319,377	-	69,995,884

RON (supplementary info – see Note 2(e))	Refining & Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	7,362,672,186	1,616,326,959	(2,698,387,994)	6,280,611,151
Total current assets	2,958,234,017	2,031,661,512	(512,832,809)	4,477,062,720
TOTAL ASSETS	**10,320,906,203**	**3,647,988,471**	**(3,211,220,803)**	**10,757,673,871**
Total equity	3,328,325,198	1,797,400,948	(2,712,450,304)	2,413,275,842
Total non-current liabilities	755,190,799	561,722,763	(812,081)	1,316,101,481
Total current liabilities	6,237,390,206	1,288,864,760	(497,958,418)	7,028,296,548
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,320,906,203**	**3,647,988,471**	**(3,211,220,803)**	**10,757,673,871**
Capital expenditure	250,310,436	64,377,055	-	314,687,491

- Inter - segment revenues are eliminated on consolidation.
- Transfer pricing between operating segments is determined based on market rules agreed between the segments. These transfer prices take in to account the latest Crude/Refined products prices on markets adjusted by various margins / discounts taking into account quantity, quality, payment terms, transportation costs etc.

b. Geographical segments

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market (based on customers' location):

Net revenues	December 31, 2023 USD	December 31, 2022 USD	December 31, 2023 RON	December 31, 2022 RON
			(supplementary info – see Note 2(e))	
Romania	**2,944,277,881**	**3,804,791,338**	**13,236,884,497**	**17,105,580,897**
Export	**1,266,490,601**	**1,556,536,916**	**5,693,888,444**	**6,997,878,667**
out of which				
Europa	1,220,865,125	1,506,944,824	5,488,765,429	6,774,922,540
Asia	45,615,796	49,112,992	205,079,496	220,802,189
America	9,680	479,100	43,519	2,153,938
Total	**4,210,768,482**	**5,361,328,254**	**18,930,772,941**	**24,103,459,564**

27. RELATED PARTIES

The ultimate parent of the Group is the “National Welfare Fund Samruk Kazyna” JSC, an entity with its headquarters in Kazakhstan, fully owned by State of Kazakhstan. The related parties and the nature of relationship is presented below:

Name of related party	Nature of relationship
KMG International N.V.	Majority Shareholder
The Romanian State and the Romanian Authorities	Significant shareholder
Byron Shipping Ltd.	Company owned by KMG International Group
Byron Shipping S.R.L.	Company owned by KMG International Group
Fondul de Investitii in Energie Kazah - Roman S.A.	Company owned by KMG International Group
Global Security Sistem S.A.	Company owned by KMG International Group
Global Security Systems Fire Services S.R.L.	Company owned by KMG International Group
KazMunayGas Engineering B.V.	Company owned by KMG International Group - Merged into KMG International N.V.
KazMunayGas Trading AG	Company owned by KMG International Group
KMG Rompetrol S.R.L	Company owned by KMG International Group
KMG Rompetrol Services Center S.R.L.	Company owned by KMG International Group
KMG Rompetrol Development S.R.L.	Company owned by KMG International Group
Midia Marine Terminal S.R.L.	Company owned by KMG International Group
Oilfield Exploration Business Solutions S.A.	Company owned by KMG International Group
Rominserv S.R.L.	Company owned by KMG International Group
Rompetrol Bulgaria	Company owned by KMG International Group
Rompetrol Energy S.A.	Company owned by KMG International Group
Rompetrol Financial Group S.R.L.	Company owned by KMG International Group
Rompetrol Georgia	Company owned by KMG International Group
Rompetrol Moldova S.A.	Company owned by KMG International Group
Rompetrol Well Services S.A.	Company owned by KMG International Group
TRG Petrol Ticaret Anonim Sirketi	Company owned by KMG International Group
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Associate of KMG International Group

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

27. RELATED PARTIES (continued)

	Receivables and other assets			
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	1,154,536	13,924,420	5,190,563	62,601,407
Rominserv S.R.L.	10,391,761	3,409,025	46,719,279	15,326,295
KMG International N.V.	64,073,540	62,247,992	288,061,821	279,854,522
KMG Rompetrol S.R.L	1,132,022	1,404,469	5,089,345	6,314,212
KMG Rompetrol S.R.L. - cash pooling	296,644,802	267,473,915	1,333,655,701	1,202,509,227
Oilfield Exploration Business Solutions S.A.	1,107,315	1,054,528	4,978,267	4,740,947
Rompetrol Well Services S.A.	122,458	68,995	550,547	310,188
KMG Rompetrol Services Center S.R.L.	11,824	36,958	53,158	166,156
Rompetrol Bulgaria	1,280,638	1,294,939	5,757,492	5,821,787
Rompetrol Moldova S.A.	6,497,001	188,833	29,209,217	848,955
Rompetrol Financial Group S.R.L.	2,490	2,418	11,195	10,871
Rompetrol Energy S.A.	17,972,390	18,853,747	80,800,271	84,762,676
Byron Shipping S.R.L.	2,052	2,174	9,225	9,774
Midia Marine Terminal S.R.L.	274,140	230,577	1,232,479	1,036,628
Rompetrol Georgia	1,321	1,277	5,939	5,741
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	61,165	59,334	274,986	266,754
KMG Rompetrol Development S.R.L.	9,262,774	6,973,833	41,643,579	31,352,958
Global Security Sistem S.A.	180,580	131,178	811,852	589,750
Total	**410,172,809**	**377,358,611**	**1,844,054,916**	**1,696,528,848**

	Payables, loans and other liabilities			
	December 31, 2023	**December 31, 2022**	**December 31, 2023**	**December 31, 2022**
Name of related party	**USD**	**USD**	**RON**	**RON**
			(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	818,928,912	541,944,575	3,681,740,603	2,436,474,420
Rominserv S.R.L.	37,906,755	25,031,950	170,421,189	112,538,641
KMG International N.V.	617,922	1,125,355	2,778,054	5,059,371
KMG Rompetrol S.R.L	12,899,763	9,404,374	57,994,754	42,280,185
KMG Rompetrol S.R.L. - cash pooling	330,265,125	410,008,202	1,484,805,949	1,843,314,875
Oilfield Exploration Business Solutions S.A.	395,469	318,388	1,777,950	1,431,409
Rompetrol Well Services S.A.	228,000	396,773	1,025,042	1,783,812
KMG Rompetrol Services Center S.R.L.	1,158,852	2,670,446	5,209,967	12,005,791
Rompetrol Bulgaria	118,966	207,669	534,847	933,638
Rompetrol Moldova S.A.	14,589,439	3,142,021	65,591,200	14,125,898
Byron Shipping Ltd.	2,144	2,069	9,639	9,302
Rompetrol Energy S.A.	8,363,402	9,269,247	37,600,183	41,672,681
Byron Shipping S.R.L.	287	4,087	1,290	18,374
Midia Marine Terminal S.R.L.	2,747,547	4,165,184	12,352,422	18,725,834
Rompetrol Georgia	-	50	-	225
KMG Rompetrol Development S.R.L.	5,604,279	3,145,027	25,195,718	14,139,412
Global Security Sistem S.A.	688,299	281,238	3,094,455	1,264,390
Global Security Systems Fire Services S.R.L.	586,952	318,038	2,638,819	1,429,835
TRG Petrol Ticaret Anonim Sirketi	2,538	2,538	11,410	11,410
Total	**1,235,104,651**	**1,011,437,231**	**5,552,783,491**	**4,547,219,503**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

27. RELATED PARTIES (continued)

During the period ended December 31, 2023 respectively December 31, 2022, Rompetrol Rafinare Group entered into the following transactions with related parties:

Sales and other revenues

Name of related party	Nature of transaction	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Fuel	666,236,270	945,246,143	2,995,265,023	4,249,637,610
Rominserv S.R.L.	Fuel, utilities and other services	1,058,872	868,251	4,760,477	3,903,483
KMG International N.V.	Interest	6,759,420	6,130,115	30,389,000	27,559,771
KMG Rompetrol S.R.L	Fuel and other services	49,515,185	180,021	222,610,369	809,338
Oilfield Exploration Business Solutions S.A.	Fuel	4,483	5,703	20,155	25,640
Rompetrol Well Services S.A.	Fuel and other services	824,349	850,944	3,706,108	3,825,674
Rompetrol Bulgaria	Fuel	21,147,217	41,119,974	95,073,658	184,867,179
Rompetrol Moldova S.A.	Fuel	322,285,653	390,000,596	1,448,931,839	1,753,364,679
Rompetrol Georgia	Fuel	50	1,130	225	5,080
KMG Rompetrol Services Center S.R.L.	Rent and other services	130,691	125,967	587,561	566,322
Midia Marine Terminal S.R.L.	Fuel, rent and other services	616,303	662,392	2,770,775	2,977,982
Byron Shipping S.R.L.	Fuel and other services	16,273	20,401	73,160	91,719
Rompetrol Energy S.A.	Other services	72,622,150	44,082,054	326,494,662	198,184,098
Global Security Sistem S.A.	Fuel	91,132	108,535	409,711	487,952
KMG Rompetrol Development S.R.L.	PPE and other services	1,398,061	6,133,857	6,285,403	27,576,594
Total		**1,142,706,109**	**1,435,536,083**	**5,137,378,126**	**6,453,883,121**

Purchases and other costs

Name of related party	Nature of transaction	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
		USD	USD	RON	RON
				(supplementary info – see Note 2(e))	
KazMunayGas Trading AG	Purchase of crude oil and other raw materials	3,231,119,830	3,493,093,192	14,526,468,532	15,704,248,373
Rominserv S.R.L.	Acquisition and maintenance of fixed assets	90,159,448	83,846,622	405,338,846	376,957,643
KMG International N.V.	Management services	2,155,753	6,840,950	9,691,834	30,755,543
KMG Rompetrol S.R.L	Management services	101,229,325	36,074,438	455,106,799	162,183,458
Oilfield Exploration Business Solutions S.A.	Management services	60,240	55,284	270,827	248,546
Rompetrol Well Services S.A.	Other services	57,520	74	258,598	333
Rompetrol Bulgaria	Sales intermediary services	185,751	123,202	835,099	553,892
Rompetrol Moldova SA	Sales intermediary services	192,095	-	863,621	-
KMG Rompetrol Services Center S.R.L.	Shared services	8,586,773	8,536,684	38,604,414	38,379,224
Midia Marine Terminal S.R.L.	Handling services/Transit	17,255,480	16,282,281	77,577,187	73,201,879
Midia Green Energy S.A. former Uzina Termoelectrica Midia S.A.	Acquisition of utilities	-	3,164,345	-	14,226,262
Rompetrol Energy S.A.	Acquisition of utilities	67,959,503	66,681,861	305,532,334	299,788,311
KMG Rompetrol Development S.R.L.	Retail	19,820,051	10,999,640	89,106,985	49,452,182
Global Security Sistem S.A.	Security and protection services	3,966,360	3,821,467	17,831,961	17,180,551
Global Security Systems Fire Services S.R.L.	Fire protection services	2,235,527	1,574,474	10,050,482	7,078,520
Total		**3,544,983,656**	**3,731,094,514**	**15,937,537,519**	**16,774,254,717**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

27. RELATED PARTIES (continued)

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.

The Ministry of Public Finance of Romania ("MFPR") held 44.6959% of the share in Rompetrol Rafinare SA from September 2010 until July 2012. Starting July 2012, based on a Government Ordinance, the Ministry of Economy Trade and Business Environment ("MECMA") became shareholder until May 2013 when, following the reorganization of MECMA, the Ministry of Economy ("ME") became the new shareholder. The ministry was later renamed as Ministry of Energy, Small- and Medium-sized Enterprises and Business Environment, afterwards renamed as Ministry of Economy, Energy and Business Environment according to the OUG 68/11.06.2019. Its current name is Ministry of Energy according to the OUG 212/2020.

As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. There are no transactions, balance sheets at the year-end in relation with MFPR, MECMA, ME and other Romanian authorities during the time of their affiliation, other than those arising from Romanian fiscal and legislation requirements.

The amount of remuneration for key management personnel and Board of Directors for 2023 was of USD 1.29 million (2022: USD 0.8 million), including short-term benefits and bonuses. No member of Board of Directors is entitled to any benefits upon termination of his employment. The Group does not provide loans either to members of the Board of Directors or to members of Group Management. There are no loans outstanding.

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the period ended 31 December 2023 and 31 December 2022, the Group has recorded an impairment of receivables relating to Oilfield Exploration Business Solutions S.A. in amount of USD 4.2 million (2022: USD 3.7 million). This assessment is undertaken each financial period through examining the financial position of the related party and the market in which the related party operates.

28. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
	USD	USD	RON	RON
			(supplementary info – see Note 2(e))	
Earnings				
Profit/(Loss) for the year attributable to ordinary equity holders of the parent entity	(242,507,037)	90,624,390	(1,090,263,137)	407,429,133
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 12)	26,559,205,726	26,559,205,726	26,559,205,726	26,559,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.913)**	**0.341**	**(4.105)**	**1.533**

29. CONTINGENCIES

Rompetrol Rafinare SA- Distressed Assets - Hybrid Conversion

By the Emergency Ordinance ("**EGO**") 118/2003 approved by Law 89/2005 and the Issuing Convention of 5 December 2003 ("Issuing Convention"), the RON 2,177.7 million of state budget liabilities, including penalties were denominated into 22,812,098 convertible bonds (i.e. a total of EUR 570.3 million at the RON / EUR exchange rate as of 30 September 2003 or 3.8185 RON / EUR or USD 719.4 million at the same date), hereinafter referred to as "Hybrid instruments" or "Bonds".
The Bonds carried interest and were redeemable on or before maturity, partially or entirely. The bonds not redeemed by 30 September 2010 should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the KMG International NV.

In accordance with the above-mentioned deed, Rompetrol Rafinare S.A. performed several steps by increasing the share capital in June 2010 with USD 100 million, redeemed 2,160,000 Bonds for EUR 54 million in August 2010 and converted into shares the remaining bods in September 2010. Therefore, from October 1, 2010 the State became therefore shareholder of the Company with 44.69%.

The Ministry of Public Finance publicly took an adverse position against such course of action and challenged it in various course procedures and on 10 September 2010 the National Agency of Fiscal Administration ("**ANAF**") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. and its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except inventories.

Following a first court decision favorable to KMG International NV ("KMGI Group") by which the conversion of bonds into shares that took place in September 2010 was stated as legally, on 15.02.2013 the Group and the Office of the State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the Litigations. As a result of the Memorandum, ANAF waived back the litigations started against Rompetrol Rafinare SA.

The Memorandum of Understanding includes also the following aspects:

- OPSPI will sell and the Group will acquire shares owned by OPSPI and representing 26.6959% of Rompetrol Rafinare S.A.'s share capital for a cash consideration of 200 million USD;
- Establishment of an investment fund which will invest in energy project related to its core activities an amount estimated to reach if the market conditions are appropriate 1 USD billion over 7 years;
- The Ministry of Finance will renounce all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following conclusion of MOU, Rompetrol Rafinare submitted to the Romanian authorities a requirement for the annulment of the seizure. On 9 May 2016, Rompetrol Rafinare SA was notified that it was included as a civil responsible party in a file under investigation by DIICOT (see Note 30 - Litigation with the State involving criminal charges - Case 225) and at that date, the movable and immovable assets of Rompetrol Rafinare SA, as well as all the investments in subsidiaries, were subject to asset freeze.

The Shareholders agreement for the set-up the Kazakh Romanian Investment Fund ("KRF") was signed on 26 October 2018, and soon after KRF was registered as a joint stock company. All its managing bodies were organized and are functional.

Further on, according to the said Memorandum, Rompetrol Rafinare submitted to the Romanian authorities a requirement for the annulment of the precautionary seizure, but no positive reply was received.

On 20 December 2021, a decision was issued in favor of the company by releasing the seizure. The decision was appealed by ANAF to the Supreme Court and on 22 June 2023, the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal. The next hearing was scheduled on 5 February 2024, when the Court admitted the claim and lifted the seizure to which ANAF made another appeal in front of the High Court of Justice and the communication of next hearing is expected.

29. CONTINGENCIES (continued)

Contingencies – risk management and internal control

The Group commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

The Group's Code of Ethics and Conduct is approved by the Board of Directors and applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group's expectations as to each person's behavior, in light of the Group's principles of action. Group's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct. The Code of Ethics and Conduct explicitly prohibits engaging in bribery or corruption in any form. Anti bribery and corruption policies and procedures in place at Group level include measures and guidance to assess risks, understand relevant laws and report concerns.

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during 2023 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.

30. LEGAL MATTERS

Litigation with the State involving criminal charges

I. Criminal case

According to an Order issued April 22, 2016, Prosecutor's Office of Romania with the General Headquarters of the Department for Fight Against Organized Crime and Terrorism (DIICOT) investigated the case against 26 suspects under charges of organized crime (few of them being former employees/managers of the Company) allegedly perpetrated during 1999 – 2010 – Case 225.

Further prosecutor orders as well statements of defenses were issued and submitted during 2016 – 2019 and finally on December 5, 2019 Prosecutor's Office of Romania closed the criminal file, discharged all allegations and lifted the criminal seizure over Rompetrol Rafinare's assets, but still kept a precautionary seizures over 4 installations (for a value of USD 106.5 million) in case any alleged civil party is damaged by the said ordinance.

In July 2020 the Supreme Court rejected all the complaints against the closing of the file and on October 14, 2022 the remaining criminal seizure was dismissed by the Court.

The Company lifted the criminal precautionary seizure from the Land Book.

30. LEGAL MATTERS (continued)

II. Civil files

A. Once the criminal case was closed, Faber (a former minority shareholder of the Company) submitted a civil claim to the Bucharest court against both the Group companies and former criminal defendants. The Court imposed Faber to pay a stamp fee of USD 530,000 to have the civil claim duly registered on the court docket.

On May 25, 2020, the Bucharest Court rejected the request of Faber for settlement of the stamp fee that Faber should pay for its claim. On July 8, 2020 Bucharest Court annulled Faber's claim as unstamped. A second similar claim of Faber was rejected again by Bucharest court in January 2022 for non-paying of the stamp fee.

On February 10, 2022, the Company was informed by the Constanta court that Faber submitted for the third time its civil claim in tort against the Group companies and defendants for the same amount of USD 55 million as principal (USD 118 million including penalties). The Company submitted its reply, pointing out that before any step forward Faber should pay the stamp fee according to the law and, on top of it, previous decisions the Bucharest Court issued before on the same matter, the file is now pending in preliminary procedure.

B. On the other hand, as Case 225 was finally closed, Faber resumed several civil cases which were suspended back in 2005-2007 due to the 225-criminal case and by which Faber challenged the Rompetrol Rafinare corporate documents approved within the privatization process (2001-2006) to meet the terms and conditions of the privatization contract.

Until now all claims of Faber either have been withdrawn by Faber or have been dismissed by the Court (for couple of them a final and irrevocably decision being issued).

At this moment for a couple of case files second appeals can be submitted in front of the High Court of Cassation and Justice by Faber, the decisions not being yet definitive.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A. in 2017

In December 2017, the National Agency for Tax Administration finalized the tax inspection in Rompetrol Rafinare (covering the period 2011 - 2015) for: VAT fiscal group (all entities from fiscal group were under fiscal control), income tax, withholding tax and excise.

Thorough the Assessment Decision (received in January 2018), there were imposed the following additional taxes: RON 26.1 million representing VAT (of which RON 13.1 million related to VAT of Rompetrol Rafinare SA the rest belonging to the VAT group companies), RON 6.5 million representing Rompetrol Rafinare SA withholding tax and decrease of Rafinare's fiscal loss with RON 144.4 million. The related penalties assessed are in amount of RON 16.3 million for all VAT group companies. The principal additional taxes and related penalties were partially paid and partially compensated with receivable taxes and the remaining, the difference being paid in cash.

The tax assessment on VAT group and Rompetrol Rafinare S.A. was challenged on 26 February 2018. The contestation received a partial negative answer and the Group appealed against it in front of the Court of Appeal Constanta on July 25, 2019.

On April 28, 2021, Constanta Court of Appeal rejected Rompetrol Rafinare claim as ungrounded.

30. LEGAL MATTERS (continued)

The Company submitted an appeal in front of the High Court of Justice. The first term was set in the appeal for May 25, 2023, when the Court cancelled the first decision and sent back the file to be re-settled by the Constanta Court of Appeal having the first hearing on December 7, 2023 and on February 22, 2024 the Court admitted partially the challenge of Rompetrol The court cancelled mainly the fiscal authority decision regarding the amount of RON 6.47 million (USD 1.41 million) referring to withholding tax for non-residents and related penalties, and sets that the amount of RON 80.5 million (USD 17.5 million) should be included in the fiscal loss.

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 2.5 million as of December 31, 2022, the total amount recognized is USD 5.4 million.

Litigations between Rompetrol Rafinare and National Company – Constanta Maritime Port Administration S.A.

In consideration of the violation by Compania Nationala Administratia Porturilor Maritime Constanta *(National Company of Constanta Maritime Ports Administration)* of the legal provisions regulating its activity, in the sense that it does not ensure the maintenance in operational parameters of the Midia port found under its administration, so as to ensure the safety of navigation, the preservation of at least the technical features designed for the port, the assurance of safe access and operation, the company initiated a Court claim against the Constanta Port Administration for Rompetrol Rafinare damages related to lower port drafts during January - May 2015 (0.8 million USD) and for restitution of dredging expenses (USD 1.7 million). On 19 May 2017, the Court partially admitted the claim of the plaintiff Rompetrol Rafinare SA against the defendant Constanta Port Administration and obliged the defendant to pay to the plaintiff:

- The amount of EUR 1.57 million, representing dredging expenditures paid by Rompetrol Rafinare SA, during the period 30 April 2015 - 11 May 2015;
- The amount of RON 0.079 million representing legal costs.

Both parties filed for appeal against the solution pronounced by first court. On 27 December 2017, Constanta Court of Appeal admitted the appeal filed by Constanta Port Administration, reject the appeal filed by Rompetrol Rafinare SA and changed the sentence pronounced by the first court, so all the claims of Rompetrol Rafinare against APMC have been rejected. Rompetrol Rafinare submitted the appeal within 30 days since the communication of the decision issued by Constanta Court of Appeal. The decision has been communicated and the recourse has been filled by Rompetrol Rafinare SA on 6 August 2018. The case is in filter proceedings, and the first hearing term will be established later. During the filter proceedings, National Company “Administratia Porturilor Maritime” SA has raised the exception of inadmissibility of our recourse, motivated by the fact that, according to art. 483 paragraph 2 of the Civil Procedure Code, the decisions regarding the civil navigation and port activity processes are exempted from the right of recourse. Rompetrol Rafinare SA has raised the exception of unconstitutionality regarding the art. 483 paragraph 2 of the Civil Procedure Code. From this reason, The High Court of Cassation and Justice has suspended the procedure until the Constitutional Court solves the exception submitted by Rompetrol Rafinare.

In the file registered for this purpose at the Constitutional Court under no. 1639D/2019, the Court issued its decision on 30 January 2024, rejecting the exception of unconstitutionality raised by Rompetrol Rafinare.

Following this solution, it is expected that The High Court of Cassation and Justice will reopen its recourse file and a hearing date will be fixed and announced to the parties, when the recourse will have to be solved.

Procedure in which is involved Rompetrol Rafinare SA, Rominserv SRL, and employees of the two companies, following of a technical incident occurred in of Petromidia refinery on 22 August 2016

On 22 August 2016 a technical incident occurred within the DAV plant. Following the event, two employees of a Group’ subsidiary Rominserv SRL suffered burns and two employees passed away.

30. LEGAL MATTERS (continued)

Following the completion of the criminal prosecution, Rompetrol Rafinare S.A., Rominserv SRL and other three employees were put on trial for: the non-observance of the legal labor health and safety measures, bodily harm by negligence, manslaughter and accidental pollution.

The next hearing is scheduled for March 26, 2024 when the witnesses will provide again their statement.

Considering the allegations, each company is facing, a maximum exposure of approximately USD 0.8 million (RON 3.6 million).

Regarding this legal matter Rompetrol Rafinare booked a provision in amount of USD 0.8 million.

Criminal case concerning Petromidia Refinery incident on July 2nd 2021

On July 2, 2021 there was an explosion followed by a fire at Petromidia refinery, Diesel Hydrotreatment Unit (in Romanian “instalatia Hidrofinare Petrol Motorina” hereinafter HPM plant). As a result of the incident, 3 employees of the company died and one employee was hospitalized due to a hip fracture. The criminal investigations are carried out by the Prosecutor's Office attached to the Constanta Tribunal, was finalised and communicated to the Company the technical expertise carried out by INCD INSEMEX Petrosani, at the request of the criminal investigation bodies, document analysed both by the criminal lawyers, by the party expert as well as the company's specialists, objections and point of view of the party expert being submitted as well as requests for clarifications issued by the case prosecutor; the company has the quality of a civilly responsible party, hearings of the employees involved in the incident were performed. At the same time, the collective work accident is being investigated by the Territorial Labour Inspectorate according to the incident legislation who submitted in front of the criminal investigators their Work Accident Investigation Report.

On July 11, 2022 the company settled the last potential civil claim with the heir of one of the employees passed away during the said incident.

DIICOT Criminal Investigation File in connection with Vega lagoons greening Project

During the investigation carried out by the Directorate for the Investigation of Organized Crime and Terrorism ("DIICOT"), investigation which is the subject of criminal case 279 / D / P / 2020, to the Company were communicated during 2021 a series of ordinances by which was requested to provide the documents to the criminal investigation bodies in connection with the works contracted for the greening of the lagoon 18 from the Vega refinery. The company has no quality in the criminal case. The suspicions of the criminal investigation bodies concern the alleged fictitious character of some services for which the Company would have unjustifiably paid the amount of approximately 10 million RON. On 23.02.2022, DIICOT informed the Company if it intends to become a civil party in the criminal proceedings mentioned above, the Company reserve right in relation to the evolution of the criminal case that is the subject of criminal case 279 / D / P / 2020, to make such a request to become a civil party, if the case.

The trial was sent to the regular panel and is expected a first hearing to be established. On March 2 2023, the court kept the judicial control over the group employees but lifting the interdiction for leaving the country. On March 9, 2023, the court finally lifted also the judicial control. Next hearing is set on April 24, 2024.

Vega lagoons greening Project located on the territory of Vega Refinery

Following a control performed by the Environmental National Guard within the location of Vega refinery Ploiesti on early April 2023, it sent further a notice to the local Agency for Environmental Protection to notify Rompetrol Rafinare (the owner of Vega refinery) to remedy within 60 days the deficiencies allegedly stated by the National Guard otherwise to suspend the activity of the Vega Refinery.

The local Agency for environmental protection issued on April 25, 2023 therefore a preliminary Notice to Rompetrol Rafinare to remedy the said allegedly deficiencies.

30. LEGAL MATTERS (continued)

On May 4, 2023 according to the applicable legislation, the Company started the administrative conflict and submitted a complaint against National Guard to revoke its deed otherwise the company will challenge it in front of the court.

Consequently, the company challenged also the Notice issued by local Agency for Environmental Protection via administrative procedure submitting the claim on May 23, 2023 and filled the application for suspension in front of the court to get, if successfully, an order to suspend its effects until the court will issue a final settlement on merits. The first hearing was scheduled on June 16, 2023, when the Court rejected the company's application. The decision is subject of appeal.

Besides the legal steps the Company continued the dialogue with environmental authorities as regards the Vega refinery remediation project and on June 20, 2023 the National Guard issued a Finding Note by which they confirmed that all 3 (three) measures imposed by the National Guard on the report issued on April 3, 2023 have been accomplished by the company.

Criminal file regarding the incident in the Petromidia refinery – Polypropylene (PP) plant dated May 13, 2023

On May 13, 2023, an incident occurred in the PP plant in the Petromidia refinery, as a result of which 2 company employees died. Criminal investigations are carried out by the Prosecutor's Office of Constanta Court (Tribunal). In the criminal case, the company has no quality, until this moment a series of hearings have been conducted of the employees involved in the event or present at the workplace in the installation. At the same time, the work accident is being investigated by the Territorial Labour Inspectorate according to the legislation on work incidents.

Criminal file regarding the incident in the Petromidia refinery – Mild Hydrocracking (MHC) plant dated June 21, 2023

On June 21, 2023, a fire occurred in the Petromidia refinery, at the MHC plant, with no recorded victims. Criminal investigations are carried out by the Prosecutor's Office next to the Constanta Court (Judecatorie). The Company, as the injured party, formulated and submitted in the file a criminal complaint with the object of destruction. Also, at the request of both the Company and the Prosecutor's Office next to the Constanta Court, INCD INSEMEX Petrosani was ordered to carry out a technical judicial expertise in order to establish the causes of the incident. At the same time, the incident, falling under the category of major incidents in accordance with the legislation in force, is also being investigated by the Constanta Territorial Labour Inspectorate.

Wind fall tax litigation

Following the enactment of Emergency Ordinance No. 186/2022 regarding the emergency intervention to address the high energy prices, Rompetrol Rafinare paid on June 2023 the amount of USD 128 million.

After fulfilling the mandatory administrative procedure for challenging this tax, which was rejected by the fiscal authorities, Rompetrol Rafinare SA filed in on March 8, 2024, the challenge in front of the court. No hearing is yet established.

31. COMMITMENTS

Environmental risks and obligation

The Group's business activities are subject to constantly changing local, national and European regulations relating to the environment and industrial activity, which entail meeting increasingly complex and restrictive requirements. In this regard, these activities can involve a financial resource in order to comply with the incidental restrictive legislation and regulation relating to the Group activities.

Although the Group has provided for known environmental obligations that are probable and reasonably estimable, it is possible that the Group will continue to incur additional liabilities.

As of 31 December 2023, the Group reassessed environmental provision considering changes in assumptions as compared with previous period as mentioned in Note 19.

As a result of these risks, environmental liabilities will incur additional costs that may impact the Group's results of operations and cash flow.

Group's financial statements account for provisions relating to the costs of environmental obligations that can be reasonably estimated in a reliable manner.

Climate change and energy transition

The oil and gas industry is facing new challenges as the world transitions to a low-carbon economy. The world is undergoing rapid changes as the sustainability and, primarily, the climate agenda come into force. In this context, the change is expected to bring both threats and additional opportunities, as the world needs to reduce greenhouse emissions while continuing sustainable economic growth.

KMGI Group is aware of the importance of climate matters and supports European commitments for emissions reduction set out in the Paris Agreement and is aiming to build a sustainable, resilient business in the long run and to reduce CO2 emissions. Estimating global energy demand towards 2050 is an extremely difficult mission. The Group's business plans are built for a period of 5 years and consider certain actions taken to reach its net-zero emissions target by 2050. Our business plans reflect the current economic environment and Group's reasonable expectations of how the next 5 years will progress.

The Group is focused on increasing resilience and profitability by diversification and further transition from diversified downstream player to energy provider. To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority on the short to mid-term projects implemented in the existing markets with the production and distribution capacity already planned.

However, meeting the goals of the low-carbon economy is a global aspiration that must be cemented in reality. This requires the world economy to transform in complex and connected ways and Group's consolidated Financial Statements for the year ended 31 December 2023 reflect the actual situation as it currently exists and what Management reasonably expects in the foreseeable future based on current facts and evidence.

Group strategy is focused on decarbonization measures and transition of the Group from being a traditional oil and gas downstream company into a diversified downstream player. This option has been chosen out of four strategic after the assessment of several criteria such as KMGI strategic targets, decarbonization targets, its capabilities, the long-term business model sustainability or the value creation potential. This option sets forth pursuit of gradual diversification, including into new biofuels (bioethanol and biodiesel), renewable electricity production, expanding EV charging network. A portfolio of 6 projects has been shortlisted following the assessment of more than 40 decarbonization solutions which can be implemented in the medium and long-term. Decarbonization projects lead to improved profitability and capability to offer low-carbon products and services, thus improving KMGI's brand image & long-term company resilience.

31. COMMITMENTS (continued)

In 2023 KMGI Group focused on implementation of the projects from the approved list of priority projects. Completed feasibility studies in line with the GD 907/2016 on the Framework content of Technical Documentation for three projects: installation of solar panels at the Petromidia refinery, construction of the advanced generation bioethanol plant (based on second generation cellulosic feedstock (cereal straw, such as wheat, barley), co-processing of advanced biodiesel.

Transposition of RED II regulation in Romania and upcoming RED III regulation, imposes legislative requirements on Group for minimum content of new generation biofuels starting 2023. Production of new generation biofuels for own use is a low hanging fruit that would allow to reduce costs and secure supply. First project co-funded by the European Union, through Connecting Europe Facility was launched, for installation of 11 charging stations of 300kW and upgrading the grid connection for 11 locations to 600kW each on Rompetrol's highway stations. It is worth to mention, that development of vertical integration through extensive development of controllable channels in Romania and near abroad remains an important development direction, aiming to mitigate exposure to volatility of the market refining margin. The Group is working on the project for gradual substitution of gray hydrogen in the production processes of Petromidia refinery with green hydrogen, this could allow to reduce CO2 emissions by approximately 24% by 2030.

One of the major projects currently under construction is the cogeneration plant on the Petromidia platform. The plant will have a major role in stabilizing the production and distribution of electricity in the region, by ensuring the energy needs of the platform, but also by injecting the surplus electricity into the national grid.

The new unit will comply with the highest technological standards of energy efficiency and environmental protection and is being built in partnership with the Midia Thermal Power Plant - currently owned by the Ministry of Energy (56.58%) and KMG International (43.42%). Rompetrol Energy, the operator of the future cogeneration plant, is majority owned by the Kazakh-Romanian Energy Investment Fund (KREIF), along with Rominserv and the Midia Thermal Power Plant. The project, worth over 164 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF). The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its staff, for the operation of the new plant's equipment. Construction began in May 2021 and expected to be completed in second quarter of 2024.

Major investment projects of the KMGI Group in Romania will be implemented through Kazakh-Romanian Investment Fund in the Energy sector established in November 2018 together with the Romanian State, represented by the Management Company of the Shares Owned within Energy Sector (S.A.P.E.), which holds 20% in the equity of the Fund, 80% belonging to KMGI.

War and conflict risk

In the context of the military conflict between Russia and Ukraine, started on 24 February 2022, the EU, USA, UK, Switzerland and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies, sectoral sanctions, import/export restrictions as well as personal sanctions against a number of individuals.

Considering the geopolitical tensions, since February 2022, there has been an increase in financial markets volatility and exchange rate depreciation pressure.

The war in the Ukraine and its related short- term consequences are creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.

At present, the Group is monitoring very closely the current situation and developments of sanctions and related restrictions applied to Russia by international stakeholders and regularly conduct a risk assessment on this basis. The Group is in constant dialogue with customers and suppliers in the region and stays in connection with competent authorities in order to identify any potential impact of newly issued sanctions on business and supply chains at an early stage and act accordingly.

31. COMMITMENTS (continued)

The Group does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Group's sources for crude oil are not from Russia and the Group does not have operations in Russia or Ukraine.

Cyber risk

The progress made toward digitalization certainly brings great benefits, however as the use of new technologies and their capabilities increases, so do the risks derived from their exposure in cyberspace, the reliance on the systems deployed and the information generated by the Group. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Group is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Group rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.

The Group continuously improves cyber security capabilities and supervise the cyber security activity, ensuring the protection of the confidentiality, integrity and availability of data. Also, the Group continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

Work safety and safe operations

Protecting people is a priority of the Group and the Group is committed to safe responsible operations to protect the health and safety of our employees, contractors and communities. This commitment is reflected in our safety system design and our focus on continuous learning and development achieved through training in human rights and work safety.

Although the Group has a set of measures and policies in place, work accidents can still occur. The Group top priorities remain the improvement of industrial safety, reduce work-related injuries and accidents-free operation of production facilities.

Other commitments

As of 31 December 2023, Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capital maintenance, authorizations and compliance with Euro standards and other projects at the Petromidia refinery of USD 82.2 million (2022: USD 50.9 million) and Vega refinery of USD 4.6 million (2022: USD 0.88 million). As of 31 December 2023, Rompetrol Downstream S.R.L has contracted capital commitments of USD 0.04 million (2022: USD 0.15 million).

Sale and purchase commitments

As of 31 December 2023, the Group's main commitments relate to Rompetrol Rafinare S.A. which has non-group commitments for purchases of raw materials and utilities of USD 3,716.63 million (2022: USD 4,243.18 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 1,904.99 million (2022: USD 2,596.02 million).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

32.1. Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 13 and Note 18), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the “Consolidated Statement of Changes In The Shareholders’ Equity”.

32.2. Gearing ratio

The gearing ratio at the year-end was as follows:

	December 31, 2023	December 31, 2022
	USD	USD
Debt (excluding shareholder loans and related parties)	579,134,281	211,217,666
Cash and cash equivalents	(155,955,200)	(16,973,215)
Net debt	**423,179,081**	**194,244,450**
Equity (including shareholder loans and related parties)	286,338,066	536,784,519
Net debt to equity ratio	**1.48**	**0.36**

The Group manages its capital structure and makes adjustments in light of changes in economic conditions and the requirements of the financial covenants. The Group is aiming to have a net debt not higher than equity level and consequently trying to maintain a maximum 1 gearing ratio.

32.3. Categories of financial instruments and fair values

	December 31, 2023	December 31, 2022
Financial assets		
Trade and other receivables	563,169,582	562,176,266
Long-term receivables	12,448,780	3,811,865
Derivative financial instruments	-	2,612,061
Cash and cash equivalents	155,955,200	16,973,215
TOTAL FINANCIAL ASSETS	**731,573,562**	**585,573,407**
Financial liabilities		
Long-term borrowings	265,900,000	-
Derivative financial instruments	251,864	4,592,619
Other non-current liabilities	438,964	165,353
Trade and other payables	1,307,098,579	1,193,423,012
Short-term borrowings banks	42,856,586	86,210,918
TOTAL FINANCIAL LIABILITIES	**1,616,545,993**	**1,284,391,902**

Trade and other receivables are at net recoverable value the following are not considered as financial assets:

- VAT to be recovered;
- Profit tax receivables;
- Other taxes receivables.

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Excises taxes;
- Special found tax for oil products;
- VAT payable;
- Profit tax payable;
- Salaries and related taxes payable;
- Other taxes;

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments;
- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques;
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2023, the marked to market value of derivative position is for financial instruments recognized at fair value.

32.4. Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- **Level 1**: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- **Level 2**: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly;
- **Level 3**: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2023	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	563,169,582	-	563,169,582	-
Long-term receivables	12,448,780	-	12,448,780	-
Derivative financial instruments	-	-	-	-
Cash and cash equivalents	155,955,200	155,955,200	-	-
TOTAL FINANCIAL ASSETS	**731,573,562**	**155,955,200**	**575,618,362**	**-**
Financial liabilities				
Long-term borrowings	265,900,000	-	265,900,000	-
Derivative financial instruments	251,864	-	251,864	-
Other non-current liabilities	438,964	-	438,964	-
Trade and other payables	1,307,098,579	-	1,307,098,579	-
Short-term borrowings banks	42,856,586	-	42,856,586	-
TOTAL FINANCIAL LIABILITIES	**1,616,545,993**	**-**	**1,616,545,993**	**-**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

	December 31, 2022	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	562,176,266	-	562,176,266	-
Long-term receivables	3,811,865	-	3,811,865	-
Derivative financial instruments	2,612,061	-	2,612,061	-
Cash and cash equivalents	16,973,215	16,973,215	-	-
TOTAL FINANCIAL ASSETS	**585,573,407**	**16,973,215**	**568,600,192**	**-**
Financial liabilities				
Derivative financial instruments	4,592,619	-	4,592,619	-
Other non-current liabilities	165,353	-	165,353	-
Trade and other payables	1,193,423,012	-	1,193,423,012	-
Short-term borrowings banks	86,210,918	-	86,210,918	-
TOTAL FINANCIAL LIABILITIES	**1,284,391,902**	**-**	**1,284,391,902**	**-**

During the reporting period ending 31 December 2023 and 31 December 2022, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

32.5 Derivative financial instruments

The Group uses different commodity derivatives as part of price risk management in trading of crude oil and products.

Balance Sheet:

	December 31, 2023	December 31, 2022
Derivative financial asset	-	2,612,061
Derivative financial liability	(251,864)	(4,592,619)
Net position - asset/(liability)	**(251,864)**	**(1,980,558)**

Income Statement:

	December 31, 2023	December 31, 2022
Realized (gains)/losses - net	(141,799)	262,933,391
Total position - loss/(gain) - in Cost of sales	**(141,799)**	**262,933,391**

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

A movement in derivatives assets/ (liabilities) is shown below:

	December 31, 2023	December 31, 2022
Derivative asset/(liability) 2022	(1,980,558)	20,479,964
Cash payments	(131,160)	3,303,474
Reserves	1,859,854	(25,763,996)
Derivative asset/(liability) 2023	**(251,864)**	**(1,980,558)**

Derivative financial instruments are initially measured at fair value on the contract date and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments for fair value hedge are recognized in profit or loss as they arise.

The income statement results recorded in 2023 and 2022 are presented in Cost of sales, detailed in Note 21.

In the first quarter of 2023 Rompetrol Rafinare SA bought the entire deficit of EUA certificates for 2022 compliance in amount of EUR 23 million and also closed the Long Futures position of 770k EUA (the last futures position that was still opened at the end of 2022).

In respect of 2023 compliance, a total of 251k EUA were brought spot from the market, during March – May following the assessment made on CO2 emissions estimates for 2023. In June 2023 following MHC unit incident the entire production flow was changed for the rest of the period in which MHC unit remained shut down for repairs, thus leading to lower CO2 emissions for 2023 against initial estimates. For details regarding the CO2 allowances surplus as of December 31, 2023 see Note 2 z) and Note 3.

The Group has the following hedge transactions that qualify for fair value hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Commodity purchase / sell at fixed price	Base operating stock (BOS) – meaning crude oil, feedstock, diesel, gasoline and jet Priced operational stock above or below BOS	Commodity price risk	Swap, Future, Purchase put / call option
Foreign exchange risk related to monetary item	Monetary item not in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Foreign exchange risk related to a firm commitment	Firm commitment not denominated in the functional currency of the Group	Change in foreign exchange rate	Swap, currency forward
Fair value risk related to fixed interest rates	Receivable or liability at fixed interest rate	Interest related fair value risk	Swap

The Group has the following hedge transactions that could qualify for cash flow hedge:

Transaction	Hedged item	Risk hedged	Hedging instrument
Forecasted commodity purchase / sell	Forecasted refinery margin basket and forecasted Dated Brent differential	Commodity price risk	Swap, Future, Purchased put / call option
EUA certificates	Forecasted EUA certificates purchase	EUA certificate price risk	Futures

32.6 Market risk

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.7. Foreign currency risk management

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products sales are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in other currencies, which are translated at the prevailing exchange rate at each balance sheet date. The unrealized differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

	Liabilities		Assets	
	2023	**2022**	**2023**	**2022**
Currency RON	1,400,454,954	861,669,474	542,135,787	661,840,878
Currency EUR	44,367,383	121,373,186	72,898,933	45,621,670

32.8. Foreign currency sensitivity analysis

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

		RON		EUR	
		2023	**2022**	**2023**	**2022**
USD	**USD**				
Profit/ (loss)	**5%**	(42,915,958)	(9,991,430)	1,426,577	(3,787,576)
	-5%	42,915,958	9,991,430	(1,426,577)	3,787,576

32.9. Interest rate risk management

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher / lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2023 would decrease / increase by USD 41,489 thousand (2022: decrease / increase by USD 13,779 thousand).

(Amounts in US dollars represent the functional and presentation currency. Amounts in RON are supplementary financial information (see Note 2e))

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.10. Liquidity risk management

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2022 and 31 December 2021 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

Year ended December 31, 2023	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	5,384,475	16,153,425	292,822,375	-	**314,360,275**
Long-term net obligations under lease agreements	-	-	86,742	105,779,064	359,355,353	**465,221,159**
Trade and other payables	1,249,873,199	52,111,553	14,033,717	-	-	**1,316,018,469**
Derivative financial instruments	-	251,864	-	-	-	**251,864**
Short-term net obligations under lease agreements	-	4,422,797	13,268,392	59,062	-	**17,750,251**
Short-term debt	-	8,832,573	35,464,052	299,357	-	**44,595,982**
Other non-current liabilities	438,969	-	-	-	-	**438,969**
	1,250,312,168	**71,003,262**	**79,006,328**	**398,959,858**	**359,355,353**	**2,158,636,969**

Year ended December 31, 2022	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term net obligations under lease agreements	-	-	-	40,363,015	159,606,238	**199,969,253**
Trade and other payables	676,245,727	528,199,818	946,391	-	-	**1,205,391,936**
Derivative financial instruments	-	4,592,619	-	-	-	**4,592,619**
Short-term net obligations under lease agreements	1,513,744	1,287,884	8,404,885	-	-	**11,206,513**
Short-term debt	-	1,554,141	87,391,247	-	-	**88,945,387**
Other non-current liabilities	165,356	-	-	-	-	**165,356**
	677,924,828	**535,634,461**	**96,742,522**	**40,363,015**	**159,606,238**	**1,510,271,064**

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.11. Commodity price risk

The Group is affected by the volatility of prices of crude oil, oil products and by refinery margins. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil prices, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) can be hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties and KazmunayGas Group, and sales to third parties and Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

The hedge program for 2023 includes: Rompetrol Downstream Auction hedge, Forex hedge for excise.

At Group level, total 2023-year hedging (paper) instruments loss has been of USD -0.34 million, of which USD -0.71 million on Rompetrol Downstream forex for excise (due to RON appreciation vs. USD by 3%) and +0.42 million on Rompetrol Downstream Auction. This loss was completely offset by the physical gain of USD +1.54 million, of which USD +0.55 million on Rompetrol Downstream forex for excise and USD +0.94 million on Rompetrol Downstream Auction.

The net impact of the commodity hedges was positive driven only by Rompetrol Downstream Auction and had a net result of USD +1.36 million, out of which USD +0.94 million Physical Effect and USD +0.42 million Paper Effect. The Paper Effect was also positive due to October market movements, when the ICE Gasoil quotations (hedge instrument) decreased with a lower degree than the Diesel Platts quotations (Physical). So, in October the Paper loss was only USD -0.74 million while the Physical gain was USD +1.52 million, meaning a net result of USD +0.78 million only during this month (almost half of the entire year net result).

The Group's refining activity is exposed to the rising prices of EUA certificates. The CO2 emissions of the Rompetrol refinery are offset with EUA certificates. For the current year, the Company has covered the certificate requirements. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA certificate market to cover the EUA deficit of the refinery for the remaining years of Phase IV (2024-2025) and the subsequent years. When the market price will be within the target level of the Group, hedge operations will be carried on.

32. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

32.12. Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 16% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

33. SUBSEQUENT EVENTS

Intessa Sanpaolo Romania joins the USD 600 million syndicated facility with a USD 20 million loan that will be divided into two parts Facility A and Facility B, each worth USD 10 million. The new agreement was signed on March 14, 2024.

The consolidated financial statements have been endorsed by the Board of Directors on 23 March 2024 and will be submitted for approval by the Ordinary General Assembly of Shareholders on 26 April 2024 by:

BATYRZHAN TERGEUSSIZOV
CHAIRMAN of the BOARD of DIRECTORS

ALEXANDRU STAVARACHE
FINANCE MANAGER

FLORIAN – DANIEL POP
GENERAL MANAGER

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