

**FINANCIAL STATEMENTS**  
**on the date and for the financial year ended**  
**December 31<sup>st</sup> 2022**

**prepared based on the accounting regulations in accordance with**  
**The International Financial Reporting Standards**  
**approved by the Ministry of Finance Order no. 2844/2016**

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<b>I. STATEMENT of the FINANCIAL STANDING ON DECEMBER 31<sup>st</sup>, 2022</b>			
<b>- RON-</b>			
<b>Name</b>	<b>Note:</b>	<b>December 31<sup>st</sup>, 2022</b>	<b>December 31<sup>st</sup>, 2021</b>
<b>ASSETS</b>			
<b>Fixed assets</b>			
Tangible assets	5	607,025,461	512,823,088
Intangible assets	6	6,854,793	6,941,740
Financial Assets	7	2,537,045	411,171
Deferred corporate tax receivables	14	6,153,054	4,637,485
<b>Total fixed assets</b>		<b>622,570,353</b>	<b>524,813,484</b>
<b>Current assets</b>			
Inventories	8	6,867,083	5,312,087
Trade receivables and other receivables	9	49,186,760	48,922,158
Cash and cash equivalents	10	127,672,452	191,751,271
Prepaid expenses		1,252,288	623,444
<b>Total current assets</b>		<b>184,978,583</b>	<b>246,608,960</b>
<b>TOTAL ASSETS</b>		<b>807,548,936</b>	<b>771,422,444</b>
<b>EQUITIES AND LIABILITIES</b>			
<b>Equities</b>			
Subscribed and paid-up share capital	11	28,569,842	28,569,842
Legal reserves	11	5,713,968	5,713,968
Revaluation reserves	11	17,101,648	18,360,121
Other reserves	11	533,897,764	517,047,601
Retained earnings	11	37,149,214	46,288,764
Result of the period	11	61,663,616	51,928,770
<b>Total equities</b>		<b>684,096,052</b>	<b>667,909,066</b>
<b>Long-term liabilities</b>			
Long-term trade liabilities	13	-	1,287,802
Long-term liabilities to employees	13	23,069,134	16,628,683
Other long-term liabilities	12	2,749,112	3,458,842
<b>Total long-term liabilities</b>		<b>25,818,246</b>	<b>21,375,327</b>
<b>Current liabilities</b>			
Trade liabilities	12	43,914,968	32,147,560
Current Corporate Tax	12	1,997,414	2,049,325
Other liabilities	12	27,567,948	27,106,187
Short-term liabilities to employees	13	14,364,317	12,065,900
Short-term provisions	13	9,789,991	8,769,079
<b>Total current liabilities</b>		<b>97,634,638</b>	<b>82,138,051</b>
<b>Total liabilities</b>		<b>123,452,884</b>	<b>103,513,378</b>
<b>TOTAL EQUITIES AND LIABILITIES</b>		<b>807,548,936</b>	<b>771,422,444</b>

These financial statements, from page 2 to page 62, have been authorized for issue and signed by the company's management on March 23<sup>rd</sup>, 2023.

**Director General**  
**Eng. Dorin Tudora**

**Economic Director,**  
**Econ. Sanda Toader**

The attached notes, from 1 to 26, are integral part of these financial statements.

II. STATEMENT OF PROFIT AND LOSS AND OTHER ELEMENTS OF THE GLOBAL RESULT FOR THE FINANCIAL YEAR ENDED DECEMBER 31st, 2022			
- RON-			
Name	Note	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Revenues from contracts		472,232,577	412,786,582
Earnings from disposal of assets		5,401,508	4,914,629
Other revenues		44,425,417	40,684,781
<b>Total operating revenues</b>	16	<b>522,059,502</b>	<b>458,385,992</b>
Inventories Expenses		6,934,300	5,448,472
Expenses with energy and water		33,739,188	16,552,710
Personnel expenses		180,922,733	168,219,096
Value adjustments on fixed assets, less adjustments related to rights of use resulted from leasing contracts		53,074,898	51,939,320
Value adjustments for rights of use resulted from leasing contracts		1,986,489	1,672,808
Value adjustments on current assets		(766,860)	277,838
Expenses related to external services		114,242,161	109,775,835
Provision adjustments		6,753,310	(4,143,683)
Other expenses		62,404,440	50,906,821
<b>Total Operating Expenses</b>	17	<b>459,290,659</b>	<b>400,649,217</b>
<b>Operating Profit</b>		<b>62,768,843</b>	<b>57,736,775</b>
<b>Financial Revenues</b>		<b>9,839,428</b>	<b>3,428,282</b>
Interest expenses related to leasing contracts		236,174	202,065
Other financial expenses		233,103	127,759
<b>Financial Expenses</b>		<b>469,277</b>	<b>329,824</b>
<b>Financial profit</b>	18	<b>9,370,151</b>	<b>3,098,458</b>
<b>Profit before corporate tax</b>		<b>72,138,994</b>	<b>60,835,233</b>
Expenses with current corporate tax	14	11,686,338	9,155,006
Expenses with (revenues coming from) deferred corporate tax		(1,210,960)	(248,543)
<b>PROFIT OF THE PERIOD</b>		<b>61,663,616</b>	<b>51,928,770</b>
Actuarial Gain (Loss) from discounted benefits granted upon retirement		(1,599,191)	2,975,347
Other elements of the equities - retained earnings		-	408,156
<b>Total other global result elements that will not be subsequently reclassified as profit or loss</b>		<b>(1,599,191)</b>	<b>3,383,503</b>
Net increase of the modernization quota reserve		17,409,426	9,810,724
<b>Total other global result elements that will not be subsequently reclassified as profit or loss</b>		<b>17,409,426</b>	<b>9,810,724</b>
<b>TOTAL OTHER ELEMENTS OF THE GLOBAL RESULT</b>		<b>15,810,235</b>	<b>13,194,227</b>
<b>TOTAL GLOBAL RESULT</b>		<b>77,473,851</b>	<b>65,122,997</b>
<b>Earnings per share</b>		<b>7.12</b>	<b>6.00</b>

These financial statements and the related notes, from page 2 to page 62, have been authorized for issue and signed by the company management on March 23<sup>rd</sup>, 2023.

**Director General**  
**Dorin Tudora**

**Economic Director,**  
**Econ. Sanda Toader**

The attached notes, from 1 to 26, are integral part of these financial statements.

## II. STATEMENT OF CHANGES IN EQUITIES ON DECEMBER 31<sup>st</sup>, 2022

- RON-							
Name	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Year's profit or loss	Total equities
<b>Balance on January 1<sup>st</sup>, 2022</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>18,360,121</b>	<b>517,047,601</b>	<b>46,288,764</b>	<b>51,928,770</b>	<b>667,909,066</b>
<b>Net result of the year</b>	-	-	-	-	-	<b>61,663,616</b>	<b>61,663,616</b>
Actuarial loss of the period	-	-	-	-	(1,599,191)	-	(1,599,191)
Surplus from revaluation	-	-	(1,258,474)	-	1,258,474	-	-
Retained earnings coming from the adoption, for the first time, of IAS 29 – unrealized gain	-	-	-	-	(1,339,957)	-	(1,339,957)
Retained earnings coming from the adoption for the first time of IAS 29 - realized gain	-	-	-	-	1,339,957	-	1,339,957
Allocation of profit provided by law – tax exemption of reinvested profit	-	-	-	3,152,695	(1,668,015)	(1,484,680)	-
Net increase of the modernization quota reserve	-	-	-	17,409,426	-	-	17,409,426
<b>Total other global result elements</b>	-	-	(1,258,474)	<b>20,562,121</b>	<b>(2,008,732)</b>	<b>(1,484,680)</b>	<b>15,810,235</b>
<b>Total global revenues related to the period</b>	-	-	(1,258,474)	<b>20,562,121</b>	<b>(2,008,732)</b>	<b>60,178,936</b>	<b>77,473,851</b>
Dividends due to shareholders	-	-	-	(5,482,940)	(7,130,819)	(50,444,090)	(63,057,849)
Prescribed distributions	-	-	-	1,770,982	-	-	1,770,982
<b>Total transactions with the owners directly recognized in equities</b>	-	-	-	(3,711,958)	(7,130,819)	(50,444,090)	(61,286,867)
<b>Balance on December 31<sup>st</sup>, 2022</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>17,101,648</b>	<b>533,897,764</b>	<b>37,149,214</b>	<b>61,663,616</b>	<b>684,096,052</b>

**STATEMENT OF CHANGES IN EQUITIES ON DECEMBER 31<sup>st</sup>, 2021**
**- RON-**

Name	Share capital	Legal reserves	Revaluation reserves	Other reserves	Retained earnings	Year's profit or loss	Total equity
<b>Balance on January 1<sup>st</sup>, 2021</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>20,931,765</b>	<b>500,269,257</b>	<b>40,678,977</b>	<b>60,846,759</b>	<b>657,010,568</b>
<b>Net result of the year</b>	-	-	-	-	-	<b>51,928,770</b>	<b>51,928,770</b>
Actuarial gain of the period	-	-	-	-	2,975,347	-	2,975,347
Surplus from revaluation	-	-	(2,571,644)	-	2,571,644	-	-
Other elements of the equities - retained earnings	-	-	-	-	408,156	-	408,156
Retained earnings coming from the adoption, for the first time, of IAS 29 – unrealized gain	-	-	-	-	(1,175,672)	-	(1,175,672)
Retained earnings coming from the adoption for the first time of IAS 29 – realized gain	-	-	-	-	1,175,672	-	1,175,672
Allocation of profit provided by law – tax exemption of reinvested profits	-	-	-	1,484,680	47,138	(1,531,818)	-
Net increase of the modernization quota reserve	-	-	-	9,810,724	-	-	9,810,724
<b>Total other global result elements</b>	-	-	(2,571,644)	<b>11,295,404</b>	<b>6,002,285</b>	<b>(1,531,818)</b>	<b>13,194,227</b>
<b>Total global revenues related to the period</b>	-	-	(2,571,644)	<b>11,295,404</b>	<b>6,002,285</b>	<b>50,396,952</b>	<b>65,122,997</b>
Dividends due to shareholders	-	-	-	-	(392,498)	(59,314,941)	(59,707,439)
Prescribed distributions	-	-	-	5,482,940	-	-	5,482,940
<b>Total transactions with the owners directly recognized in equities</b>	-	-	-	<b>5,482,940</b>	<b>(392,498)</b>	<b>(59,314,941)</b>	<b>(54,224,499)</b>
<b>Balance on December 31<sup>st</sup>, 2021</b>	<b>28,569,842</b>	<b>5,713,968</b>	<b>18,360,121</b>	<b>517,047,601</b>	<b>46,288,764</b>	<b>51,928,770</b>	<b>667,909,066</b>

Note: the position "Other reserves" also contains the reserve representing the modernization quota amounting to 488,341,286 RON on 31.12.2022, namely 470,931,860 RON on 01.01.2022. This reserve has a special regime, provided by GD no.168/1998, exclusively destined to the financing of the modernization works and development works related to the goods belonging to the public domain. The modernization quota is being collected at the extent of capitalization and proceeds of the production and is reflected in the reserves' accounts, on account of the expenses. On a monthly basis, the reserve modernization quota at the level of depreciation of fixed assets financed from this source is resumed in revenues.

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**Director General,  
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**Economic Director,  
Econ. Sanda Toader**

The attached notes, from 1 to 26, are integral part of these financial statements.

**IV. Cash-flow statement for the year ended December 31<sup>st</sup>, 2022 (DIRECT METHOD)**

- RON-			
	Name of the Item	12 months, 2022	12 months, 2021
	<b>Cash flows from operating activities:</b>		
+	Proceeds from services supply	509,861,226	441,809,078
+	Proceeds from interests related to banking placements	9,871,618	3,320,322
+	Other proceeds	13,518,902	15,674,772
-	Payments to the suppliers of goods and services	140,569,215	121,740,032
-	Payments to and on behalf of the employees	176,585,009	166,734,770
-	VAT Payments	42,221,918	51,157,829
-	Expenses with corporate tax and specific tax	11,738,249	7,868,902
-	Other payments regarding the operating activities	45,623,034	43,857,072
<b>A</b>	<b>Net cash from operating activity</b>	<b>116,514,321</b>	<b>69,445,567</b>
	<b>Cash flows from investment activities:</b>		
+	Proceeds from sale of tangible assets	303,344	302,162
+	Proceeds from modernization quota	57,321,207	47,490,268
-	Payments for purchase of tangible assets	172,138,320	63,416,908
<b>B</b>	<b>Net cash from investing activity</b>	<b>(114,513,769)</b>	<b>(15,624,478)</b>
	<b>Cash-flows from financing activities</b>		
-	Paid Dividends	62,865,146	57,690,483
-	Payments on the debt related to the leasing	3,015,346	2,430,264
-	Interest payments	198,879	206,404
<b>C</b>	<b>Net cash from financing activities</b>	<b>(66,079,371)</b>	<b>(60,327,151)</b>
	<i>Net increase of the cash and cash equivalents=A+B+C=D2-D1</i>	<i>(64,078,819)</i>	<i>(6,506,062)</i>
<b>D1</b>	<b>Cash and cash equivalents at the beginning of the period</b>	<b>191,751,271</b>	<b>198,257,333</b>
<b>D2</b>	<b>Cash and cash equivalents at the end of the period</b>	<b>127,672,452</b>	<b>191,751,271</b>

The cash and cash equivalents on 31.12.2022 have decreased by 33.4% compared to December 31<sup>st</sup>, 2021 (127,672,452 mRON compared to 191,751,271 RON), due to payments of assets (investments) and dividends, higher than the cash surplus obtained from the operating activity and the cash inputs related to the investment activity.

Of the total of 127,672,452 RON availabilities in the balance on 31.12.2022, the share of the modernization quota is of 48,583,716 RON.

The effects of the three activity areas (operation, investment and financing) on the cash in the 12 months period of 2022 reveal the following:

- the operating activity triggered a cash-flow in amount of 116,514,321 RON;
- the investments activity ended with a negative cash-flow in amount of 114,513,769 RON;
- the financing activity decreased the total cash flow by 66,079,371 RON.

As compared to the previous year, the cash coming from the operating activity is 47.1mRON higher compared to 2021, due to the increase of the transported quantity and increase of the transport tariffs, as well as based on the increase of the proceeds from interests related to banking placements.

The net cash from the investment activity registers a negative value higher by 98.9 mRON compared to the level registered in 2021, due to the increase of the cash outputs for the

investment activity (the increase of the investments related to public domain financed out of the modernization quota).

The net cash from the financing activity registers, in both compared periods, negative amounts determined by the payment of dividends to the shareholders and the amounts related to financial leasing and rental contracts.

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**Economic Director,  
Econ. Sanda Toader**

The attached notes, from 1 to 26, are integral part of these financial statements.

### III. EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS ON DECEMBER 31<sup>st</sup>, 2022

#### 1. Business Description and General Information

The company "CONPET" S.A. ("The Company") is a joint-stock company, with a unitary system administration, as per Law no. 31/1990 on the companies, republished, subsequent amendments, registered at the Prahova Trade Registry under no. J29/6/1991, and the Financial Supervisory Authority by the registration certificate no. 7227/1997.

Address of the registered offices is Ploiesti, no. 1-3, Anul 1848 Street, Prahova County.

CONPET S.A. is the concessionaire of the operating activity of the National Transport System of crude oil, rich gas, condensate and ethane, quality acquired in 2002, , by conclusion, with the National Agency for Mineral Resources (NAMR), the competent authority representing the State interests in the oil resources domain, of the Oil Concession Agreement, approved by GD no. 793/25.07.2002.

CONPET shares are being traded on the Bucharest Stock Exchange (BVB) market, under "COTE" issuing symbol.

The company CONPET S.A. is included in 7 out of the total of 9 stock indices, respectively in **BET, BET-TR, BET-XT, BET-XT-TR, BET-BK, BET-NG and BET Plus**. Concurrently, starting March 21<sup>st</sup>, 2022, the company CONPET S.A. has been part of the FTSE Global Micro Cap index composition dedicated to the emerging countries.

On 31.12.2022, CONPET S.A. had a market capitalization of 587 million RON (118.64 million Euro), ranking 29 in Top 100 issuers according to capitalization.

#### *Company's Set-up*

CONPET is set up based on GD no.213/20.11.1990 regarding the set-up of the joint stock commercial companies in the industry, pursuant to Law no.15/1990 regarding the reorganization of the public economic units as autonomous administrations and joint stock companies, by taking over all assets and liabilities of the former Crude Oil Pipeline Transport Enterprise (Rom.I.T.T.C.).

The shareholder structure and number of voting rights at 31.12.2022, are:

- a) the Romanian State by the Ministry of Energy, holding 5,083,372 shares with voting rights, representing 58.72% of the share capital,
- b) legal persons, with 1,910,238 shares with voting rights representing 22.06% of the share capital, and
- c) natural persons holding 1,663,918 shares with voting rights representing 19.22% of the share capital.

### *Company's Mission*

CONPET mission is the operation of the National Transport System via pipelines under safe and secure conditions, free access to the system's available capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

### *Other Information on the Company's Business*

As per the Articles of Incorporation, the company's core business is the transport of crude oil, rich gas, ethane and condensate via pipelines aiming at supplying the refineries with crude oil and derivatives out of domestic production, as well as with imported crude oil (NACE code 4950- "transports via pipelines").

CONPET supplies transport services for its clients both via the National Transport System concessioned based on the Oil Concession Agreement of the National Transport System of crude oil, rich gas, condensate and ethane via pipelines, as well as by rail, from the loading ramps to the refineries, for the oil areas not connected to the major transport pipelines.

The crude oil National Transport System represents the ensemble of the major interconnected pipelines ensuring the collection of the oil extracted from the exploitation areas or of the imported crude oil, from the delivery sites to the processing units.

CONPET, as Concessionaire of the crude oil National Transport System entitles as common carrier and the obligation to provide, as per the legal provisions, free access to the system's available capacity to all the inquirers, authorized legal persons, under equal conditions, on a non-discriminatory and transparent basis.

The crude oil National Transport System belongs to the Romanian State public domain and is being administered by NAMR (as per the Oil Law provisions). It comprises a pipeline system of approx.3,800 km and a transport throughput of 18.5 million tons/year.

### *The Legal Environment*

The activity in the oil sector is being regulated by the Oil Law no.238/2004.

The National Agency for Mineral Resources (NAMR) represents the interests of the State in oil resources domain and is the competent authority authorized to apply the dispositions of Law 238/2004. As per the Oil Law, the National Agency for Mineral Resources entitles as Concession Provider of the goods belonging to the public domain, concessioned to the operators acting in the oil industry.

The main responsibilities of NAMR are the following:

- negotiates and concludes, on behalf of the State, oil agreements;
- awards mining concession licenses and exploitation permits;
- issues regulatory acts, norms, instructions, orders and regulations;
- controls the compliance, by the holders of the concession agreements, with the concession licenses and exploitation permits conditions;
- manages the Crude Oil and Natural Gas National Pipeline Transport Systems and regulates the exploitation activities thereof by system's concession agreements concluded;
- annuls the concession acts/administration acts;
- approves the tariffs and the frame-contract for the transport of crude oil, rich gas, condensate and ethane.

*The tariff for the supply of the transport service via the National Transport System of crude oil, rich gas, condensate and ethane.*

The transport tariff stands for the exchange value of the transport service supplied by the holder of the oil concession, as common carrier for the transport, via the crude oil National Transport System, of an oil ton along the oil take-over sites from the domestic producers or import and the delivery sites to the refineries.

The company practices different transport tariffs for the two subsystems belonging to the National Transport System, namely the subsystem for the transport of the crude oil, rich gas, condensate and ethane from the domestic production and the subsystem for the transport of the imported crude oil. For the transport on the import subsystem are being settled tariffs per refineries and per transported quantity installments, being applied the bracket tariff model.

The transport tariffs are being established in accordance with NAMR Order no.53/2008 for the approval of the guidelines regarding the criteria, methodology and settlement procedure of the regulated for the transport via the National Transport System and are being approved by NAMR as competent authority.

The transport tariffs are determined by the value of transport allocation of the amount of oil transported to the beneficiaries, using a methodology based on the determination of the cost of service, defined as all the revenue required to cover the system transport operations, here included:

- the operating cost, including: material expenses, personnel expenses, pipeline maintenance expenses, expenses with energy, costs related to the amortization of the fixed assets, the royalty and other taxes applicable to the transporter, expenses related to the provision of pipeline guard, amounts owed to landowners, other expenses etc.;

- modernization and development quota;

- reasonable profit margin.

## **2. Preparation Grounds**

### **(a) Declaration of Conformity**

These financial statements of the company have been drawn up based of the accounting regulations in accordance with the International Financial Reporting Standards ("IFRS") approved by the Order of the Ministry of Public Finance no. 2844/2016.

The IFRS standards represent the standards adopted according to the procedure provided by the Regulation (EC) no.1.606/2002 of the European Parliament and the Council from July 19, 2002 on the application of the International Financial Reporting Standards and include standards and interpretations approved by the Committee for Accounting International Standards ("IASB"), Accounting International Standards ("IAS") and interpretations issued by the Committee for the Interpretation of the International Financial Reporting Standards ("IFRIC").

***The financials statements prepared on the date and for the financial year ended December 31<sup>st</sup>, 2022, have been audited.***

### **(b) Overview of the Financial Statements**

The financial statements are being presented in compliance with IAS,1 the *Overview of the Financial Statements*. The company has adopted an overview based on liquidity within the financial standing and an overview of the revenues and expenses according to the nature thereof within the statement of profit and loss and other elements of the global result, considering that

these methods of presentation offer credible information and more relevant than the information presented based on other methods permitted by IAS 1.

**(c) Functional and Presentation Currency**

The financial statements are being presented in Romanian Lei (RON), as per the applicable accounting regulations, all amounts being rounded at the closest RON. The Romanian Leu (RON) is also the functional currency of the Company, as it is being defined by IAS 21, *The effects of the variation of the currency*.

**(d) Evaluation Grounds**

The financial statements are being prepared at historical cost, except for the tangible assets, other than the tangible assets in progress, which are being assessed at the reevaluated value, while the stocks are being assessed at the smallest value between the cost and the net achievable value.

The accounting policies defined here-below have been consistently applied for all periods presented in these financial statements.

**(e) Business Continuity**

The financial statements have been prepared considering the ongoing business concern.

**(f) Accounting Estimates and Professional Reasoning**

The preparation of the financial statements pursuant to the International Financial Reporting Standards („IFRS”) implies the use, by the Company, of estimates, professional reasoning and hypotheses affecting the reported value related to assets, liabilities, revenues and expenses. Estimates and assumptions are continuously evaluated and are based on historical experience and other factors, including predictions of future events that are believed to be reasonable under certain circumstances. The results of these estimates set the grounds for the professional reasonings regarding the accounting value of the assets and liabilities that cannot be obtained from other information sources. The actual results may be different from the estimates values.

The significant reasoning used by the management for the application of the Company's accounting policies and the main sources of uncertainty regarding the estimates have been the same with those applied to the financial statements related to 2021.

**(g) The Use of Estimates and Reasonings**

CONPET has concluded, in 2002, a concession contract with NAMR according to which the Company is entitled to use public patrimony assets including the goods part of the crude oil National Transport System.

The company CONPET operates as a joint stock company, as per the Law no.31/1990 on the companies, republished, with subsequent amendments, where most of shares are being held by the State, being a public enterprise as per GEO 109/2011 on the corporate governance of public enterprises. The services supplied by the company are not public services, as they are being supplied in the benefit of the clients legal persons, therefore do not fall under the provisions of IFRIC 12, *Services Concession Agreements*.

### **3. Accounting Policies**

Hereinafter, there are being described the significant accounting policies applied consistently by the company on preparation of its financial statements.

#### **(a) Transactions in Foreign Currency**

The transactions in foreign currency are being expressed in RON by application of the currency from the date of transaction. The monetary assets and the debts expressed in foreign currency at the end of the period are being transformed in RON at the currency valid on that date.

The earnings and losses generated by the differences of currency, realized or not realized, are being registered in the profit and loss statement and other elements of the global result of the respective financial year.

The foreign exchange of the main foreign currencies were:

	<b>December 31<sup>st</sup>, 2022</b>	<b>December 31<sup>st</sup>, 2021</b>
RON/EURO	4.9474	4.9481
RON/USD	4.6346	4.3707
RON/GBP	5.5878	5.8994

#### **(b) Accounting for the Effect of Hyperinflation**

In accordance with IAS 29 Financial reporting in hyperinflationary economies, the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy shall be presented in the current unit balance-sheet on the financial year completion date, i.e. non-monetary items are restated using a general price index from date of acquisition or contribution.

Therefore, the values reported in terms of purchasing power on December 31<sup>st</sup>, 2003 are treated as the basis for the carrying amounts of these financial statements.

As the characteristics of the economic environment in Romania indicate the cessation of hyperinflation, starting January 1<sup>st</sup> 2004, the Company no longer applies IAS 29.

#### **(c) Financial Instruments**

##### ***(i) Non-derivative financial assets***

The company initially recognizes the financial assets (receivables and deposits) on the date they have been initiated.

All other financial assets, here included the assets designated at fair value through profit or loss, are recognized initially on the trade date, when the Company becomes party of the contractual terms of the instrument.

Any interest in the financial assets transferred that is created or retained by the Company is recognized separately, as asset or liability.

The financial assets and debts are offset and in the statement of the financial standing is being presented the net value exclusively when the Company has the legal right to offset the amounts and intends either to settle them on a net basis, or to realize the asset and settle the obligation simultaneously. On 31.12.2022, the company holds the following non-derivative financial assets: cash, cash equivalents and receivables.

#### *Receivables*

Receivables are financial assets with fix or determinable payments that are not listed on an active market. Receivables contain trade receivables and other receivables.

#### *Cash and cash equivalents*

The cash and cash equivalents comprise the amounts recorded in cash accounts, current accounts, deposits redeemable on maturity and other cash equivalents. The cash availabilities in foreign currency are revalued at the exchange rate at the end of the period.

### ***(ii) Non-derivative Financial Liabilities***

The Company recognizes in the book-keeping the non-derivative financial liabilities on the trading date when the Company becomes party to the contractual terms of the instrument. The Company has the following non-derivative financial liabilities: guarantees retained within contractual transactions, trade payables and other liabilities.

#### *Trade liabilities*

Liabilities to the suppliers and other liabilities include the exchange value of the products suppliers' deliveries, works executed and the services supplied.

#### *Leasing liabilities*

As per IFRS 16, a contract is or contains a leasing contract in case that contract confers the right to control the use of an asset identified for a certain period in exchange of a counter value.

For such contracts, on the date of initiation of performance thereof, a lessee must recognize an asset related to the right of use and a debt deriving from the leasing contract, debt generating interest.

The company includes in the item "Other liabilities" also the liabilities deriving from the leasing contracts at the present value of the payments of leasing that are not paid on that date.

### ***(iii) Share capital - Common stocks***

The share capital consisting of common stocks (ordinary) is recorded at the value established based on the articles of association and addenda.

The company recognizes the amendments to the share capital only after the accomplishment of the legal procedures provided by Law no.31/1990.

## **(d) Tangible assets**

### ***(i) Recognition and Assessment***

The tangible assets in the company's patrimony are being classified in the following category of assets of same kind and similar use.

- lands;
- constructions;
- operating oil product;
- technological equipment, measuring installations and devices, control and adjustment and means of transport;
- other tangible assets;
- tangible assets in progress.

The tangible assets are initially evaluated at cost by the Company. After initial recognition, the tangible assets are being revealed in the statement of the financial standing at reevaluated value, established based on an assessment report drafted by an authorized independent expert. The revaluations are made with fair regularity to make sure that the accounting value does not significantly differ from what would have been determined by using the fair value on the date of the reporting period.

The tangible assets are being presented in the statement of the financial standing at the revaluated value, diminished by the cumulated depreciation and the loss from cumulated depreciation, except for advance payments and ongoing tangible assets presented at cost.

The cost of an element of tangible assets is made up of the procurement price, here included the import fees or non-recoverable procurement fees, the transport expenses, manipulation, commissions, notary fees, expenses with permits acquirement and other non-recoverable expenses directly related to tangible assets and any other direct costs attributable to bringing the assets to the place and in operating conditions.

The tangible assets in progress stand for unfinished investments performed in-house or under contract. They are being evaluated at the production or procurement cost, as the case may be. Tangible assets in progress pass to the category of tangible assets completed after the reception, putting into operation or commissioning thereof, as the case may be.

The cost of a tangible asset built in-house is being determined by using the same principles as for a purchased asset.

The Company does not recognize in the carrying amount of a tangible asset item the current repairs and usual maintenance, these costs are recognized as an expense when incurred.

The costs of current maintenance are mainly the workmanship and expandable costs and may include the cost of small components. The purpose of these expenses is often described as being meant for the “repairs and maintenance” of the tangible assets element.

## ***(ii) Ulterior costs***

### **Replacements of several components of tangible assets**

The components of several elements of tangible assets may need the replacements at time regulated intervals. The company recognizes in the carrying amount of a tangible assets element the cost of the replaced part of such an element, when that cost is borne by the company, if the validation criteria are being met, for tangible assets.

### **General Regular Inspections**

One condition for the continuation of the exploitation of an element of tangible asset is the performance of a general major regular inspection for detecting defects, notwithstanding they are being replaced or not component parts of the respective assets. When a general regular inspection is being performed, the related cost is recognized in the accounting value of the tangible asset as a replacement, if the recognition criteria are satisfied.

An element of tangible assets and any significant part initially recognized are derecognized in the moment of disposal or when are not being expected future economic benefits from its use or sale. If an element of tangible asset is re-assessed, all the other assets it is part of are re-evaluated, except for the situation when there is no active market for that asset. A class of intangible assets contains assets of the same nature and similar use, being operated by the entity. If the fair value of a tangible asset cannot be determined by reference to an active market, the asset value

presented in the balance sheet is its reassessed value at the date of the last reassessment, where from are being decreased the cumulated value impairments.

When certain components of a tangible asset have a different useful life, they are being counted as distinct elements (major components) of tangible assets.

The statement related to the evolution of tangible assets of the Company during 2022 and 2021 is being detailed in note 5.

### **Operating Oil Product**

The company recognizes in tangible assets the operating oil product evaluated in the balance sheet at determined cost from the revaluation performed as per GD no.26 from January 22,1992 updated with inflation rate up to 31.12.2003, when the Romanian economy was inflationary. Since the oil operating product of the Company physically renews with every pumping and that the component elements of this product do not bear, therefore, moral or qualitative impairment, the operating oil product has not useful life, thus is not being depreciated. The company presents the operating oil product at the cost value, here included the effects of restatements registered in the previous years as per application of "IAS29", Financial reporting in the hyper inflationary economies".

### **The Goods belonging to State Public Domain**

The company administers goods belonging to the State public domain, as grantor of the oil concession Agreement concluded with the National Agency for Mineral Resources, approved by GD no.793/2002 for a period of 30 years.

Pursuant to the concession agreement, the objectives assumed by CONPET S.A. in relation to its activity are: to ensure the operation of the national transport system via pipelines under maximum safety and economic efficiency conditions, to continuously improve the quality of services and to protect the environment.

The goods resulting following the investments provided by the rehabilitation, modernization and development programs performed out of own company's financing sources are being capitalized and depreciate on the minimum duration related to the remaining lifespan of the respective asset or the remaining term of the concession agreement. The goods are to be included in the State's public domain on the date of amortization of the investment by the company, namely on the expiry of the normal operation term or cease of the oil agreement, if applicable, as per the legal provisions.

### ***(iii) Reclassification as Investment Property***

When an asset is being held more for obtaining revenues out of rentals or for the increase of the capital value or both, rather than for being used in the production or supply of goods and services, for administrative purposes or to be sold during the normal carry out of the activity, the asset is being transferred in investment property. Our company transfers an asset in the category of investment property if the latter generates cash flows that are, to a large extent, independent of other assets held.

The company does not hold investment property in balance on the date of preparation of these financial statements.

**(iv) Intangible Assets held in view of Sale**

When there is an amendment brought to the use of an intangible asset, meaning that its accounting value is to be recovered mainly by a sale transaction and not by its continuous use, the company records the asset transfer from the tangible assets category to non-current assets held in view of sale.

The non-current assets are classified as assets held for sale when:

- They are available for immediate sale;
- The company's management is engaged in a sales plan;
- There are minimum chances that the sales plan incur significant changes or be withdrawn;
- An active program to find buyers is initiated;
- The assets group is being traded at a reasonable price as compared to the fair value;
- It is expected that the sale be concluded within 12 months as of the date of assets classification as held for sale.

Certain events or circumstances may extend the period for the completion of sale by more than one year. An extension of the period does not prevent an asset (or an asset group to be disposed) to be classified as being held in view of sale in case the delay is caused by events or circumstances outside the management control and there are enough proofs that the company remains committed to the plan regarding the asset's sale (or the group destined to disposal).

The intangible assets (or asset group to be disposed) classified as being held in view of sale are being assessed by the company at the minimum between the accounting value and the fair value, less the sale costs.

The intangible assets are not being depreciated whilst they are being classified in view of sale.

The company does not hold investment property in balance on the date of preparation of these financial statements.

**(v) Assets related to the right of use of the assets taken by leasing**

On initiation of a contract, the company evaluates if that contract is or includes a leasing. A contract is or contains a leasing contract in case that contract confers the right to control the use of an asset identified for a certain period in exchange of a counter value.

As per IFRS 16, Leasing Contracts, on the date of starting the performance, the company, as lessee, recognizes an asset related to the right of use. The cost of the asset related to the right of use includes the value of the initial value of the debt deriving from the leasing contract, any leasing payment being performed at the date of initiation of performance or prior to third date, minus any in leasing stimulants received or any direct initial cost borne by the company as lessee. The company reevaluates if a contract is or includes a leasing only provided that the terms and conditions of the contract be amended. The company determines the duration of a leasing contract as being the irrevocable period of a leasing contract, along with:

- (a) the periods covered by an option of extension of a leasing contract if the lessee has the reasonable confidence that he will exercise that option; and
- (b) the periods covered by an option of termination of the leasing contract if the lessee has the reasonable confidence that he will not exercise that option.

In the statement of the financial standing, the assets related to the right of use are being included in the same element-item as the one where are being presented the assets-support of the company.

**(vi) Depreciation**

Depreciation is being calculated by using the straight-line method.

The useful life of the tangible assets fit with those provided in the Catalog regarding the classification and normal operating durations of the fixed assets approved by Decision 2139/2004. The goods resulting following the investments related to the national transport system via pipelines pays off along the minimum duration between the remaining lifespan of the respective asset, revised as the case may be, and the remaining duration from the concession agreement. The assets related to the rights of use of the leased assets shall be depreciated on a straight-line basis over the term of the contract.

The lifespans of the tangible assets are being periodically revised and, if applicable, on the date of value increase thereof, due to some expenses subsequently performed.

**(vii) Sale/ Cessation of Intangible Assets**

Tangible assets that are scrapped or sold are being derecognized from the balance sheet together with the corresponding accumulated depreciation. Any profit or loss resulting from such an operation are included in current profit or loss.

The gain or loss resulting from the derecognition of an element of tangible assets is being determined as the difference between the net proceeds out the net accounting value of the assets.

**(e) Intangible assets**

**(i) Recognition and Assessment**

Intangible assets are initially recognized at cost. The cost of intangible assets includes expenses that are not directly attributable to the purchase of the respective elements. The expenditure related to the acquisition of software licenses is capitalized based on the costs of purchase and commissioning of the respective programs. The costs associated to the maintenance of the software programs are recognized as expenses upon occurrence.

**(ii) Subsequent Expenditure**

The subsequent expenses are capitalized only when they increase the future economic benefits embodied in the value of the asset to which they are intended. All other expenditure, including expenditure on the goodwill and the internally generated brands are recognized in profit or loss when incurred.

**(iii) Depreciation**

Depreciation is recognized in profit or loss using the linear method for the useful life estimated for intangible assets other than goodwill, from the date they are available for use.

**(f) Depreciation of Assets**

*The Non-Financial Assets*

The carrying value of the Company's assets that are not of a financial nature, other than deferred tax assets, are reviewed at each reporting date to identify the existence of impairment indices. If such indices exist, it is being estimated the recoverable amount of the said assets.

The recoverable amount of an asset or of a cash-generating unit is the maximum between its use value and its fair value, less the costs to sell that asset or units. A cash-generating unit is the smallest identifiable group that generates cash and that independently of the other assets and other groups of assets could generate cash flows. To determine the use value, the expected future

cash flows are discounted using a discount rate before taxation, which reflects the current market conditions and the risks specific to the said asset.

An impairment loss is recognized when the carrying amount of the asset or cash-generating unit exceeds its estimated recoverable amount of the asset or the cash-generating unit.

The impairment losses recognized during the previous periods are being assessed at each reporting date to determine whether they have diminished or no longer exist. The impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Given some internal and external factors, the Company assessed the net book value registered on the balance sheet date for depreciable tangible assets, in order to evaluate the possibility of existence of an impairment thereof, which could attract the record of an adjustment for impairment.

#### *The Financial Assets*

The short-term receivables are not discounted. The recoverable amount of other assets is deemed the highest value between the fair value (less sale costs) and the use value. Estimating the use value of an asset involves updating the estimated future cash flows using a pre-tax discount rate that reflects current market assessments regarding the time value of money and the risks specific to the asset.

Depreciation losses on financial assets or a receivable recorded at the amortized cost is reversed if there has been a change in the estimates used to determine the recoverable amount.

#### **(g) Stocks**

The main categories of stocks are: consumables, spare parts, ongoing services and materials like inventory objects.

The stocks are valued at the lower of cost and net achievable value.

The cost of stocks is based on the first in - first out (FIFO) principle and includes costs incurred for the purchase of inventories, production or processing costs and other costs incurred for bringing the inventories in the form and present location.

The net achievable value is the estimated selling price to be obtained in the ordinary course of business, less estimated costs of completion, when appropriate, and the estimated costs necessary to the sale.

If applicable there will be applied impairments for the obsolete stocks, slow movement or damaged.

#### **(h) Dividends**

The dividends are recognized as liability in the period in which their distribution is approved. The distribution of dividends is being performed subsequently to the approval of the annual financial statements.

#### **(i) Revaluation reserves**

The revaluations are performed with sufficient regularity so that the carrying amount should not differ substantially from that which would be determined using the fair value on the balance sheet date.

The difference between the value resulting after revaluation and the net accounting value of tangible assets is presented either according to its nature (appreciation/depreciation), either at the revaluation reserve as a distinct sub-element in "Equities" or in the "Profit and Loss" account.

If the revaluation result is an increase over the net accounting value, then, it is treated as follows: as an increase of the revaluation reserve presented within the total equity, if there was no previous decrease recognized as an expense related to that asset or as an income to compensate the expense with the decrease previously recognized at that asset.

If the revaluation result is a decrease of the net accounting value, it is treated as an expense with the entire value of the impairment when in the revaluation reserve is not recorded an amount on the asset (revaluation surplus) or as a decrease of the reserve from the revaluation by the minimum between the value of that reserve and the amount of the decrease and the possible difference remaining uncovered is recorded as an expense.

The revaluation surplus included in the revaluation reserve is transferred to the retained result when this surplus represents a realized gain. The gain is deemed realized as monthly amortization is being registered and when deleting from the records of the asset for which was established the revaluation reserve. No part of the revaluation reserve can be distributed, directly or indirectly, except for the case when it represents achieved earnings.

A particularity occurs in case of the assets financed out of the modernization quota.

Thus, in case the revaluation result shows an increase compared to the net accounting value, then it is being treated as follows:

- as an increase of the revaluation reserve, if there was no previous decrease written-back as an expense related to that asset,
- as an increase of the reserve established out of the modernization quota, up to the set-off of the decrease previously recognized and for which, simultaneously with the impairment expense was also diminished the quota reserve by writing-back to revenues.

In case the result of revaluation is a decrease of the net accounting value, the latter will be treated as an expense when in the revaluation reserve is not registered an amount related to that asset (revaluation surplus) and the reserve formed out of the modernization quota is diminished simultaneously by writing-back as income.

Starting May 1, 2009, the statutory reserves from the revaluation of fixed assets, including the lands, performed after January 1<sup>st</sup>, 2004, which are deducted from calculation of taxable profit through tax depreciation or from expenditure regarding the assets assigned and / or squashed, shall be taxed concurrently with the deduction of the fiscal depreciation, respectively when deducting from the administration of these fixed assets, as appropriate.

The achieved reserves are taxable in the future, in case of change of reserve destination, reserve distribution towards the participants in any form, liquidation, division, merger of the taxpayer or of any other reason except for transfer, after May 1, 2009, of the reserves mentioned in the previous paragraph.

#### **(j) Legal reserves**

The legal reserves are constituted in a rate of 5% of gross statutory profit, as of the end of the year until the total legal reserves reach 20% of the nominal share capital (statutory) paid-up in compliance with the legal provisions. These reserves are deductible at the calculation of the corporate tax and are distributable exclusively upon liquidation of the Company. There have not been distributed amounts to the legal reserves as they are currently constituted within the limit of the quota of 20% of the share capital, as per the provisions of Art.183, Para (1) and (2) of Companies Law no. 31/1990, subsequent amendments and completions.

### **(k) Other reserves**

The company constitutes profit reserves also at the expense of the modernization quota, based on the GD no.168/1998 on setting the quota for the expenses necessary for the development and modernization of crude oil and natural gas production, refining, transport and petroleum distribution, subsequent amendments, presented in GD no.768 of 7 September 2000 and 1116 of 10th of October 2002 and according to the provisions of Law no.227/2015 on the Fiscal Code. The level of the modernization quota in the transport tariffs is set by the National Agency for Mineral Resources (ANRM) once the transport tariffs are approved.

In other reserves - the modernization quota, as sub-element of the accounts of equities are being included the amounts representing the plus resulting from the revaluation of the tangible assets financed out of this source, until the clearing of the decrease previously acknowledged.

### **(l) Related Parties**

The Parties are deemed related in case they are subject to control (or joint control) by the same entity or when an entity can directly or indirectly control or significantly influence the other party, either through ownership, contractual rights, family relationship or otherwise, as defined in IAS 24 *Presentation of Affiliated Party Disclosures*.

### **(m) The Benefits of the Employees**

#### ***(i) Benefits granted upon Retirement***

In the normal course of business, the Company makes payments to the Romanian State in the account of his employees, at the statutory rates.

All employees of the company are included in the Romanian State pensions plan. These costs are being recognized in the statement of global result once with salaries recognition.

The Company recognizes a provision for retirement benefits. The discounted value of the liabilities related to the benefits granted on retirement is annually determined by an independent actuary. The Company operates no other pensions or post-retirement benefits plan and, consequently, has no sort of other pensions-related liabilities.

#### ***(ii) Short-term Employees Benefits***

The short-term employees' benefits are the ones to be settled in no more than 12 months as of the end of the reporting period when the employees have supplied the said services. These benefits are mainly represented by salaries and contributions of the employer to the social insurance, rest and medical leaves, the employees' share of profit. The liabilities related to these benefits are recognized as expense while the services are supplied and are assessed on a non-discounted basis.

The company establishes a fund for the employees' share of profit, as per the provisions of the Government Ordinance no.64/August 30, 2001.

### **(n) Provisions**

Provisions are recognized when the Company has a current obligation (legal or implicit) generated by a past event, when it is probable that an outflow of resources be required to settle the obligation and duty can be estimated reliably.

The amount recognized as a provision is the best estimate on the balance sheet date, of the costs required to settle this obligation.

The best estimate of the costs required to settle current debt is the amount that the Company would pay, reasonably, to settle the obligation on the balance sheet date, or transfer it to a third party at that time.

Where the effect of the time value of money is significant, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. The discount rate used reflects current market assessments of the time-value of money and the risks specific to the liability.

Gains from the expected disposal of assets should not be considered in measuring a provision. If estimated that one or all expenses related to a provision will be reimbursed by a third party, the reimbursement is recognized only when it is certain that it will be received. The reimbursement is considered as a separate asset.

Provisions are reviewed at each balance sheet date and adjusted as to reflect the current best estimate. If an outflow of resources is no longer likely to settle an obligation, the provision shall be canceled by reversal of revenue.

#### **(o) Subsidies**

Subsidies for assets, including non-monetary subsidies at fair value, are recorded in the accounting as investment subsidies and are recognized in the balance sheet as deferred income. The deferred income is recorded in the profit and loss account statement upon registration of the depreciation expenses or upon the scrapping or disposal of assets.

The subsidies that compensate the Company for the expenses incurred are recognized systematically in the profit or loss account, in the same periods when the expenses are recognized.

#### **(p) Revenues**

##### *Revenues related to Services Supply*

The revenues from the services supply are recognized in the period in which they were provided in correspondence with the stage of execution.

As per IFRS 15 Revenues from clients' contracts, the value of the trade price allocated to an obligation of execution is recognized in revenues when (or gradually) an execution measure is being fulfilled.

In order to determine the trade price there are being considered the terms of the contract and the usual business practices. The price of the transaction represents the value of the consideration to which the company expects to have the right in exchange of the transfer of goods or services promised to a client, not including the collected amounts on behalf of some third parties.

##### *Revenues from royalties, rentals and interests*

Recognition rules:

- interests are recognized periodically, proportionally, upon generation of the said income, on an accrual-based accounting;
- royalties and rentals are recognized on an accrual accounting basis, under the contract.

#### **(q) Financial Revenues and Expenses**

The financial revenues comprise interest revenues related to the funds invested and other financial revenues. The interest revenues are recognized in profit or loss of the period, on the accrual-based accounting, using the effective interest method.

The financial expenses mainly contain expenses with interests related to leasing contracts and the expense related to currency differences.

The interest expenses generated by the debts coming from the leasing contracts are being registered in the loss and profit account along the leasing contract, being calculated at the outstanding balance of the debt related to the leasing, for each stage. This thing will determine higher expenses at the beginning of the leasing contract.

**(r) Tax**

The corporate tax expenses comprise the current tax and the deferred tax.

The corporate tax is recognized either in the profit and loss of the period, or outside the profit and loss, in other elements of the global result or straight in the equities.

**(i) Current Tax**

The current tax is the tax payable on the profit realized in the current period, determined using tax rates enacted on the reporting date and any adjustment for prior periods.

For the financial year ended December 31, 2022, the corporate tax rate, under the Fiscal Code, was of 16%.

**(ii) Deferred Tax**

The deferred tax is determined by the Company using the balance sheet method for those temporary differences arising between the tax calculation base on assets and liabilities and their book value, used for the individual financial statements reporting.

The deferred tax is calculated using the tax rates that are expected to apply to the temporary differences upon the write-back thereof, under the legislation in force at the reporting date.

The receivables and debts related to Deferred tax are offset only if there is a legally enforceable right to offset current tax liabilities and receivables and whether they are related to the tax collected by the same tax authority on the same entity subject to taxation, or different tax authorities but willing to achieve settlement of current receivables and payables by the tax, using a net basis or the related assets and liabilities will be realized simultaneously.

The deferred tax receivable is recognized by the Company only to the extent where the achievement of future profits is likely to happen, which can be used to cover the tax loss. The deferred tax related receivable is reviewed at the end of each financial year and is reduced to the extent that the corresponding tax benefit is unlikely to be realized. The additional taxes that arise from the distribution of dividends are recognized, at the same date, with the liability of payment of dividends.

**(iii) Tax Exposures**

For the determination of current and deferred tax, the Company considers the impact of uncertain fiscal positions and the possibility of occurrence of additional taxes and interests. This assessment is based on estimates and assumptions and may involve a series of judgments about the future events. New information may become available, thus determining the Company to change its judgment regarding the accuracy in estimating the existing fiscal liabilities; such changes in fiscal obligations affect the tax expense in the period in which such determination is made.

**(s) Earnings per share**

The earnings per share is determined by dividing the profit or loss attributable to the Company's ordinary shareholders to the weighted average number of ordinary shares for the period under review.

**(t) Business Segments Reporting**

A segment is a distinct component of the Company that provides certain products or services (business segment) or provides products and services in a particular geographical environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The company CONPET has a single reportable segment, namely transport services supply for its clients both via the National Transport System and by railway.

**(u) Contingent Assets and Liabilities**

The contingent liabilities are not recognized in the statement of the financial standing and in the profit and loss account. They are disclosed in the notes to the financial statements, except for the possibility of an outflow of resources representing economic benefits is being removed.

A contingent asset is not recognized in the financial statements and in the profit and loss account but disclosed when an inflow of economic benefits is likely to happen.

**(v) Ulterior Events**

The financial statements reflect subsequent events after the year-end, events that provide additional information on the Company's position on the reporting date or those that indicate a possible violation of the going concern principle (events that cause adjustments). Events following the end of the year that are not adjusting events are disclosed in notes when they are considered significant.

**(w) Comparative Figures**

The statement of the financial standing for the year ended December 31<sup>st</sup>, 2022 shows comparability with the statement of the financial standing for the financial year ended December 31<sup>st</sup>, 2021.

**(x) New Standards and Interpretations**

The following new standards and amendments of the existing standards issued by the International Accounting Standards Committee (IASB) and adopted by the European Union (EU) have not yet entered into force for the annual financial reporting period ended December 31<sup>st</sup>, 2022 and have been applied on preparation of these financial statement: [IAS 8.30 (a)]:

Norm/Interpretation [IAS 8.31 (a)], 8.31(c)]	Nature of imminent amendment of the accounting policy [IAS 8.31 (b)]	The potential impact over the financial statements [IAS 8.31(e)]
The adoption of IFRS 17 "Insurance Contracts" (in force for the annual periods starting January 1 <sup>st</sup> , 2023, or ulterior to this date)	The objective IFRS 17 is to ensure the fact that a company presents in its financial statements relevant information to represent fidelity insurance contracts. The named information offers the users of the financial statements a solid basis in order to evaluate the effect of the insurance contracts on the financial position, of the financial performance and the cash flows of the company.	The adoption of the IFRS 17 will bear no impact on the individual financial statements, as this standard is not applicable at the date of preparation of these financial statements.

Amendments to IFRS 17 "Insurance Contracts" (in force for the annual periods starting January 1 <sup>st</sup> , 2023, or <i>ulterior to this date</i> )	The amendment of the requirements regarding the transitions provided by IFRS 17 allows the companies that apply for the first time IFRS 17 and IFRS 9, <i>Financial Instruments</i> , to solve the problem of punctual differences of classification in connection with the comparative information within the previous reporting period.	The adoption of the amendments to IFRS 17 shall bear no impact on the individual financial statements, as this standard is not applicable at the date of preparation of these financial statements.
Amendments to IAS 12 "Corporate Tax" (in force for the annual periods starting January 1 <sup>st</sup> , 2023, or <i>ulterior to this date</i> )	The amendments clarify how companies must account for deferred taxes on transactions such as leases and decommissioning obligations and aim to reduce diversity in reporting receivables and debts related to the deferred tax, receivables and debts related to leasing contracts and decommissioning obligations.	The adoption of Amendments to IAS 12 shall not bear impact on the individual financial statement.
Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in the accounting estimates and errors" (effective for annual periods from or after January 1 <sup>st</sup> , 2023)	These amendments clarify the differences between accounting policies and accounting estimates in order to ensure a more consistent application of accounting standards and comparability of the financial statements.	The adoption of the amendments at IAS 11 and IAS 8 shall not have impact on the individual financial statements.

The following standards and amendments to existing standards issued by the International Accounting Standards Committee (IASB) and adopted by the European Union (EU) have entered into force in the current period:

Norm/Interpretation [IAS 8.31 (a)], 8.31(c)]	Nature of imminent amendment of the accounting policy [IAS 8.31 (b)]	The impact the financial statements [IAS 8.31(e)]
The amendments to IAS 16 "Tangible assets", IAS 37 "Provisions, contingent debts and active debts", IAS 41, "Agriculture", IFRS 1 "The adoption, for the first time, of the International Financial Reporting Standards", IFRS 3 "Business Combinations" and IFRS 9 "Financial Instruments" (in force for the annual periods starting January 1, 2022 or <i>ulterior to this date</i> ).	The amendments to IAS 16, IAS 37 and IFRS 3 offer additional clarifications for a more consistent application of the standards or updates the references. The amendments to IAS 41, IFRS 1 and IFRS 9 have been adopted within the annual improvements issued by IASB and target the rationalization and clarification of the existing standards.	The adoption of these amendments had no impact on the individual financial statements.

#### **4. Determination of Fair Value**

Certain Company's accounting policies and requests of information supply require the determination of the fair value for financial and non-financial assets and liabilities.

##### *Determination of Fair Value*

Fair values are multi-level classified in the fair value hierarchy based on the input data used in the assessment techniques, as follows:

Level 1: Prices quoted on active markets for identical assets and liabilities.

Level 2: Input data, other than the prices included at Level 1, containing observable values for assets or liabilities, directly or indirectly.

Level 3: Inputs for assets or liabilities that are not grounded on the data observable on the market.

The fair values of the tangible assets have been determined in view of assessment and/or presentation of the information based on the methods described below.

The revaluated value of the lands, buildings and equipment was established beginning with the fair value based on the market method and on the cost using quoted market prices for similar items, when they are available, or the replacement cost when appropriate. The depreciated replacement cost reflects adjustments for physical deterioration, wear and tear, functional and economical obsolescence. The revaluated value of lands, buildings and equipment was determined by authorized appraisers.

Where applicable, additional information regarding the hypothesis used in the determination of fair value are presented in the notes specific to the named asset or liability.

In the following chart are being presented the fair values classified on the 3 level in the hierarchy of fair values, structured on group of tangible assets:

- RON-				
	Level 1:	Level 2:	Level 3:	Fair value on December 31 <sup>st</sup> , 2022
Lands	-	-	25,158,645	25,158,645
Constructions;	-	-	316,399,997	316,399,997
Machinery and equipment	-	-	69,688,688	69,688,688
Measuring and control devices	-	-	21,625,477	21,625,477
Means of transport	-	-	20,185,451	20,185,451
Other assets	-	-	2,250,809	2,250,809
<b>TOTAL</b>			<b>455,309,067</b>	<b>455,309,067</b>

- RON-				
	Level 1:	Level 2:	Level 3:	Fair value on December 31 <sup>st</sup> , 2021
Lands	-	-	25,585,843	25,585,843
Constructions	-	-	316,226,461	316,226,461
Machinery and equipment	-	-	60,305,390	60,305,390
Measuring and control devices	-	-	26,102,426	26,102,426
Means of transport	-	-	18,279,099	18,279,099
Other assets	-	-	3,009,737	3,009,737
<b>TOTAL</b>			<b>449,508,956</b>	<b>449,508,956</b>

## 5. Tangible assets

In 2022, compared to 2021, the intangible assets evolved as follows:

Name	Lands	Buildings and special installations	Oil operating products	Machinery and equipment	Instrumentation and control equipment	Means of transport	Other tangible assets	Tangible assets in progress	Total tangible assets
<b>Gross accounting value on January 1<sup>st</sup>, 2022</b>	<b>27,964,719</b>	<b>303,550,374</b>	<b>40,889,554</b>	<b>131,697,627</b>	<b>101,241,517</b>	<b>47,403,356</b>	<b>9,301,88</b>	<b>63,589,404</b>	<b>725,638,439</b>
Depreciation cumulated on January 1 <sup>st</sup> , 2022	(2,378,876)	(28,213,267)	-	(71,392,237)	(75,139,091)	(29,124,257)	(6,292,151)	-	(212,540,079)
Adjustments for assets impairment	-	-	-	-	-	-	-	(275,272)	(275,272)
<b>Net accounting value on January 1<sup>st</sup>, 2022</b>	<b>25,585,843</b>	<b>275,336,907</b>	<b>40,889,554</b>	<b>60,305,390</b>	<b>26,102,426</b>	<b>18,279,099</b>	<b>3,009,737</b>	<b>63,3141,32</b>	<b>521,823,088</b>
Inputs of tangible assets	1,048,785	29,968,412	-	19,103,649	3,465,780	6,399,660	276,640	88,511,701	<b>148,774,627</b>
Outputs of tangible assets at gross value	(320,360)	(163,259)	(1,347,749)	(19,697,649)	(37,256,732)	(615,478)	(26,634)	(384,711)	(59,812,572)
Cumulated depreciation related to outputs	86,024	24,336	-	19,686,275	37,242,521	615,478	23,674	-	57,678,308
Depreciation registered during the year	(1,241,647)	(28,308,204)	-	(9,708,977)	(7,928,518)	(4,493,308)	(1,032,608)	-	<b>(52,713,262)</b>
Constituted adjustments for impairment	-	-	-	-	-	-	-	275,272	<b>275,272</b>
<b>Gross accounting value on December 31<sup>st</sup>, 2022</b>	<b>28,693,144</b>	<b>333,355,527</b>	<b>39,541,805</b>	<b>131,103,627</b>	<b>67,450,565</b>	<b>53,187,538</b>	<b>9,551,894</b>	<b>151,716,394</b>	<b>814,600,494</b>
Depreciation cumulated on December 31, 2022	(3,534,499)	(56,497,335)	-	(61,414,939)	(45,825,088)	(33,002,087)	(7,301,085)	-	(207,575,033)
<b>Net accounting value on December 31<sup>st</sup>, 2022</b>	<b>25,158,645</b>	<b>276,858,192</b>	<b>39,541,805</b>	<b>69,688,688</b>	<b>21,625,477</b>	<b>20,185,451</b>	<b>2,250,809</b>	<b>151,716,394</b>	<b>607,025,461</b>

Name	Lands	Buildings and special installations	Oil operating products	Machinery and equipment	Instrumentation and control equipment	Means of transport	Other tangible assets	Tangible assets in progress	Total tangible assets
Net accounting value on January 1 <sup>st</sup> , 2021	26,456,788	257,455,571	42,072,846	124,057,805	95,122,213	40,004,324	8,721,520	75,166,282	669,057,349
Depreciation cumulated on January 1, 2021	(1,602,902)	(213,520)	-	(62,090,196)	(68,373,232)	(26,465,285)	(5,549,916)	-	(164,295,052)
Adjustments for impairment of assets	-	-	-	-	-	-	-	(228,292)	(228,292)
Net accounting value on January 1 <sup>st</sup> , 2021	24,853,886	257,242,051	42,072,846	61,967,609	26,748,981	13,539,039	3,171,604	74,937,990	504,534,005
Inputs of tangible assets	1,850,205	46,166,494	-	7,841,477	7,177,578	8,975,150	986,862	(11,576,878)	61,360,888
Outputs of tangible assets at gross value	(324,274)	(71,691)	(1,183,292)	(201,655)	(998,274)	(1,576,118)	(406,494)	-	(4,779,798)
Cumulated depreciation related to outputs	339,873	41,644	-	190,318	984,908	1,574,673	405,584	-	3,537,000
Depreciation registered during the year	(1,115,847)	(28,041,591)	-	(9,492,359)	(7,750,767)	(4,233,645)	(1,147,819)	-	(51,782,028)
Constituted adjustments for impairment	-	-	-	-	-	-	-	(46,980)	(46,980)
Gross accounting value on December 31 <sup>st</sup> , 2021	27,964,719	303,550,374	40,889,554	131,697,627	101,241,517	47,403,356	9,301,888	63,589,404	725,638439
Depreciation cumulated on December 31 <sup>st</sup> , 2021	(2,378,876)	(28,213,467)	-	(71,392,237)	(75,139,091)	(29,124,257)	(6,292,151)	-	(212,540,079)
Adjustments for assets impairment on December 31 <sup>st</sup> , 2021	-	-	-	-	-	-	-	(275,272)	(275,272)

Net accounting value on December 31 <sup>st</sup> , 2021	25,585,843	275,336,907	40,889,554	60,305,390	26,102,426	18,279,099	3,099,737	63,314,132	512,823,088
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The net value of the tangible assets on 31.12.2022 has increased as compared to the end of 2021, by the amount of 94,202,373 RON.

Movements of corporal assets during 2022 include: inflows of tangible assets worth 148,774,627 RON; outflows at the remaining value of 2,134,264 RON, representing mainly oil product sold, in the amount of 1,347,749 RON. In 2022 were also registered adjustments for the impairment of various tangible assets in progress, written back to revenues, of 275,272 RON.

Depreciation of tangible assets in 2022 amounts to 52,713,262 RON.

During 2022 there have been commissioned tangible assets in amount of 57,541,693 RON.

In 2022 there have been registered also increases to the assets related to the rights of use resulting from leasing contracts, in amount of 2,709,232 RON.

Within the tangible assets are being recognized, as per IFRS 16, the assets related to the rights of use resulting from the leasing and concession contracts, as such:

- At element-row “Lands” is included the value of the rights of use resulting from the lease and concession contracts concluded with various land owners. On the rented lands are located telecommunication equipment and cathodic protection stations in various locations in the country. On 31.12.2022 the gross value of these assets is of 5,834,244 RON, the cumulated depreciation of 3,534,499 RON, resulting a net value the rights of use related to the lands of 2,299,745 RON.
- At the element-row “Special buildings and installations” is included the value of the rights of use resulting from the lease and concession contracts concluded with various owners for buildings rented in order to be made available to the gendarmes, as per GD no.1486/2005 on securing the guard and protection of the objectives, goods and values with gendarmes’ teams and for the carry out of the administrative activity. On the date of 31.12.2022, the gross value of these assets is of 1,719,873 RON, the cumulated depreciation of 1,023,895 RON, resulting a net value of the rights of use related to the buildings of 695,978 RON.
- The line item “Means of transport” includes the value of the rights to use the assets acquired in December 2019 in a leasing system, consisting of 30 cars and 15 tank cars leased in 2022, necessary to carry out the company's specific activities. On 31.12.2022, the gross value of these assets is of 3,122,010 RON, the cumulated depreciation of 2,043,706 RON, resulting a net value of the rights of use related to the means of transport of 1,078,304 RON.

On 31.12.2022, CONPET registers in the company's patrimony lands with a surface of 733,601 Sq.m. with an accounting value of 22,858,900 RON, made of:

- 554,337 Sq.m lands with an accounting value of 12,562,749 RON, held under 48 Certificates of ownership right obtained during 2001-2005, appraised on the date of acquiring the certificates, in accordance with GD 834/1991 on the establishment and appraisal of some lands owned by the state-owned companies, at the value of 26,708,233 RON. These lands have been obtained in the company patrimony on the expense of other equity reserves, without augmenting the share capital by the value thereof.

In order to augment the share capital by the value of the lands held on the basis of the land ownership certificates, under the reports of land evaluation in accordance with the provisions of

Article 6 paragraph (3) of GD no. 834/1991, with the subsequent additions and amendments, drawn up by the evaluating experts, the Board of Directors of CONPET has repeatedly convened the general meeting of shareholders (19.05.2016, 20.05.2016, 05.07.2016, 04.07.2019, 05.07.2019, 10.03.2021, 11.03.2021, 20.09.2022 and 21.09.2022).

The decision of augmentation of the share capital, by the value of not included lands, could not be made, as the quorum of presence within the meetings has not been met.

- 155,433 Sq.m represent lands with an accounting value of 3,215,951 RON held based on 14 Land Ownership Certificates obtained until 2001. The share capital of the company was augmented by the amount of these lands;
- 23,831 Sq.m represent lands with an accounting value of 7,080,200 RON, acquired by the Company based several sale-purchase contracts. A part of the purchased lands is related to the administrative buildings and on the other purchased lands are being placed telecommunications towers in different locations over the country.

The lands held by the Company are located in Ploiești, at the company's administrative offices, and in the 24 counties covered by the transport pipelines or where the crude oil tanks loading ramps are being located.

The tangible assets also include the oil operating product, evaluated in the statement of the financial standing at the cost determined from revaluation, retreated by the application of IAS 29 "The financial reporting in Hyperinflationary Economies".

In 2022 there was sold oil product consisting of crude oil and condensate, in amount of 1,347,749 RON, for the client OMV PETROM SA.

On 31.12.2022, the book value of these lands amounts to 39,541,805 RON.

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON -
Operating oil product	39,541,805	40,889,554	
<b>Balance of the operating oil product</b>	<b>39,541,805</b>	<b>40,889,554</b>	

#### *Tangible assets in progress*

On December 31<sup>st</sup>, 2022, the value of the assets under execution is of 151,716,394 RON and includes investment objectives stipulated in the "Investment Program 2022", which are composed mainly of: replacements of piping portions on different lengths and routes, replacement of connecting lines crossing Danube C1-C2 and Borcea C3-C4 arm, tank upgrades, upgrades of pumping stations and loading ramps, SCADA and telecommunication works, upgrades of cathodic protection systems, locomotive upgrades etc.

#### *Reevaluation of tangible assets*

After initial recognition, the tangible assets are being revalued.

The tangible assets for which the company has adopted the alternative treatment allowed, namely those that have been revalued, are being presented in the financial statements at the re-assessed value (the fair value at the re-assessment value), less the ulterior depreciation cumulated and the ulterior losses from depreciation. The revaluations have been performed with sufficient regularity, at least once at 3 years, the most recent assessment being performed on 31.12.2020. On December 31<sup>st</sup>, 2020, there have been appraised, by the authorized appraiser ANEVAR, the lands and goods from Group I representing "special buildings and constructions."

The tangible assets reassessed at the fair value less the depreciation, on 31.12.2022, compared to 31.12.2021 and 31.12.2020 reveal the followings:

- RON-					
Crt. No.	Class	Value on 31.12.2020	Value on 31.12.2021	Value on 31.12.2022	Amendment during the year 2022
1	Lands	22,858,900	22,858,900	22,858,900	-
2	Constructions;	256,851,592	231,818,471	209,547,960	(22,270,511)
<b>TOTAL</b>		<b>279,710,492</b>	<b>254,677,371</b>	<b>232,406,860</b>	<b>(22,270,511)</b>

## 6. Intangible assets

In 2022, compared to 2021, the intangible assets evolved as follows:

- RON-			
Name	Licenses and software	Other intangible assets	Total intangible assets
<b>Gross accounting value on January 1<sup>st</sup>, 2022</b>	<b>10,231,567</b>	<b>3,004,699</b>	<b>13,236,266</b>
Aggregate depreciation on January 1 <sup>st</sup> , 2022	(4,819,624)	(1,474,902)	(6,294,526)
<b>Net accounting value on January 1<sup>st</sup>, 2022</b>	<b>5,411,943</b>	<b>1,529,797</b>	<b>6,941,740</b>
Inputs of intangible assets	2,241,107	308,400	2,549,507
Outputs of tangible assets to the gross value	(1,860)		(1,860)
Cumulated depreciation to outputs	1,860		1,860
Depreciation registered during the period	(1,921,524)	(714,930)	(2,636,454)
<b>Gross accounting value on December 31<sup>st</sup>, 2022</b>	<b>12,470,814</b>	<b>3,313,099</b>	<b>15,783,913</b>
Cumulated depreciation on December 31 <sup>st</sup> , 2022	(6,739,288)	(2,189,832)	(8,929,120)
<b>Net accounting value on December 31<sup>st</sup>, 2022</b>	<b>5,731,526</b>	<b>1,123,267</b>	<b>6,854,793</b>
- RON-			
Name	Licenses and software	Other intangible assets	Total intangible assets
<b>Gross accounting value on January 1<sup>st</sup>, 2021</b>	<b>6,361,295</b>	<b>2,454,804</b>	<b>8,816,099</b>
Cumulated depreciation on January 1 <sup>st</sup> , 2021	(3,591,863)	(910,983)	(4,502,846)
<b>Net accounting value on January 1<sup>st</sup>, 2021</b>	<b>2,769,432</b>	<b>1,543,821</b>	<b>4,313,253</b>
Inputs of intangible assets	3,870,272	549,895	4,420,167
Depreciation registered during the period	(1,227,761)	(563,919)	(1,791,680)
<b>Gross accounting value on December 31<sup>st</sup>, 2021</b>	<b>10,231,567</b>	<b>3,004,699</b>	<b>13,236,266</b>
Cumulated depreciation on December 31 <sup>st</sup> , 2021	(4,819,624)	(1,474,902)	(6,294,526)
<b>Net accounting value on December 31<sup>st</sup>, 2021</b>	<b>5,411,943</b>	<b>1,529,797</b>	<b>6,941,740</b>

The net value of the intangible assets on 31.12.2022 has decreased as compared to the end of 2021, by the amount of 86,947 RON.

In 2022, there have been registered inputs of intangible assets in amount of 2,549,507 RON and depreciation in amount of 2,636,454 RON.

The depreciation method used is the linear one.

The intangible assets comprise: IT programs, soft licenses, soft, vectorial map of Romania, the numeric attitudinal model of the land, orthophoto map the expenses borne by the company related to the connection to the electric power network and the water network recognized in intangible assets as rights of use.

Research and development-related expenses are not being capitalized.

## 7. Financial Assets

Comparative statement of the financial assets for the two reporting periods reveals the followings:

- RON-

Name	Other non-current securities	Fixed claims	Total financial assets
<b>Gross accounting value on January 1, 2022</b>	<b>5,100</b>	<b>726,260</b>	<b>731,360</b>
Impairment for depreciation on January 1, 2022	-	(320,189)	(320,189)
<b>Net accounting value on December 31<sup>st</sup>, 2022</b>	<b>5,100</b>	<b>406,071</b>	<b>411,171</b>
Inputs	-	2,125,874	2,125,874
<b>Gross accounting value on December 31<sup>st</sup>, 2022</b>	<b>5,100</b>	<b>2,852,134</b>	<b>2,857,234</b>
Impairments for depreciation	-	(320,189)	(320,189)
<b>Net accounting value on December 31<sup>st</sup>, 2022</b>	<b>5,100</b>	<b>2,531,945</b>	<b>2,537,045</b>

- RON-

Name	Other non-current securities	Fixed receivables	Total financial assets
<b>Gross accounting value on January 1, 1<sup>st</sup> 2021</b>	<b>5,100</b>	<b>1,427,010</b>	<b>1,432,110</b>
Impairment for depreciation on January 1 <sup>st</sup> , 2021	-	(320,189)	(320,189)
<b>Net accounting value on 31.12.2021</b>	<b>5,100</b>	<b>1,106,821</b>	<b>1,111,921</b>
Inputs	-	37,190	37,190
Outputs	-	(737,940)	(737,940)
<b>Gross accounting value on December 31<sup>st</sup>, 2021</b>	<b>5,100</b>	<b>726,260</b>	<b>731,360</b>
Impairments for depreciation	-	(320,189)	(320,189)
<b>Net accounting value on December 31<sup>st</sup>, 2021</b>	<b>5,100</b>	<b>406,071</b>	<b>411,171</b>

The net value of the financial assets as on 31.12.2022 increased by 2,125,874 RON compared to January 1<sup>st</sup>, 2022, on account of the increase in fixed receivables during the year, mainly due to the establishment of the guarantee related to the electricity supply contract concluded with SPEEH Hidroelectrica S.A., in December 2022.

The company holds contributions at the share capital of Independent Register Monitor in amount of 5,000 RON and is associate member, along with other companies, in the Romanian National Committee for the Oil International Council (CNR-CMP), participating at the establishment of the patrimony, CNR-CMP, with contribution in amount of 100 RON.

The non-current receivables, in net amount of 2,537,045 RON are made up, mainly, of the guarantee related to the power supply contract, refundable guarantees paid by the Company to the Ministry of Agriculture and Rural Development and the Ministry of Environment, Waters, Forests in view of temporary removal of the lands from agricultural use and forest fund for the fulfillment of various investment objectives, as well as from guarantees related to the lease contracts of lands and spaces in view of carry out of the production and administrative activities in different locations in the country, guarantees for telecommunication equipment, electric power guarantees related to certain cathodic protection stations.

## 8. Stocks

- RON-

Name	Consumable s	Services in progress	Waste products	Total stocks
<b>Gross accounting value on January 1<sup>st</sup>, 2022</b>	<b>6,014,704</b>	<b>658,743</b>	<b>7,173</b>	<b>6,680,620</b>
Adjustment for impairments of stocks	(1,368,533)	-	-	(1,368,533)

<b>Net accounting value on January 1<sup>st</sup>, 2022</b>	<b>4,646,171</b>	<b>658,743</b>	<b>7,173</b>	<b>5,312,087</b>
Stocks inputs during the period	7,471,345	12,555,068	222,597	20,249,010
Consumption/outputs of stocks during the period	(7,041,220)	(11,810,377)	(229,301)	(19,080,898)
Income from (Expense with) adjustments for impairment of stocks	386,884	-	-	386,884
<b>Gross accounting value on December 31<sup>st</sup>, 2022</b>	<b>6,444,829</b>	<b>1,403,434</b>	<b>469</b>	<b>7,848,732</b>
Impairments for depreciation of inventories	(981,649)	-	-	(981,649)
<b>Net accounting value on December 31<sup>st</sup>, 2022</b>	<b>5,463,180</b>	<b>1,403,434</b>	<b>469</b>	<b>6,867,083</b>

- RON-

Name	Consumable s	Services in progress	Waste products	Total stocks
<b>Gross accounting value on January 1<sup>st</sup>, 2021</b>	<b>6,135,908</b>	<b>769,477</b>	<b>11,163</b>	<b>6,916,548</b>
Adjustment for impairment of inventories	(1,004,542)	-	-	(1,004,542)
<b>Net accounting value on January 1, 2021</b>	<b>5,131,366</b>	<b>769,477</b>	<b>11,163</b>	<b>5,912,006</b>
Stocks inputs during the period	5,365,065	658,743	192,850	6,216,658
Consumption/outputs of stocks during the period	(5,486,269)	(769,477)	(196,840)	(6,452,586)
Income from (Expense with) adjustments for depreciation of stocks	(363,991)	-	-	(363,991)
<b>Gross accounting value on December 31<sup>st</sup>, 2021</b>	<b>6,014,704</b>	<b>658,743</b>	<b>7,173</b>	<b>6,680,620</b>
Adjustment for impairment of inventories	(1,368,533)	-	-	(1,368,533)
<b>Net accounting value on December 31, 2021</b>	<b>4,646,171</b>	<b>658,743</b>	<b>7,173</b>	<b>5,312,087</b>

The stocks are made up of materials, spare parts and other materials that are to be used when performing the company's business, including the ones comprising security and intervention stocks meant for the potential provoked and technical breakdowns.

The company recognizes in revenues from ongoing services the cost of supplied services but unreceived by the beneficiaries until the end of the period.

## **9. Trade receivables and other receivables**

On December 31<sup>st</sup>, 2022 and December 31, 2021, the trade receivables and other receivables reveal the following:

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Clients	45,295,130	44,266,382	
Adjustments for the impairment of receivables	(222,936)	(120,337)	
Other trade receivables	1,419,808	285,169	
Impairments for the loss of value of other short-term intangible receivables	(122,717)	(282,466)	
<b>Subtotal trade receivables (net value)</b>	<b>46,369,285</b>	<b>44,148,748</b>	
Other receivables	4,491,660	7,231,675	
Adjustments for the impairment of other receivables	(1,674,185)	(2,458,264)	
<b>Subtotal other receivables (net value)</b>	<b>2,817,475</b>	<b>4,773,411</b>	
<b>Total receivables</b>	<b>49,186,760</b>	<b>48,922,158</b>	

### **Clients' structure per activities is the following:**

Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	- RON-
Clients- transport activity	44,628,760	36,782,001	

Other clients - auxiliary activities	666,370	7,484,381
<b>Total</b>	<b>45,295,130</b>	<b>44,266,382</b>

*Trade receivables* are no interest bearer and have an average day collection of 28 days. The main trade receivables in balance on December 31<sup>st</sup>, 2022 are to be received from: OMV PETROM S.A.– 39,120,758 RON ( December 31, 2021: 36,636,619 RON) and Petrotel Lukoil S.A.– 5,172,855 RON (December 31, 2021: 5,538,060 RON). The revenues from transport services supplies performed to the clients hold a significant share (over 99%) in the Company's turnover. The Company's client, OMV PETROM SA, holds approximately 79% of the total short-term receivables registered on December 31<sup>st</sup>, 2022. *Other receivables* in amount of 4,491,660 RON mainly include: undue VAT related to the unarrived invoices until 31.12.2022 (2,011,973 RON, namely 44.8%) and amounts to be recovered from various natural and legal persons, most of them being in dispute before the courts (1,747,741 RON, namely 38.9%). Impairments for the depreciation of trade receivables are recorded for the doubtful clients, involved in litigation or insolvency, presenting default of collection thereof. On December 31<sup>st</sup>, 2022 the value of these adjustment amounts to 222,936 RON. *Adjustments for impairment of other receivables* are recorded for debits related to the legal files pending before the Law, paid fines and facing appeal. On December 31, 2022 the value of the impairments amounts to 1,674,185 RON, decreasing by 784,079 RON as compared to December 31<sup>st</sup>, 2021, following the passing on cost and the collection of certain receivables.

The Company's registers impairments for loss of value of 100% from the value of the receivables, for clients facing appeal, insolvency and for other debits related to the established legal files or for fines received and disputed.

### **Statement on receivables seniority**

#### **Trade receivables**

	- RON-	
Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
<b>Clients, o/w:</b>	<b>45,295,130</b>	<b>44,266,382</b>
<i>Depreciated receivables</i>	222,936	120,337
<i>Non-depreciated receivables, o/w:</i>	45,072,194	44,146,045
- seniority less than 30 days	44,914,134	44,049,307
- seniority between 30 days and 60 days	147,366	75,712
- seniority between 60 days and 90 days	4,731	14,736
- seniority between 90 days and 270 days	5,963	6,090
- seniority between 270 days and 1 year	-	200
<b>Other trade receivables, out of which:</b>	<b>1,419,808</b>	<b>285,169</b>
<i>Depreciated receivables</i>	122,717	282,466
<i>Non-depreciated receivables, o/w:</i>	1,297,091	2,703
- seniority less than 30 days	2,101	2,703
- seniority between 30 days and 60 days	365	-
-- seniority between 90 days and 270 days	1,294,625	-

#### **Other receivables**

- RON-

Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021
<i>Depreciated receivables</i>	1,674,185	2,458,264
<i>Non-depreciated receivables, o/w:</i>	2,817,475	4,773,411
- seniority less than 30 days	2,746,967	4,388,713
- seniority between 30 days and 60 days	-	129,570
- seniority between 60 days and 90 days	-	112,384
- seniority between 90 days and 270 days	33,631	142,744
- seniority between 270 days and 1 year	862	-
- Seniority over 1 year	36,015	-
<b>Total</b>	<b>4,491,660</b>	<b>7,231,675</b>

## 10. Cash and Cash Equivalents

On December 31<sup>st</sup>, 2022 and December 31<sup>st</sup>, 2021 the cash and cash equivalents are the following:

Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	- RON-
Current bank accounts	5,465,205	4,821,361	
Bank deposits with maturity ≤ 3 months	122,200,485	186,926,898	
Cash on hand	6,762	3,012	
<b>Total</b>	<b>127,672,452</b>	<b>191,751,271</b>	

On December 31<sup>st</sup>, 2022, the cash from bank and cashier has decreased by 33.4% compared to December 31, 2021 (64,078,819 RON) due to the increase in cash outflows for the investment activity (the increase in public sector investments financed from the modernization quota).

The cash accounts at 31.12.2022 also include the cash representing the modernization quota, with special use regime, provided by GD no.168/1998, in amount of 48,583,716 RON. This is intended exclusively for funding the modernization and development works of public property. The company does not have restricted cash.

## 11. Equities

### *The Share capital*

During the reporting period, the share capital of the company has not changed, remaining at the value of 28,569,842 RON, divided into 8,657,528 ordinary shares with a nominal value of 3.3 RON/share and corresponding to the one registered at the Trade Register Office.

The structure of CONPET S.A. share capital and shareholding on December 31<sup>st</sup>, 2022 is the following:

Shareholders	December 31 <sup>st</sup> 2022			December 31 <sup>st</sup> , 2021		
	Number of shares	Amount (RON)	(%)	Number of shares	Amount (RON)	(%)
Romanian State by the Ministry of Energy	5,083,372	16,775,128	58.7162	5,083,372	16,775,128	58.7162
Legal persons	1,910,238	6,303,785	22.0645	2,292,221	7,564,329	26.4766
Natural Persons	1,663,918	5,490,929	19.2193	1,281,935	4,230,385	14.8072
<b>Total</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>	<b>8,657,528</b>	<b>28,569,842</b>	<b>100%</b>

#### *Legal reserves*

On December 31<sup>st</sup>, 2022 the value of the legal reserve is 5,713,968 RON (December 31, 2021: 5,713,968 RON). The reserve is established at the level of 20% of the share capital, according to Law no.31/1990 and the Articles of Incorporation.

#### *Other reserves*

On December 31<sup>st</sup>, 2022 “Other reserves” are in amount of 533,897,764 RON.

Other reserves have increased by the amount of 16,850,163 RON in 2022, made up of: 17,409,426 RON, growth of reserves representing the modernization quota, 5,482,940 RON reserves diminution representing prescribed dividends distributed to shareholders, 1,770,982 RON representing prescribed dividends recognized in equities, and 3,152,695 RON reserves constituted for the reinvested profit.

The reserve related to the modernization quota is in amount of 488,341,286 RON and holds the highest share in total other reserves (91.5%).

#### *Revaluation reserves*

On December 31<sup>st</sup>, 2022, in the financial standing the revaluation reserves are being presented at the net value of 17,101,648 RON, resulting after the diminution of the gross value by the related deferred tax recognized directly in the equities, as per IAS 12.

#### *Retained earnings*

ON December 31, 2022 “Other reserves” are in amount of 37,149,214 RON:

- The retained earnings representing actuarial loss from discount of benefits granted upon retirement: 1,599,191 RON;
- The retained earnings representing surplus achieved out of revaluation reserves: 1,258,475 RON
- The retained earnings derived from the first adoption of IAS 29 related to fixed assets representing oil operating product recognized in tangible assets, in amount of 39,301,668 RON.
- The retained result from the adoption for the first time of IAS 29, related to the operating oil product sold during 2022 (achieved gain), in the amount of 1,339,957 RON.

The retained earnings is diminished by the amount of the reinvested profit in 2022, in amount of 3,152,695 RON, for which we have benefited from an exemption form the corporate tax, as per the provisions of Art.22 of Law no.227/2015 on the Fiscal Code, the amount being registered in the “Allocation of Profit” concurrently with the settlement of other reserves.

#### *Profit of the year*

The year's profit realized in the first nine months of the year 2022 is of 61,663,616 RON, increasing by 18.7% compared to the profit registered in the first nine months of the year 2021 (51,928,770 RON).

*Proposal to distribute the accounting profit left following the deduction of the corporate tax on December 31, 2022:*

Along 2022, there have not been distributed dividends based on the interim financial statements. The remaining accounting profit after the deduction of the corporate tax, on December 31<sup>st</sup>, 2022 is in amount of 61,663,616 RON.

The proposal to allocate by legal destinations, the accounting profit left after the deduction of the corporate tax to be distributed, to which was added the provision for the employees' share of profit in amount of 6,387,655 RON, resulting a total amount to be distributed of 68,051,271 RON, is the following:

- RON-			
Crt. No.	Element	GO provision no. 64/2001	Amount
1	<b>The net profit of the financial year 2022, reported based on the audited annual financial statements</b>	-	<b>61,663,616</b>
2	Employees profit sharing schemes within the limit of 10% of the net profit, but no more than the monthly average base salary achieved at the level of the economic operator reported in the reference year, acknowledged in the provisions account	-	6,387,655
3	<b>Total profit to be allocated (1+2), o/w allocated to:</b>	-	<b>68,051,271</b>
a	Other allocations stipulated by law - exemption from the payment of the reinvested corporate tax (account 1068), Art 22 of Law no.227/2015 of the fiscal code	art. 1, para. (1), letter b)	3,152,695
b.	Employees profit sharing schemes within the limit of 10% of the net profit but not more than the monthly average base salary achieved at the level of the economic operator reported in the Reference year	art. 1, para. (1), letter e)	6,387,655
c	Dividends due to shareholders	art. 1, para. (1), letter f)	58,510,921

The retained earnings that can be distributed, in the amount of 2,598,431 RON, are proposed to be distributed to cover actuarial losses resulting from the operation of updating the benefits granted upon retirement, recognized in the overall result, and the remaining difference to be distributed as dividends. The statement of reported result distributable and the allocation thereof reveals the following:

- RON-		
Crt. No.	Destination	Amount
1.1.	The retained earnings representing surplus achieved out of revaluation reserves	1,258,474
1.2	Retained earnings coming from the adoption for the first time of IAS 29 – realized gain	1,339,957
1	<b>Total retained earnings, distributed for:</b>	<b>2,598,431</b>
a	Covering the retained earnings representing actuarial loss from discount of benefits granted upon retirement	1,599,191
b.	Dividends due to shareholders	999,240

## **12. Trade Liabilities and Other Liabilities**

On December 31<sup>st</sup>, 2022 and December 31<sup>st</sup>, 2021, the trade liabilities and other liabilities look as follows:

Liabilities	Maturity date for the balance on December 31, 2022				
	December 31 <sup>st</sup> , 2021		December 31 <sup>st</sup> , 2022		
	Under 1 year	1-5 years	Over 5 years		
Trade liabilities	33,435,362	43,914,968	43,914,968	-	-
Liabilities to the employees	28,694,583	37,433,451	14,364,317	3,439,960	19,629,174

Other liabilities, here- included fiscal debts and social insurances related debts	32,614,354	32,314,474	29,565,362	1,847,870	901,242
<b>Total</b>	<b>94,744,299</b>	<b>113,662,893</b>	<b>87,844,647</b>	<b>5,287,830</b>	<b>20,530,416</b>

Commercial debts related to the purchase of goods and services for the operating activity have a share of 52.6% in total commercial debts, while those representing the acquisition of assets have a share of 47.4%.

The liabilities to employees, in balance on the date of 31.12.2022, also include the future debts for the benefits granted to employees on retirement and the debt for the employees share of profit, for the untaken leaves of the employees and for layoffs, debts that are not recognized as provisions.

The statement of the employee-related debts, fiscal debts and other maturity debts are the following:

Liabilities	- RON-				
	December 31 <sup>st</sup> , December 31 <sup>st</sup>		Maturity date for the balance on December 31 <sup>st</sup> , 2022		
	2021	2022	Under 1 year	Over 1 year	Over 5 years
Salaries contributions	5,280,452	6,372,957	6,372,957	-	-
Current corporate tax	2,049,325	1,997,414	1,997,414	-	-
Royalty due to the State Budget	7,561,083	9,371,188	9,371,188	-	-
VAT payable	4,503,551	2,688,196	2,688,196	-	-
Other interests and debts – State Budget	966,308	1,202,034	1,202,034	-	-
Dividends Payable	6,812,350	5,234,071	5,234,071	-	-
Leasing related liabilities	4,398,574	4,457,905	2,405,019	1,517,203	535,683
Accrued revenues	859,308	833,329	144,753	323,017	365,559
Other liabilities	183,403	157,380	149,730	7,650	-
<b>Total</b>	<b>32,614,354</b>	<b>32,314,474</b>	<b>29,565,362</b>	<b>1,847,870</b>	<b>901,242</b>

On 31.12.2022, the leasing-related liabilities include future payment obligations related to the leasing concluded for 30 vehicles necessary for the performance of the company's specific activity and debts related to the rights of use recognized for the contracts of lease and concession of various lands, buildings and wagons (note 5).

The liabilities related to the rights of use recognized for the lease and concession contracts of some lands, buildings and wagons have been assessed at the value of rent fees/royalties along the remaining contractual period, discounted with the borrowing rate for real estate loans.

The statement of debts to employees on maturity terms reveals the following:

Liabilities	- RON-				
	December 31 <sup>st</sup> , December 31 <sup>st</sup>		Maturity date for the balance on December 31 <sup>st</sup> , 2022		
	2021	2022	Under 1 year	Over 1 year	Over 5 years
Salaries and assimilated debts	5,873,302	6,975,973	6,975,973	-	-
Liabilities for benefits granted on retirement	16,834,462	19,779,263	594,726	3,260,450	15,924,087
Debts for benefits granted in case of death	-	3,890,637	6,040	179,510	3,705,087

Debts for employees share of profit	5,642,547	6,387,655	6,387,655	-	-
Debts for untaken leaves	344,272	359,923	359,923	-	-
Debts for other benefits granted to the employees	-	40,000	40,000	-	-
<b>Total</b>	<b>28,694,583</b>	<b>37,433,451</b>	<b>14,364,317</b>	<b>3,439,960</b>	<b>19,629,174</b>

On December 31<sup>st</sup>, 2022, the Company comprises, at this chapter, salaries and assimilated debts, as well as future debts for benefits granted on retirement or death, for employees share of profit recognized as provisions.

The largest share of debts to employees is held by the debt for benefits granted on retirement, in the amount of 19,779,263 RON, of which 19,184,537 RON represent long-term obligations, and 594,726 RON represent short-term obligations and the debt for death benefit in the amount of 3,890,637 lei, of which 3,884,597 RON represent long-term obligations and 6,040 RON represent short-term obligations.

These debts were recorded on the basis of the Actuarial Report on the evaluation of the obligations related to the benefit on retirement and death provided by the CLA for Conpet S.A. employees, drawn up on 31.12.2022 by Ovidiu-Virgil Racoveanu, certified actuary, based on the service contract concluded with CONPET S.A.

As per the Labor Contract in force, the company must pay the employees, upon retirement, a benefit equals with a certain number of salaries, according to the seniority and company job history, and in case of death of the employee it is granted a support equal to a certain number of employees.

The updated value of the Benefits granted upon Retirement provision was determined using the Projected Unit Credit Method (IAS 19). This method is based on the principle that the benefit payable on retirement is constituted each year of service with the employer, so that each employee be compensated in due time.

The retirement benefit received by an employee at statutory retirement age has been updated taking into account the discount factor for the period remaining until the employee's retirement, the share of the benefit for the period elapsed and the likelihood that the employee remains in the firm until retirement age (and retire at that age), if the person could die, leave the company or suffer a disability.

The benefit granted in the event of the death of an employee was determined as the product of the projected death benefit up to retirement age, the present value of the death obligation during the service to the employer and the share of the benefit for the elapsed period.

The main actuarial hypotheses used for the calculation at December 31<sup>st</sup>, 2022 have been the following:

- **Rate of Inflation** The evolution of the consumer price index was considered equal to the one published by the National Commission for Strategy and Prognosis, the autumn version of 2022. These estimates are similar to those of the International Monetary Fund. Thus, the following values for inflation were estimated: in 2023 a percentage of 12%, then 5.7% in 2024, 3.2% in 2025 and 2.5% in the next 5 years, being then equal to 2%. This

scenario corresponds to the return to the inflation target declared by B.N.R., by the end of 2026.

- **The rate of increase of the monthly gross average salary per company.** In order to achieve the long-term projection, the average wage increase was estimated to be equal to inflation. For 2022 and 2023, the percentage of salary increase communicated by the employer was taken into account, of 10% for 2022 and 12% for 2023.
- **The Discount Rate** The discount rate was set at the risk free rate investments, no adjustments of the variations (risk free rate spot no volatility adjustment) published by EIOPA at the end of November, 2022. Given the inflation data, but also the correlation between inflation and interests, it was chosen a discount rate equal to 6.8% in 2022, 8.45% in 2023, 5.5% in 2024, 3.0% in 2025 and then 2.4% in the next 5 years, after which 1.9% per year.
- The statutory retirement age was considered to be 65 years for men, respectively 63 years for women, in accordance with Law no. 263/2010, updated, on the unitary public pension system. This data were corroborated with the information on the retirement age communicated by the employer.
- The mortality **rate among the employees** is based on the Life Table of the Romanian population men/women 2019 (Source: EUROSTAT).
- Migration of the workforce In order to model departures from the company, since 2023, an average workforce migration in percentage of 6% was estimated annually, with a progressive downward trend toward zero according to age.
- **Duties and Taxes** All duties valid as of 31.12.2022 were included in the calculation of retirement obligations.

Since the benefits in the event of the death of the employee are paid from the employer's social security fund, it results that these benefits do not involve the payment of duties and taxes.

During 2022, the movement in the debts for the benefits upon retirement death granted to the employees is exposed in the table below:

Name	Benefit on retirement	Death-related benefit	Total benefits
<b>Present value of the obligation on 01.01.2022</b>	<b>16,834,462</b>	<b>4,408,083</b>	<b>21,242,545</b>
Cost of the interest	1,190,010	220,888	1,410,898
Cost of the current service	966,580	418,947	1,385,527
Payments from provisions during the year	(1,115,588)	(267,780)	(1,383,368)
Actuarial gain/loss	1,903,799	(889,501)	1,014,298
<b>Present value of the obligation on 31.12.2022</b>	<b>19,779,263</b>	<b>3,890,637</b>	<b>23,669,900</b>
Variation from the beginning of the year	2,944,801	-517,446	2,427,355
Percent variation	17%	-12%	11%

The analysis of the sensitivity of the debt for the benefits on retirement due to the employees on the date of 31.12.2022 is presented in the following table:

- RON-

Hypotheses	Benefits granted upon retirement	Death-related benefit	Total benefits
<b>December 31<sup>st</sup>, 2022</b>	<b>19,779,263</b>	<b>3,890,637</b>	<b>23,669,900</b>
The discount rate +1%	18,179,173	3,778,051	21,996,891
The discount rate -1%	21,591,406	3,981,105	25,545,118
Salaries increase rate +1%	20,619,382	4,297,402	24,916,783
Salaries increase rate -1%	18,991,404	3,504,681	22,496,085
The increase of life expectancy at birth with 1 year	20,024,313	3,609,859	23,634,172

The liability for the employees share of profit is constituted in compliance with the Ordinance no.64/2001 and Order of the Ministry of Public Finances no.144/2005. The Ordinance no.64 from August 30, 2001 sets out that the accounting profit remaining after the deduction of the corporate tax and other allocations provided by the law to the majority or entirely state-owned companies be distributed within the limit of 10% of the net profit, but no more than the level of a monthly basic salary at the level of the economic agent, in the reference financial year. The liability constituted for personnel share of profit related to 2022 is in amount of 6,387,655 RON.

Within the liability for to the employees there is also included the liability for the untaken annual leaves, which, on 31.12.2022, is in amount of 359,923 RON.

The company does not register overdue payments at the end of 2022.

### 13. Provisions

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Provisions for litigations	6,450,149	6,021,541
Provisions related to mandate contracts	2,157,211	2,503,645
Other provisions for risks and expenses	1,182,631	243,893
<b>Total provisions</b>	<b>9,789,991</b>	<b>8,769,079</b>

#### **Provisions for litigations**

In detail, the provisions for litigations are:

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021
Litigations for civil compensations	4,785,250	3,172,718
Litigations for third parties failure to respect certain contractual clauses	118,314	97,286
Other litigations	1,546,585	2,751,537
<b>Total</b>	<b>6,450,149</b>	<b>6,021,541</b>

The company is involved in several litigations for damages required by several owners, natural and legal persons. Besides indemnifications, they request the payment of an annuity due to the exercising, by the company, of the legal easement right on the plaintiff's lands, or the decommission of the pipelines and installations located on their fields.

Following the restitution of their property rights, they are bringing proceedings in Court against the Company, invoking the lack of land use due to the fact that they are being crossed by the crude oil transport pipelines belonging to the public domain.

On 31.12.2022 are being recorded provisions related to civil damages disputes in the amount of 4,785,250 RON, up by 1,612,532 RON compared to the value registered on 31.12.2021, following the opening of new disputes during the year and the update of provisions established for existing disputes.

On 31.12.2022, the position “Litigations for non-compliance of third parties with contractual clauses” is in the amount of 118,314 RON, up by 21,028 RON compared to 31.12.2021 and the position “Other disputes” is in the amount of 1,546,585 RON, down by 1,204,952 RON, compared to 31.12.2021.

The decrease in the position of “other disputes” was mainly due to the finalization of the dispute in case no.1474/105/2019 before the Prahova Tribunal, whereby the Municipality of Ploiești requested the value of the lack of use and rent of the land owned and on which the Conpet buildings that compose the sports base are located. Starting March 2013 and until the conclusion of a contractual form with the defendant Conpet S.A., based on judgment no.1205/13.07.2020, handed down by the Prahova Tribunal in the case 1474/105/2019, which remained final, Conpet was ordered to pay to the Municipality of Ploiești the value of the lack of use of the land for the period 30.03.2016-15.11.2019, updated amount with inflation rate until the actual payment date.

In the position “Other litigations”, in the amount of 1,546,585 RON, represents the exchange value of the provision constituted for the litigation opened during 2018 by Fondul Proprietatea, by which is being requested the payment of the net value of the dividends for the financial year 2006, related to a 6% quota held by the plaintiff in CONPET S.A share capital, as well as the legal interest calculated for the requested amount, starting with the maturity date thereof.

#### ***Provisions related to the Contract of Mandate***

There have been settled debts for the allowances given to members of the Board of Directors and directors, in accordance with the contracts of mandate and GEO 109/2011 on corporate governance, including the related contribution, as follows:

- 107,645 RON represents liabilities for rest leave not performed by the directors with mandate contract, corresponding to the year 2022;
- 2,049,566 RON represents liabilities for the variable component related to 2022, of which 613,347 RON liability for the indemnities granted to the members of the Board of Administrators and 1,436,219 RON Liabilities for the indemnities granted to the directors.

#### ***Other provisions***

On December 31, 2022 the balance of the position “Other provisions” in amount of 1,182,631 RON is composed of:

- 161,000 RON, provision for environment-related expenses;
- 1,021,631 RON representing other provisions.

The increase of the position “Other provisions” by the amount of 938,738 RON compared to the value recorded at 31.12.2021 is mainly due to the establishment of the provision for the value of the non-use of the land owned by the Municipality of Ploiești, which was the subject of the case 1474/105/2019 before the Prahova Tribunal, calculated in the continuation of the period for which it was paid according to sentence no.1205/13.07.2020, respectively from 16.11.2019.

#### 14. Current and Deferred Corporate Tax

The expense with the current and deferred corporate tax of the company in 2022 and 2021 is being determined by a statutory rate of 16%.

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
The expense with current corporate tax and specific tax	11,686,338	9,155,006	
The expense with /(revenues from) deferred corporate tax	(1,210,960)	(248,543)	
<b>Total</b>	<b>10,475,378</b>	<b>8,906,463</b>	

#### Reconciliation of the effective rate of taxation:

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Profit before tax	72,138,994	60,835,233	
- Corporate tax at a statutory rate of 16%	11,542,239	9,733,637	
<b>Effect on the corporate tax of:</b>			
- Non-deductible expenses	4,454,372	3,098,947	
- Non-taxable revenues	(3,028,149)	(3,332,690)	
- Elements similar to the revenues	454,791	1,625,299	
- Elements similar to the expenses	(243,788)	(270,277)	
- Spared corporate tax	(504,431)	(255,061)	
- Amounts representing sponsorship falling under the limits provided by law	(773,000)	(673,050)	
- Specific tax	22,345	22,345	
- Corporate tax reduction as per GEO 153/2020	(238,041)	(794,144)	
<b>The expense with current corporate tax and specific tax</b>	<b>11,686,338</b>	<b>9,155,006</b>	

#### *The deferred corporate tax*

The deferred corporate tax payable and recoverable was calculated based on the temporary taxable and/or deductible differences determined for assets and debts as differences between the accounting value of the asset and/or the debt and the amount attributable in fiscal purposes. The company recognizes the deferred taxes on the account of an expense or an income except for the tax generated by an event directly accounted in the equities.

The statement of the movements related to the receivable/debt with the deferred tax during the year 2022 reveals the following:

2022	Net value on 1 <sup>st</sup> of January	Deferred corporate tax recognized in the profit and loss account	Deferred corporate tax recognized at the expense equity	- RON-	
				Receivable related to the deferred corporate tax	Debt related to the deferred corporate tax
Revaluation of tangible assets	61,088	238,493	-	3,352,734	(3,053,153)
Provisions	4,068,628	1,023,505	304,608	5,396,741	-
Impairments of current assets	507,769	(51,037)	-	456,732	-
Deferred corporate tax before offsetting	4,637,485	1,210,961	304,608	9,206,207	(3,053,153)
Receivable/liability offsetting				(3,053,153)	3,053,153

<b>Net deferred corporate tax - recoverable</b>					<b>6,153,054</b>
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The debt representing the deferred tax, in the balance at 31.12.2022, is in the amount of 3,053,153 RON and is recognized on behalf of the equity items, and the deferred tax receivable, recognized in the statement of global result, in the balance on the same date, is of 9,206,207 RON.

The net amount of the deferred corporate tax represents deferred corporate tax to be recovered, in amount of 6,153,054 RON.

## **15. Result per Share**

The result per share within the last two years is:

	<b>- RON-</b>	
<b>Name</b>	<b>December 31<sup>st</sup>, 2022</b>	<b>December 31<sup>st</sup>, 2021</b>
Profit of the Financial Year	61,663,616	51,928,770
Number of ordinary shares at the beginning and the end of the period	8,657,528	8,657,528
<b>Basic and diluted earnings per share (RON/share)</b>	<b>7.12</b>	<b>6.00</b>

## **16. Operating Revenues**

### **a) Revenues from contracts**

<b>Name</b>	<b>December 31<sup>st</sup>, 2022</b>	<b>December 31<sup>st</sup>, 2021</b>
Revenues from transport service, of which:	469,856,548	410,477,244
<i>Revenues from transport services on domestic subsystem</i>	324,770,188	296,280,521
<i>Revenues from transport services on import subsystem</i>	145,086,360	114,196,723
Revenues from rents	1,966,022	1,633,259
Other operating revenues	410,007	676,079
<b>Total contracts revenues</b>	<b>472,232,577</b>	<b>412,786,582</b>

Transport revenues are achieved out of the services supplied to clients for the transport of the crude oil, rich gas and condensate volumes, at the tariffs approved by Order of the President of the National Agency for Mineral Resources (NAMR).

OMV Petrom is the client with the highest share in the transport revenues of the company (80.4%). In 2022, the quantities transported on subsystems, as compared to the same period of the previous year are the followings:

<b>Name</b>	<b>December 31<sup>st</sup>, 2022</b>	<b>December 31<sup>st</sup>, 2021</b>
Domestic Subsystem	3,062,502	3,241,259
Import Subsystem	4,037,664	3,409,530
<b>Total quantities (tons)</b>	<b>7,100,166</b>	<b>6,650,789</b>

The total quantity of transported products increased by 6.8% in 2022 compared to 2021, given the decrease by 5.5% of the quantity transported on the domestic transport subsystem and the increase by 18.4% of that transported on the import subsystem.

The tariffs for the supply of crude oil, rich gas, condensate and ethane are regulated and approved by the NAMR and are distinguished for each transport subsystem.

The tariffs applied for the import transport subsystem vary according to the installment of transported quantity, being practiced the bracketing tariff model and the refinery- the hand-over site.

During the reporting period, the following tariffs have been applied:

Tariffs from transport services on domestic subsystem:

Period	Transport tariff (RON/ton)	Approved by NAMR Order no.
December 31, 2019 - February 7, 2021	87.53	427/2019
February 8 <sup>th</sup> , 2021 - December 31 <sup>st</sup> , 2021	91.03	19/2021
January 1, 2022 - December 31, 2022	105.50	229/2021

Tariffs for transport services on import subsystem:

Period	Batches	Arpechim Refinery	Ploiesti Basin (Petrobrazi and Petrotel Lukoil refineries)	Petromidia Refinery	Approved by NAMR Order no.
	Thousand tons/month	RON/ton	RON/ton	RON/ton	
December 31, 2019 - February 7, 2021	<120	40.40	39.50	15.00	427/2019
	> 120	17.25	17.00	12.85	
February 8 <sup>th</sup> , 2021 - December 31 <sup>st</sup> , 2021	<120	42.00	40.90	16.50	19/2021
	> 120	17.90	17.60	14.40	
January 1, 2022 - December 31, 2022	No more than 80	46.65	45.66	18.51	229/2021
	80-120	37.32	36.53	14.81	
	120-160	27.99	27.39	11.11	
	Over 160	21.00	20.55	8.33	

## b) Other Operating Revenues

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Revenues out of modernization quota consumption	39,911,780	37,679,545	
Earnings from disposal of assets	5,401,508	4,914,629	
Other revenues	4,513,637	3,005,236	
<b>Total other operating expenses</b>	<b>49,826,925</b>	<b>45,599,410</b>	

The revenues from reserves representing the modernization quota hold 80.1% of other operating revenues, registering an increase of 5.9% compared to 2021.

On a monthly basis is being written back to the revenues the modernization quota at the level of depreciation of the fix assets financed out of this source.

## 17. Operating Expenses

### a) Stocks and Utilities Expenses

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Expenses with consumables	5,881,853	4,550,522	
Other material expenses	1,052,447	897,950	

Other Expenses with Energy and Water	33,739,188	16,552,710
<b>Total Stocks and Utilities related Expenses</b>	<b>40,673,488</b>	<b>22,001,182</b>

### b) Personnel expenses

Personnel expenditure shall include salary expenses, bonuses to employees, other staff expenses, allowances for mandate contracts of members of the Board of Directors and directors with mandate and expenditure on contributions due by the employer.

	- RON-		
Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	December 31st, 2020
Salary expenses	143,346,066	133,956,205	130,062,145
Obligations regarding employees' bonuses	21,171,116	20,494,636	19,241,943
Other personnel expenses	3,912,090	1,798,440	964,870
Expenses on Remuneration of Directors with mandate contract and Administrators	4,848,193	4,891,630	4,759,157
Expenses with contributions due by the employer	7,645,268	7,078,185	7,530,789
<b>Total personnel expenses</b>	<b>180,922,733</b>	<b>168,219,096</b>	<b>162,558,904</b>

The personnel expenses are detailed as follows:

#### Salary expenses

	- RON-		
Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	December 31st, 2020
Basic salaries and related contributions expenses	139,049,643	131,351,541	127,010,975
Quarterly bonuses	3,129,119	1,000,000	2,297,970
Retirement support	1,115,588	1,534,284	712,850
Marriage support	51,716	70,380	40,350
<b>Salary related expenses</b>	<b>143,346,066</b>	<b>133,956,205</b>	<b>130,062,145</b>

Expenditure with personnel basic salaries and related bonuses have increased in 2022, compared to 2021, mainly due to the indexation of wages by an average of 7% since 15.12.2021.

In accordance with the Collective Labor Agreement in force, the Company has also provided employees the following benefits: quarterly bonuses, retirement support, marriage support.

#### Obligations regarding employees' bonuses

	- RON-		
Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	December 31st, 2020
Employees share of profit	5,517,801	6,655,473	6,439,906
Meal vouchers	6,474,030	6,665,960	5,129,940
Social expenditures under art. 25 of Law no. 227/2015 on the Fiscal Code, further amendments and completions	6,442,781	5,358,057	6,154,469
Other expenses as per the Collective Labor Agreement	2,736,504	1,815,146	1,517,628
<b>Total</b>	<b>21,171,116</b>	<b>20,494,636</b>	<b>19,241,943</b>

The value of the bonuses granted to the employees meets an increase of 676,480 RON in 2022, compared to 2021, mainly due to the increase of bonuses of social nature granted to the employees and other expenses as per CLA.

In accordance with provisions of the the Collective Labor Agreement in force, the Company paid to the employees' bonuses as social expenses under art. 25 of Law no. 227/2015 regarding the Fiscal Code consisting of tickets for rest and treatment, including travel, gifts to employees, aid for birth, funeral, serious illness, humanitarian and other social expenses as per the CLA.

### Other personnel expenses

	- RON-		
Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020
Expenditure on compensatory payments relating to staff layoffs	3,912,090	1,798,440	962,850
Expenses with the right of the personnel due under court order	-	-	2,020
<b>Total</b>	<b>3,912,090</b>	<b>1,798,440</b>	<b>964,870</b>

The position "Other personnel expenses" includes costs of severance payment, provided under CLA, related to personnel layoffs conducted during the period.

### Expenses on Remuneration of Directors with mandate contract and Administrators

	- RON-		
Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020
Allowance of the directors with mandate	2,785,516	2,705,194	2,571,461
Allowances of the members of the Board of Directors	2,062,677	2,186,436	2,187,696
<b>Total</b>	<b>4,848,193</b>	<b>4,891,630</b>	<b>4,759,157</b>

The expenses related to the allowances for mandate contracts of directors and administrators recorded a decrease of 43,437 lei in 2022 compared to 2021, due mostly to the decrease of the variable allowance expenses for 2021, paid in 2022. Following the resignation of a member of the Board of Directors from 08.04.2021, a provisional administrator was appointed on the vacant position, whose remuneration did not include a variable component.

### Expenses with contributions due by the Employer

	- RON-		
Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	December 31 <sup>st</sup> , 2020
The company's contribution to voluntary pension funds	2,871,425	2,258,525	2,895,553
Company's contribution to voluntary health insurance	1,188,747	1,496,785	1,426,889
Labor insurance contribution and other contributions	3,585,096	3,322,875	3,208,347
<b>Total</b>	<b>7,645,268</b>	<b>7,078,185</b>	<b>7,530,789</b>

The contribution of the company to the voluntary pension funds in 2022 shows an increase of 612,900 RON compared to the previous year due to the increase of the amount granted up to the limit of 400 EUR / employee provided by the fiscal code.

In 2022, following the salary increases on December 2021, the national insurance contribution has proportionally increased.

### Employees

During 2022, the average number of employees has evolved as follows:

Name	31.12.2022	December 31 <sup>st</sup> , 2021	31.12.2020
Employees with leading positions	81	80	95
Employees with execution positions	1,386	1,431	1,445
<b>Total</b>	<b>1,467</b>	<b>1,511</b>	<b>1,540</b>

### c) Expenses related to External Services

Name	31.12.2022	December 31 <sup>st</sup> , 2021	- RON-
Rail transport expenses	61,429,832	63,201,693	
Expenses with royalties and rentals	36,680,362	32,023,330	
Third-party pumping expenses	4,587,750	4,482,564	
Maintenance and repair expenses	2,789,259	2,317,429	
Expenses with the decontamination, monitoring of the environmental factors	1,939,120	1,473,919	
Travel, secondment and transfer expenses	640,889	620,561	
Expenses related to the transport of goods and personnel	27,429	36,000	
Postal and telecommunication expenses	695,738	604,279	
Other expenses with services performed by third parties	5,451,782	5,016,060	
<b>Total expenses related to external services</b>	<b>114,242,161</b>	<b>109,775,835</b>	

The expenses with royalties and rents contain mainly the oil royalty due by the company to the State budget, as holder of the oil agreement, for the use of the goods 'public property of the State within the oil operations.

It is being calculated according to the Oil Law no. 238/2004, by application of an average quota of 10% of the value of gross income achieved out of oil transport operations through the oil national transport systems.

### d) Other expenses

Name	31.12.2022	December 31 <sup>st</sup> , 2021	- RON-
Taxes, fees and similar levies related expenses	2,507,801	2,269,019	
Compensations, fines and penalties expenses	1,309,157	157,092	
Donations granted (sponsorships)	773,000	673,050	
Environmental protection expenses	13,993	33,725	
Expenses with the establishment of the modernization quota	57,321,207	47,490,268	
Other operating expenses	479,282	283,667	
<b>Other expenses</b>	<b>62,404,440</b>	<b>50,906,821</b>	

The chapter "Other expenses" mainly comprises the reserve regarding the modernization quota, in amount of 57,321,207 RON, established on the account of the operating expenses , in compliance with the provisions of GD no. 168/1998 further amendments and with the provisions of the Fiscal Code approved pursuant to Law no. 227/2015, further amendments and completions.

In 2022, the expenses recorded with other taxes, fees and similar levies include, mainly the expenses with the local taxes and expenses with the contribution to the special fund, due under the Law no. 448/2006 regarding the protection and promotion of the disabled persons.

## **18. Net Financial Result**

Name	31.12.2022	December 31 <sup>st</sup> , 2021	- RON-
Revenues from interests	9,737,028	3,402,658	
Other financial revenues	102,400	25,624	
<b>Total financial revenues</b>	<b>9,839,428</b>	<b>3,428,282</b>	
Interest expenses on leasing contracts	236,174	202,065	
Other financial expenses	233,103	127,759	
<b>Total financial expenses</b>	<b>469,277</b>	<b>329,824</b>	
<b>Net Financial Result</b>	<b>9,370,151</b>	<b>3,098,458</b>	

Financial revenues have increased by 187% in 2022 compared to 2021, and financial expenses increased by 42.3% in the current year compared to the previous year. Based on this evolution the financial result has decreased by 202.4% in 2022, as compared to 2021.

## **19. Fiscal Legislative Framework**

The tax declarations are subject to revisions and corrections of fiscal authorities, generally for a period of five years after completion thereof.

The fiscal legislation in Romania is very complex and is constantly reforming according to the internal and international economic and financial context, being regulated by a multitude of normative acts: laws, government decisions approving the implementing rules, simple and emergency ordinances, orders, instructions, circulars, clarifications, etc.

We cannot talk about a facile approach thereof by the taxpayer, especially that it is generally maintained an abusive practice from the fiscal bodies in what concerns the construction of the legal provisions enshrined by the law itself.

The modernization of the fiscal legislation in Romania does not yet provides clarity and accessibility in the application of the provisions of the fiscal Code, by restructuring, on systematic bases, of the fiscal norms, as well as those on fiscal procedure and there still exists the risk that the fiscal authorities adopt different positions in connection with the interpretation of these aspects with consequence in the calculation of additional obligations and interests/penalties payment, augmentations and delay fines.

By Law no.207/2015 on the fiscal procedure Code there have been amended several principles with regard to the interpretation of law, meaning that in the interpretation of the fiscal legislation is being applied the principle "in dubio contra fiscum, therefore in case of doubt related to the fiscal norm it is being applied the interpretation in favor of the taxpayer.

However, before this interpretation has been given, each public servant must clarify the respective text, by appealing to the good will of the legislator and the meaning of law, verify the points of view expressed in the substantiation notes, in reasons exposures (...). Thus, it should be noticed the spirit of the law as a whole and the purpose for which this law has been created. Only if by these norms the meaning of the norm has not been clarified, will the rule of interpretation in favor of the taxpayer apply, which envisages the protection of the taxpayer against an abusive application of the law by the fiscal body, as well as for the improvement of the relation between the fiscal administration and the taxpayer, for avoiding some potential conflicts.

The management considers having adequately registered the fiscal obligations in the financial statements.

## **20. Commitments and Contingencies**

### *Capital commitments.*

The company does not have granted capital commitments.

### *Guarantees granted to third-parties*

The guarantees granted to third parties are presented in the table below:

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Non-current Receivables (Note 7)	2,757,371	726,259	
Other receivables (Note 9)	122,717	282,466	
<b>Total</b>	<b>2,880,088</b>	<b>1,008,725</b>	

Guarantees granted to third parties are separately presented at:

- financial assets line (Note 7)
- other receivables line, those to be recovered within less than 12 months (Note 9)

At the end of 2022, the Company has no record of other commitments granted to third parties.

### *Received Guarantees*

The received guarantees are presented in the table below:

Name	December 31 <sup>st</sup> , 2022	December 31 <sup>st</sup> , 2021	- RON-
Performance guarantees transferred on the company's accounts	31,780	53,979	
Performance guarantees received from the clients	15,875,961	34,217,242	
Performance guarantees received from suppliers	129,815,163	27,744,885	
Performance guarantees constituted by the beneficiaries in separate accounts at CONPET disposal.	9,414,082	5,765,659	
<b>Total</b>	<b>155,136,986</b>	<b>67,781,765</b>	

### *Contingencies*

#### *Taxation*

Our company considers that all amounts due for fees and taxes have been paid and registered on the balance date.

## **21. Disputes**

The most important disputes in which the company is involved are presented below:

File no. 5413/204/2017 –Prahova Tribunal (Conpet S.A. – defendant, ANRM - defendant, Dobrogeanu Dumitru– plaintiff, Dobrogeanu Păun loan - plaintiff) by which is being requested to the instance that by the decision to be taken to order:

The payment of an annual rent for the land plots occupied by the two oil products pipelines (crude oil) starting 01.07.2014 and in the future for the entire duration of the pipelines;

To order the defendants pay the compensation for the losses incurred by not reaching certain economic objectives on the remaining area between the two pipelines after their restriction and the area along the national road DN1 (E60);

Payment of legal fees.

The first head of claim was estimated by the plaintiffs in the amount of 48,000 Euro/year (220,000 RON), and the second in the amount of 25,000 RON/year.

File no. 5212/105/2018 – Court of Appeal Ploiești (CONPET S.A. – defendant, Fondul Proprietatea SA - plaintiff) by which is being requested the payment of the net value of the dividends for the financial year 2006, related to a 6% quota held by the plaintiff in CONPET S.A share capital, as well as the legal interest calculated for the requested amount, starting with the maturity date thereof.

File no. 32294/299/2020 – Sector 1 Bucharest District Court (Conpet S.A. – defendant-, Bob Mihăiță - plaintiff-defendant, ANRM - plaintiff) by which is being requested to the instance that by the decision be taken to order:

The obligation of Conpet SA and NAMR to move the crude oil pipeline crossing the land owned by the plaintiff located in Cernavoda, plot 1, plot A6 / 2, Constanța county;

the establishment of the equivalent value of the lack of use, for a period of three years, prior to the formulation of the summons, amounting to 150,000 RON;

In the alternative, the obligation of Conpet SA to pay an annual rent for the use of the land owned by the claimant, from the date of filing the summons, in the amount of 5 Euro/sq.m./year for the area of 14,645 sq. m., land affected by the protection and safety area, during the existence of legal servitude;

Payment of legal fees.

File no. 3451/108/2016, ATU, Pecica City - Arad Tribunal (Conpet S.A. – defendant, Unit of Pecica City - plaintiff), by which is requested to the instance that by order that will be pronounced to dispose:

the obligation of the defendant Conpet S.A. to divert the crude oil pipeline that crosses a number of 22 plots of urban land, intended for the construction of houses, located in our property, in a total area of 20,287 sq. m.

the obligation of the defendant Conpet S.A. to pay the amount of EUR 65,000 representing the equivalent value of the house located in plot no. A141.7760 / 5/174, entered in L.B. no. 306869 because it can no longer be capitalized by the subscriber. Pursuant to judicial expertise report in the evaluation specialization performed in case upon the plaintiff request, ATU, Pecica, the global value of compensation for hindering the right to build proposed by the expert is of 137,045,69 Euro.

*File no. 4395/270/2020 - Onești Courthouse - Municipality of Onești - plaintiff; Local Council of Onești Municipality - plaintiff,*

by which is requested the instance that, by decision that will be pronounced dispose:

Obligation of the defendant to conclude the Convention for the exercise of the right of legal servitude on the lands in the surface of 11,474.5 sq.m., under-crossed and affected by the crude oil transport pipelines within the radius of Onești municipality, against the payment of an annual annuity, during the life of the pipelines, to the local budget of the municipality of Onești, determined by the principle of the smallest infringement of the right of ownership and calculated taking into

account the value of the movement of the property affected, established under the law at the time of the damage.

Obligation of the defendant to pay material damages, representing the consideration of the lack of use of land in the surface of 11,474.5 sq.m. under crossed and affected by crude oil transport pipelines within the radius of the municipality of Onești, established according to the Market Study approved by the Decision of the City Council no. 199 of 29.11.2018, respectively according to the Updated Market Study approved by the City Council Decision no. 122 of 29.06.2020, calculated starting from 2017 until the date of conclusion of the Convention for the exercise of the right of legal servitude on such land, plus late increases, interest and late payment penalties in the amount provided for in the Code of Tax Procedures applicable during that period.

The obligation of the defendant to pay the trial costs incurred by this trial.

*Case File no. 5971/2/2022 – Bucharest Court of Appeal (OMV Petrom – plaintiff, NAMR by which is requested the instance that, by decision that will be pronounced dispose:*

Annulment in part of Article 1 of Order 229/2021 in respect of the tariffs set out in Annex 1 and Annex 3 and, accordingly, Annexes 1 and 3 of Order 229/2021 and, consequently, Order the NAMR to issue a new order for the approval of transport tariffs via the national transport system of crude oil, gas, condensate and ethane for 2022, including appropriately modified tariffs in the DOMESTIC tariffs (Annex 1) and import tariffs for THE refineries in the Ploiești Basin (Annex 3). The partial annulment of Article 3-8 of the Annex to order no. 53/2008, as well as the obligation of the NAMR to issue a new order by which to properly complete order no. 53/2008.

To rule the obligation of the to pay the court costs..

*Case File no.7035/2/2022 – Bucharest Court of Appeal (OMV Petrom – NAMR - plaintiff, CONPET - plaintiff), by which is requested the instance that, by decision that will be pronounced dispose:*

Partial cancellation of the addenda no. 2-9 to the transport contract no. BC OMV 108/25.03.2020 concluded between OMV Petrom and CONPET, respectively of the articles regarding tariffs on the DOMESTIC subsystem and the IMPORT subsystem, charged for transport services provided by CONPET and established by NAMR no.229/2021, within the limit of the tariffs to be established following the contentious administrative endeavors carried out by OMV Petrom regarding the tariffs with NAMR and, consequently, the obligation of CONPET to pay compensation to OMV Petrom representing the difference between the amount of the tariffs adopted by the order of NAMR no. 229/2021, paid by OMV Petrom in the period 01.01.2022-31.08.2022 and the amount of tariffs to be established in file no.5971/2/2022, updated with the inflation index, as well as the related legal interest.

The payment to OMV Petrom of the difference between the amount of tariffs paid by OMV Petrom for the transport of marine crude oil, via the DOMESTIC subsystem, from the Midia Terminal, and the quantum of tariffs through the IMPORT subsystem, according to the actual subsystem effectively used, updated with the inflation index, as well as the related legal interest.

The obligation of the defendant CONPET to pay any amounts of civil fruit that CONPET has acquired or could have acquired in relation to the amounts collected from OMV Petrom based of the tariffs.

Rule the obligation to pay the court costs.

## 22. The related parties

In 2022, the Company has performed the following significant transactions with related parties:

### Procurement from related parties

- RON-

Partner	Procurements during 01.01- 31.12.2021	Settlements during 01.01- 31.12.2021	Unsettled amounts on December 31, 2021	Procurements during 01.01- 31.12.2022	Settlements during 01.01- 31.12.2022	Unsettled amounts on December 3, 2022
SNTFM CFR Marfă SA	75,544,240	76,460,702	5,792,599	73,827,367	70,611,140	9,008,826
ELECTRICA FURNIZARE S.A.	-	-	-	23,412,785	13,916,985	9,495,800
SPEEH HIDROELECTRICA S.A.	-	-	-	12,593,201	12,593,201	-

*! The amounts also include the VAT*

### Prepayments granted to the affiliated parties

- RON-

Partner	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021
ELECTRICA FURNIZARE S.A.	1,540,604	-

*! The amounts are VAT inclusive*

### Guarantees granted to the affiliated parties

- RON-

Partner	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021
SPEEH HIDROELECTRICA S.A.	1,989,045	-

### Guarantees received from affiliated parties

- RON-

Partner	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021
SNTFM CFR Marfă S.A.	500,000	500,000

## 23. The Audit Expenses

The Company's audit for the year 2022 has been provided by the firm PKF AUDIT SRL. By OGMS Resolution no.6/28.10.2022 it was approved the appointment of the firm PKF Finconta SRL. as financial auditor of the Company CONPET for a period of 3 years (2019,2020,2024). The fees are established based on the contract concluded between the two parties.

## 24. Risk Management

Within CONPET SA the Internal Control Management System has been implemented and developed, containing the 16 standards included in the Internal control management code of the public entities. The implementation of Standard 8 requirements "Risk Management" was a priority

by documentation and application of provisions of the documents of the process "Risk management" (sheet process, flow diagram and system procedure). In 2022 there have been identified and evaluated risks that may affect the achievement of objectives. At CONPET level, have been developed a Significant risk registry and an annual plan containing measures to control significant risks, personnel in charge and time-frames for the measures.

Complex processes and activities carried out within CONPET SA may generate risks coming from various areas such as:

**(a) Exchange Rate Risk**

The company may be exposed to fluctuations of the exchange rate of the currencies by means of cash and cash equivalents, short-term investments, Long-term, long term loans or trade liabilities expressed in foreign currencies.

The functional currency of the Company is the Romanian Leu (RON). At present the Company is exposed to the exchange rate risk through cash and cash equivalents, as well as through the procurements made in a currency different from the functional currency. The currencies exposing the Company to such a risk are mainly EUR, USD and GBP. The debts in foreign currency are subsequently expressed in RON, at the exchange rate of the date of the balance sheet, communicated by the Romanian National Bank. The resulting differences are included in the profit and loss account, but do not affect the cash flow up to the moment of the liquidation of the liability. The Company's exposure to the currency risk expressed in RON was insignificant, as revealed in the statements below:

December 31 <sup>st</sup> 2022	Value	RON	EUR	USD	- RON- GBP
<b>Monetary Assets</b>					
Cash and cash equivalents	127,672,452	127,292,223	364,177	15,762	290
Trade receivables and other receivables on short and long-term	51,718,705	51,718,705	-	-	-
<b>Monetary debts</b>					
Various suppliers/creditors	(48,530,056)	(47,174,756)	(1,355,300)	-	-
<b>Net exposure in the financial standing</b>	<b>130,861,101</b>	<b>131,836,172</b>	<b>(991,123)</b>	<b>15,762</b>	<b>290</b>

December 31 <sup>st</sup> , 2021	Value	RON	EUR	USD	- RON- GBP
<b>Monetary Assets</b>					
Cash and cash equivalents	191,751,271	191,282,244	454,814	12,702	1,511
Trade receivables and other receivables on short and long term	49,328,228	49,304,153	24,075	-	-
<b>Monetary debts</b>					
Various suppliers/creditors	(38,016,085)	(31,247,046)	(5,851,195)	(917,844)	-
<b>Net exposure in the financial standing</b>	<b>203,063,414</b>	<b>209,339,351</b>	<b>(5,372,306)</b>	<b>(905,142)</b>	<b>1,511</b>

**(b) Credit risk**

The Credit risk is the risk that the Company incur a financial loss as a result of the failure to perform the contractual obligation of a client or counterpart to a financial instrument default, and

this risk arises mainly from the Company's commercial claims, cash and cash equivalents and short-term investments.

Maximum exposure to the collection risk at the reporting date was:

Name	December 31 <sup>st</sup> 2022	December 31 <sup>st</sup> , 2021	- RON-
Trade receivables and other receivables on short and long term (net value)	51,718,705	49,328,228	
<b>Total</b>	<b>51,718,705</b>	<b>49,328,228</b>	

The company carries out trade relations only on contractual basis with recognized third parties, that warrants credit financing. The company is closely monitoring the exposure to commercial credit risk.

Financial assets which may subject the Company to collection risk are mainly trade receivables.

The company has implemented a series of policies that ensure that the sale of services is made to customers with a rapid collection. The value of net receivables (without adjustments for impairment) represents the maximum amount at risk of collection.

On December 31<sup>st</sup>, 2022 the Company holds cash and cash equivalents in amount of 127,672,452 RON (on December 31, 2021: 191,751,271 RON). The availabilities are held by the banks, of which we enumerate Banca Transilvania, BCR, Raiffeisen Bank, BRD Groupe Societe Generale, CEC Bank, Unicredit Bank, Exim Bank, Garanti Bank, First Bank, Credit Europe Bank, etc.)

Credit risk related to trade receivables is low because of the regular collection of transport services. Even though there are significant concentrations, the customer base being extremely low, the management considers that the commercial credit risk is low.

The statement of the seniority of clients' receivables at the date of preparation of the statements of financial statement is the following:

Name	Gross value on December 31 <sup>st</sup> 2022	Adjustment December 31 <sup>st</sup> 2022	Net value on December 31 <sup>st</sup> 2022	- RON-
Seniority less than 30 days	44,918,815	4,681	44,914,134	
Seniority between 30 days -60	148,344	978	147,366	
Seniority between 60 days -90	11,108	6,376	4,732	
Seniority between 90 days -270 days	78,557	72,595	5,962	
Seniority between 270 days -1 year	10,590	10,590	-	
More than one year	127,716	127,716	-	
<b>Total</b>	<b>45,295,130</b>	<b>222,936</b>	<b>45,072,194</b>	

Name	Gross value on December 31, 2021 December 31 <sup>st</sup> , 2021	Adjustment December 31 <sup>st</sup> , 2021	Net value on December 31, 2021	- RON-
Seniority less than 30 days	44,049,307	-	44,049,307	

Seniority between 30 days -60	75,712	-	75,712
Seniority between 60 days -90	14,736	-	14,736
Seniority between 90 days -270 days	6,090	-	6,090
Seniority between 270 days -1 year	200	-	200
More than one year	120,337	120,337	-
<b>Total</b>	<b>44,266,382</b>	<b>120,337</b>	<b>44,146,045</b>

The statement of seniority of *other receivables* on the time of drawing up the statement of the financial standing is:

Name	Gross value on December 31, 2022	Adjustment December 31 <sup>st</sup> , 2022	- RON-	
			Gross value on December 31, 2021	Adjustment December 31 <sup>st</sup> , 2021
Seniority less than 30 days	2,746,967	-	4,388,713	-
Seniority between 30 days -60	-	-	129,570	-
Seniority between 60 days -90	130	130	112,384	-
Seniority between 90 days -270 days	30,185	-	142,744	-
Seniority between 270 days -1 year	16,808	12,500	-	-
More than 1 year	1,697,570	1,661,555	2,458,264	2,458,264
<b>Total</b>	<b>4,491,660</b>	<b>1,674,185</b>	<b>7,231,675</b>	<b>2,458,264</b>

The situation of the seniority of fixed assets on the time of drawing up the statement of financial standing is:

Name	Gross value on December 31, 2022	Adjustment on December 31, 2022	- RON-	
			Gross value on December 31, 2021	Adjustment on December 31, 2021
Fixed receivables <1 year	122,717	122,717	282,466	282,466
Fixed receivables > 1 year	2,852,134	320,189	726,259	320,189
<b>Total</b>	<b>2,974,851</b>	<b>442,906</b>	<b>1,008,725</b>	
				<b>602,655</b>

The statement of the seniority of **prepayments for services** on the time of drawing up the statement of financial standing is:

Name	Gross value on December 31, 2022	Adjustment December 31 <sup>st</sup> 2022	- RON-	
			Gross value on December 31, 2021	Adjustment December 31 <sup>st</sup> , 2021
- seniority less than 30 days	2,101	-	2,703	-
- seniority between 30 days and 60 days	365	-	-	-
- seniority between 90 days and 270 days	1,294,625	-	-	-
<b>Total</b>	<b>1,297,091</b>	<b>-</b>	<b>2,703</b>	<b>-</b>

We hereby mention that, for the **prepayments for services** in amount of 1,297,091 RON (note 9) there have not been executed adjustments of impairment as the respective receivables have not met maturity.

The movements in the adjustment for impairment of **clients'** receivables were the following:

Name	2022	2021	- RON-	
<b>Balance on January 1</b>	120,337	339,307		
Growths during the year	104,752	(204,661)		
Write-backs during the year	(2,153)	(14,309)		

<b>Balance on December 31</b>	<b>222,936</b>	<b>120,337</b>
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The movements in the adjustment for impairment of **other receivables** were the following:

	- RON-	
Name	2022	2021
<b>Balance on January 1</b>	2,458,264	2,325,447
Growths during the year	12,630	208,685
Write-backs during the year	(796,709)	(75,868)
<b>Balance on January 31</b>	<b>1,674,185</b>	<b>2,458,264</b>

The movements in the adjustments for impairment of **long-term receivables** were the following:

	- RON-	
Name	2022	2021
<b>Balance on January 1</b>	602,655	602,655
Growths during the year	-	-
Write-backs during the year	(159,749)	-
<b>Balance on January 31</b>	<b>442,906</b>	<b>602,655</b>

### (c) LIQUIDITY RISK

The liquidity risk is the Company's risk to face difficulties in the achievement of the liabilities associated with the financial debts that are being settled in cash or by the transfer of other financial asset. The Company's approach in the liquidity management consists in providing, as much as possible, that it will always dispose of enough liquidities to pay the maturity liabilities, both under normal and stress conditions, without bearing unacceptable losses or endanger the Company's reputation.

Liquidity risk is managed by the Company's management by applying a permanent liquidity insurance policy designed to cover the settlement of maturity financial obligations.

	- RON-			
2022	Contractual cash flows	<1	Over 1 year	Over 5 years
Trade liabilities	43,914,968	43,914,968	-	-
Liabilities to the employees	37,433,451	14,364,317	3,439,960	19,629,174
Other liabilities	32,314,474	29,565,362	1,847,870	901,242
<b>Total</b>	<b>113,662,893</b>	<b>87,844,647</b>	<b>5,287,830</b>	<b>20,530,416</b>
	- RON-			
2021	Contractual cash flows	<1	Over 1 year	Over 5 years
Trade liabilities	33,435,361	32,147,560	1,287,802	-
Liabilities to the employees	28,694,583	12,065,900	3,286,020	13,342,663
Other liabilities	32,614,355	29,155,512	2,523,589	935,253
<b>Total</b>	<b>94,744,299</b>	<b>73,368,972</b>	<b>7,097,411</b>	<b>14,277,916</b>

### (d) The Personnel Risk and the Waging System

On December 31, 2022, the age categories with the highest weights in the company are those ranging between 51 - 60 years old (52.29%) and between 41-50 years old (27.82%), the age structure being unbalanced.

The average age of CONPET personnel is high (49.4 years old), and the advantage it brings is the work experience accumulated by employees within the company, which indicates stability and professionalism. The average age of the personnel employed in the last two years is of 40.9 years, with an average work experience of 15.3 years.

However, the risk of personnel in the future is the company to deal with personnel shortages due to personnel departures experienced natural causes.

The level of this analyzed risk was low; being a high tolerability risk and for the control thereof have been set medium and long-term measures by way of the personnel policy and the monitoring of the personnel fluctuations (personnel input/output). In this regard, the urgent need of vacant posts occupancy is carefully monitored, according to the needs required by organizational entity, the complexity and diversity of activities, skills needed and the responsibility related to positions.

#### **(e) The Risk Determined by the Correlation with the Global Market Evolution**

Identified Risk:

##### **A. Geopolitical risk**

The geopolitical turbulences generated by the Russia-Ukraine conflict have determined a significant increase of the perspectives regarding the oil prices, the highest values being reached in the first half of 2022, which later returned to the levels at the beginning of the year. Although it would have a particular impact, it is reckoned that the risk of escalation of the conflict to a regional military one is considered to be low.

##### **B. Oil price volatility risk**

At the end of 2022, a high risk of crude oil price volatility was estimated, due to the ceiling imposed on the price of oil and oil products, the demand for oil in the Asian markets (China and India) and the position of the OPEC countries on production and the prospect of a global economic recession for 2023.

##### **C. The Market Risk**

Following the embargo, Russian oil exports have been redirected to Asian markets, but China and India will not be able to fully absorb all of the excess production. It is estimated that the market will experience a gap of almost 1 million barrels/day. This was mainly felt at the end of 2022 and will be felt throughout 2023 on the global market.

The war in Ukraine will continue to generate rising inflation, supply chain pressures and changes in the behavior of the global oil market (significant structural disruption of supply and continued price volatility). At the national level, a year 2023 is shaping in which the decrease in domestic production will continue and the compensation will target the imported quantities, given that the refining capacities will be the same.

#### **(f) Capital Market Risk**

The Romanian capital market registered a positive evolution during the year 2022, due to the fact that it was the second year since it has acquired the status of emerging market. The daily average liquidity for all types of financial instruments has recorded an upward trend during the analyzed period. Romania's representativity within the indexes of Emerging Markets has materially increased yoy. Given that the company CONPET S.A. is included in the composition of the FTSE Global Micro Cap index, the risk of reduced liquidity is diminished.

#### **(g) Legislative-related Risks**

The frequent amendments of the normative acts, here included those that bear direct impact on CONPET business may trigger risks for the company.

The effort of the company CONPET to constantly adapt to changing legislative requirements may generate additional costs and possible future changes in the legislative framework could have negative effects on the activity and profitability of CONPET (increased taxes, introduction of new taxes and duties, reduction or suspension of tax concessions etc.).

Moreover, a possible increase in the level of the royalty paid for the use of the national Transport System may affect the financial statements and financial projections. An increase of the level of the royalty shall reflect into an augmentation of the transport tariff and, subsequently, the consequences may be seen on two lines: in the decrease of the crude transported quantities and over the pump price of the finite products resulted from the crude oil processing.

An important risk is being represented by the loss of the facility regarding the expenses borne by the Romanian State in order to provide the guard and protection of the pipelines by gendarmes, regulated by GD no.1107 dated November 14, 2012, which amends and complements 1468/2005.

#### **(h) Risk of Disputes**

One of the major risks the company is currently exposed to, as concessionaire of the Crude oil, rich gas, ethane and condensate national transport system drives its sources in the legal regime of the lands under/over crossed by the transport major pipelines instituted pursuant to the provisions of Petroleum Law no. 238/2004. The number of private properties under/over crossed by pipelines is very high and there is a possibility that more and more owners bring proceedings in Court against the Company in order to obtain substantiated compensations based on the simple presence of the pipelines on their lands. Due to the defective way in which the legal regime of the lands under/over crossed by the transport major pipelines has been regulated, CONPET was and currently is engaged in a series of trials where the owners of those lands claim for the transport pipelines be either lifted or moved to other sites (and the expense be borne by CONPET), or be granted annual compensations representing consisting amounts of money. Moreover, even some public authorities have laid claim pecuniary about the presence of components belonging to NTS, on the lands owned or managed by them.

Within the last years, the Company has prepared various legislative proposals to amend Law no 238/2004 - Petroleum Law, hoping for a coherent and clear regulation of the legal regime of lands under/over crossed by the transport major pipelines.

#### **(i) Risk related to the Regulation Framework and Permits**

The risk related to the regulatory framework and permits is significant given that the company must obtain and periodically renew a series of endorsements, permits and certifications, an aspect that can sometimes lead to additional expenses and/or delays in the start or completion of some works, with possible negative effects.

The core business of CONPET, the transport of crude oil, rich gas and condensate via pipelines and by rail, involves obtaining and/or renewing the authorizations that regulate the company's activity, obtaining construction permits, based on all the necessary approvals for the works in the investment programs, obtaining/renewing licenses and certifications (AFER) for railway shunting activity, etc.

Failure to comply with the regulations could lead to the sanctioning of the company or the suspension of the activity. Keeping this risk under control is done through careful monitoring of

the newly emerging legal requirements or changes in applicable regulations, as well as implementing actions necessary to comply with them.

#### **(j) The Market Risk**

The Market risk arises from reducing the amount of crude oil transported to the refineries. This makes the utilization of the transport system to be lower. The company must identify new opportunities leading to increased use of the system and adopt solutions for streamlining and optimizing transport activities conducting to maintaining the NTS to a high level of operational security.

The Company is dependent on the level of crude oil processing in Romania and the possibility of intervention in this area lays only in the demand of fuels in the market. The company CONPET can only prove at any time that is capable of providing quality services in the transport of crude oil, rich gas and condensate for any client. In order to ensure this, CONPET must be an active player and permanently interested in the market developments in this area of interest.

Following the petrochemical industry restructuring in Romania, the transport of crude oil derived products (rich gas) has decreased severely, (transport of ethane is no longer made since 2009), which adversely affects the use of the subsystem related to these products.

Given the conditions, by the support of the Ministry of Energy and the National Authority for Mineral Resources (NAMR), CONPET pays efforts to identify new opportunities that lead to the increase of the degree of use of the system, nevertheless involving into regional projects started in its business area.

#### **(k) Operational risk**

Operational risk comes from the Degradation of the National Pipeline Transport System due to the low level of utilization (small quantities, reduced frequency) and Escalation of the criminal acts related to pipeline attacks bearing significant impact on the Pipelines National Transport System and on the environment.

In order to keep this risk under control have been set the following measures: redefinition of the transport infrastructure according to demand-side, optimization of pumping programs for the stations with low production, expanding the modernization of pumping stations and continuous monitoring of process parameters and identification of new potential beneficiaries of the services delivered by the company.

#### **(l) The risk caused by pandemic Corona virus (Covid-19)**

In addition to the risks mentioned above, the Company CONPET S.A. faced in 2022 risks caused by the COVID-19 pandemic. Ever since the beginning of this situation, CONPET has adopted measures to protect the employees and limit a potential extension of the disease COVID-19. Thus, measures for the prevention and protection in all sites where employees operate have been taken, including: limiting visitor access, which is allowed only in absolutely necessary situations, subject to the rules of disinfection set by CONPET, intensification of actions on prevention and hygiene, limiting internal travel at their workstations, establishing minimum staff for the smooth running of operations and ensure continuity in the transport of crude oil, the light of the pandemic of Corona virus (in Covid-19).

CONPET is a financially stable company that has the ability to quickly and efficiently implement emergency measures to be taken to protect the health of employees as, well as to maintain safe administration of the crude oil National Transport System. In the context of the COVID-19 pandemic, the continuity of the company's activity was ensured.

#### **(m) Environment-related aspects**

- ***Identification of environmental aspects and environmental impact assessment***

The environmental impact assessment activity is carried out in the production sectors whenever changes occur in the system involving environmental impact activities, the list of significant impact issues identified at company level being the basis for the development of the Environmental Management Program and the Action Plan for the achievement of environmental objectives.

During 2022, the entire documentation related to the Environmental Management System was reviewed, focusing on the identification of the environmental aspects, the manner of treating the risks and opportunities related to the environmental aspects in order to prevent and reduce the consequences thereof on health and environment, using opportunities for the benefit of the organization as well as the environment. The following documents have been reviewed:

- The Environmental Management Program containing: the commitments associated to the environmental policy, general objectives and measurable environmental targets, the performance indicators on environmental protection, as well as the positions responsible for the achievement of the environmental targets;
- The actions plan for the achievement of the environmental objectives that took into account the significant environmental aspects identified inside CONPET the measures from the inspection reports/protocols - authorities, regarding the compliance with the legal requirements and other applicable requirements;
- List of significant environmental aspects and associated impacts generated at the level of CONPET S.A. company.

- The stage of achievement of the objectives and targets set and the stage of the implementation of the actions set for the achievement of the environmental objectives are analyzed annually by the executive management, in the framework of the analysis carried out by the management.

- ***Assessments of compliance with legal requirements and other environmental requirements***

The assessment of compliance with the legal requirements or other applicable environmental requirements is carried out by:

- inspections carried out by the environmental authorities (representatives of central and local environmental and water management authorities),
- inspections carried out by HSEQ managers and the staff of the Environmental Protection Department.
- external audits carried out by certification bodies of the environmental management system integrated in the company's management system,
- internal audits performed by the internal auditors within the Management Systems and Internal Managerial Control Department.

The environment and water management authorities are carrying out scheduled audits in CONPET sites, unscheduled and thematic with regards to the observance of the legal requirements and other environmental regulations, not having been found major nonconformities.

To verify compliance with the legal requirements, in 2022, were recorded 62 external inspections of the environmental authorities in the counties where CONPET S.A. operates.

The personnel within the sectors, namely the HSEQ responsible perform scheduled inspections, as per the annual Chart of inspection with regards to the compliance of the legal requirements and other applicable requirements, but also unscheduled inspections as per the attributions of the job description.

During 2022, an external audit was carried out by the BUREAU VERITAS certification body, to verify compliance with the requirements of the ISO 14001:2015 standard that refers to the environmental management system. No non-conformities/ deviations were found regarding the compliance obligations in this area.

Following the internal audits established in the annual internal audit program, the non-conformities identified in the environmental management system were identified and corrected in time.

- ***Pollutions bearing significant impact on the environment***

During the pumping of crude oil, accidental pollution can occur on the transport pipelines, from internal or external causes, generating pollution of the geological environment that can have a significant impact. Therefore, in 2022 there have been reported accidental pollutions in the areas: Ploiești, Paralela 45, Cioceni, Măgurele, Lukoil, sewage treatment plant, Brazi bridge, Boldești (Prahova county), Porta Albă, Constanța, Castelu, Lumina, Cumpăna (Constanța county), Roata de Jos (Giurgiu county), Călinescu, Livezi (Gorj county), Gârlești (Dolj county), Olteț river right bank (Olt county), Brezoaele, Gura Ocniței, Petrom station (Dâmbovița county), Popești (Argeș county), Dragoș Vodă (Călărași county).

The expenses made in 2022 for the decontamination of the affected areas have reached 1.74 million RON.

## **25. Subsequent events and other mentions**

There have been not registered significant events ulterior to the conclusion of the financial year.

These financial statements and the related notes, from page 1 to page 62, have been authorized for issue and signed by the company management on March 23, 2023.

**Director General,  
Eng. Dorin Tudora**

**Economic Director,  
Econ. Sanda Toader**