



Ernst & Young Assurance Services SRL  
Bucharest Tower Center Building, 21<sup>st</sup> Floor  
15-17 Ion Mihalache Blvd., District 1  
011171 Bucharest, Romania

Tel: +40 21 402 4000  
Fax: +40 21 310 7193  
office@ro.ey.com  
ey.com

## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of Rompetrol Well Services S.A.

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of Rompetrol Well Services S.A. (the Company) with official head office in Ploiesti, Clopotei Street, No. 2 bis,, identified by sole fiscal registration number RO1346607, which comprise the statement of financial position as at December 31, 2021, and the income statement and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) No. 537/2014 of the European Parliament and of the Council of 16 April 2014 ("Regulation (EU) No. 537/2014") and Law 162/2017 („Law 162/2017"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to the audit of the financial statements in Romania, including Regulation (EU) No. 537/2014 and Law 162/2017 and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<b>Fair value measurement for investment in equity instruments</b>	
Disclosures on fair value measurement for investment in equity instruments are included in Note 1.3 and Note 11.	
<p>Investments in equity instruments at Fair Value through other comprehensive income are measured at RON 10,204 thousand as at 31 December 2021.</p> <p>We considered the fair value measurement of equity investments to be significant in our audit due to the magnitude of the amounts involved, the high level of subjectivity in respect of assumptions underlying the fair value assessment and the significant judgements and estimates that need to be made by management over the determination of the fair value of financial assets not quoted in an active market.</p> <p>The Company has below 10% participations in Rompetrol Rafinare S.A. (a listed entity) and Rompetrol Logistics S.R.L. (a non-listed entity), as indicated in note 11. Both investments are measured at fair value through other comprehensive income.</p> <p>The fair value of investment in Rompetrol Rafinare S.A. is based on quoted prices in an active market.</p> <p>The investment in Rompetrol Logistic S.R.L., is measured at FV of RON 8,401 thousand as of 31 December 2021, representing Level 3 fair value hierarchy, for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data. Applied internal valuation techniques can be subjective in nature, involving multiple assumptions and estimates.</p> <p>As of 31 December 2021, the Company used in the fair value measurement information from a valuation report prepared by an external expert for Rompetrol Logistic, including its ownership in Rompetrol Gas, which was further adjusted to reflect the specific situation of the company as minority shareholder. The measurement involved significant judgement and estimates.</p> <p>For these reasons, we have considered this as a key audit matter.</p>	<p>We audited management’s estimate of the fair value of financial assets not quoted in an active market, having a fair value of RON 8,401 thousand as of 31 December 2021. Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• We analysed the key assumptions used in the valuation report prepared by an external expert, by analyzing their consistency with the industry-specific economic environment, relevant available market information and the business plans approved by management;</li> <li>• We evaluated if the valuation exercise included all factors that influence the investment at the end of the reporting period and its in compliance with International Financial Reporting Standards requirements;</li> <li>• We involved our valuation specialists to assist us in evaluating specific assumptions applied (i.e. the discount rate, marketability discount, minority discount) and modelling techniques used by the Company for the valuation exercise of the financial asset;</li> <li>• We checked the mathematical accuracy of management’s exercise for determining the fair value.</li> </ul> <p>Furthermore, we assessed the adequacy of the Company’s disclosures about fair value measurement of equity investments.</p>

Key Audit Matter	How our audit addressed the key audit matter
<p><b>Assessment of property, plant and equipment impairment</b></p>	
<p><b>Disclosures on property, plant and equipment including related impairment are included in Note 1.3 and Note 8.</b></p>	
<p>Measurement of Property, plant and equipment is significant to our audit because of the magnitude of the balances involved, having a net book value of RON 25.053 thousand as at 31 December 2021, out of which advances and tangible assets in progress of RON 3.679 thousand. Also, we considered this matter to be one of most significance in the audit due the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by the management.</p> <p>In the current year, the oilfield services industry has been further significantly affected by the reduction of investments in upstream oil &amp; gas that followed the decline in oil and gas prices started in the first half of 2020, given the economic situation generated by the Covid-19 pandemic. These aspects had a significant effect on the Company's performance and therefore impairment indicators were identified.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess whether triggers for potential impairment or reversal of impairment previously recorded exist. The assessment of whether there is an indication that an asset may be impaired, or an impairment may be reversed requires significant judgement, as it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>As at 31 December 2021, the management has performed a triggering events analysis and an impairment assessment in respect of the Company's property, plant and equipment based on which the recoverable amount was lower than the carrying value and therefore an impairment of RON 509 thousand was recorded.</p> <p>The impairment assessment process is complex, requires significant management judgments and is based on assumptions that are affected by expected future market conditions.</p> <p>For this reason, we have considered this as a key audit matter.</p>	<p>We audited management's assessment of the triggers for potential impairment as well as the related impairment test performed. Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> <li>• We analyzed the key assumptions used for the future cash flows, by analysing their consistency with the industry-specific economic environment, relevant available market information and the business plans of the Company, as well as the sensitivity analysis of the recoverable amounts to changes in the significant assumptions;</li> <li>• We evaluated if the impairment assessment included all assets for which impairment indicators existed at the end of the reporting period;</li> <li>• We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior year;</li> <li>• We involved our valuation specialists to assist us in evaluating the discount rate applied and methodologies / models used by the Company for the impairment assessment of property, plant and equipment;</li> <li>• We checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its compliance with International Financial Reporting Standards requirements.</li> </ul> <p>Furthermore, we assessed the adequacy of the Company's disclosures about Impairment testing of property, plant and equipment.</p>

## **Other information**

The other information comprises the Administrators' Report and the Remuneration Report, but does not include the financial statements and our auditors' report thereon. Management is responsible for the other information.

Our audit opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Order of the Minister of Public Finance no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

## **Report on Other Legal and Regulatory Requirements**

### **Reporting on Information Other than the Financial Statements and Our Auditors' Report Thereon**

In addition to our reporting responsibilities according to ISAs described in section "Other information", with respect to the Administrators' Report and Remuneration Report, we have read these reports and report that:

- a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2021;
- b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2021, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.
- d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

### **Other requirements on content of auditor's report in compliance with Regulation (EU) No. 537/2014 of the European Parliament and of the Council**

#### **Appointment and Approval of Auditor**

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2020 to audit the financial statements for the financial year end December 31, 2021. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 14 years, covering the financial periods end December 31, 2008 till December 31, 2021.

#### **Consistency with Additional Report to the Audit Committee**

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 18 March 2022.

### **Provision of Non-audit Services**

No prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 of the European Parliament and of the Council were provided by us to the Company and we remain independent from the Company in conducting the audit.

In addition to statutory audit services and services disclosed in the annual report and in the financial statements, no other services which were provided by us to the Company, and its controlled undertakings.

### **Report on the compliance of the electronic format of the financial statements, included in the annual separate report with the requirements of the ESEF Regulation**

We have performed a reasonable assurance engagement on the compliance of the financial statements presented in XHTML format of Rompetrol Well Services S.A. (the Company) for the year ended 31 December 2021, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the “ESEF Regulation”).

These procedures refer to testing the format and whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements and expressing an opinion on the compliance of the electronic format of the financial statements of the Company for the year ended 31 December 2021 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the financial statements, included in the annual report should be presented in XHTML format.

### **Responsibilities of the Management and Those Charged with Governance**

The Management of the Company is responsible for the compliance with the requirements of the ESEF Regulation in the preparation of the electronic format of the financial statements in XHTML format and for ensuring consistency between the electronic format of the financial statements (XHTML) and the audited financial statements.

The responsibility of the Management also includes the design, implementation and maintenance of such internal control as determined is necessary to enable the preparation of the financial statements in ESEF format that are free from any material non-compliance with the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process for the preparation of financial statements, including the application of the ESEF Regulation.

### **Auditor's Responsibility**

Our responsibility is to express an opinion providing reasonable assurance on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation.

We have performed a reasonable assurance engagement in accordance with ISAE 3000 (revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE 3000 (revised)). This standard requires that we comply with ethical requirements, plan and perform our engagement to obtain reasonable assurance about whether the electronic format of the financial statements of the Company is prepared, in all material respects, in accordance ESEF regulation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material non-compliance with the requirements of the ESEF Regulation, whether due to fraud or error.

Reasonable assurance is a high level of assurance, but it is not guaranteed that the assurance engagement conducted in accordance with ISAE 3000 (revised) will always detect material non-compliance with the requirements when it exists.

### **Our Independence and Quality Control**

We apply International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly, maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements to the registered auditors in Romania.

We have maintained our independence and confirm that we have met the ethical and independence requirements of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code).

## Summary of procedures performed

The objective of the procedures that we have planned and performed was to obtain reasonable assurance that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation. When conducting our assessment of the compliance with the requirements of the ESEF Regulation of the electronic reporting format (XHTML) of the financial statements of the Company, we have maintained professional skepticism and applied professional judgement. We have also:

- obtained an understanding of the internal control and the processes related to the application of the ESEF Regulation in respect of the financial statements of the Company, including the preparation of the financial statements of the Company in XHTML format
- tested the validity of the applied XHTML format
- checked whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements

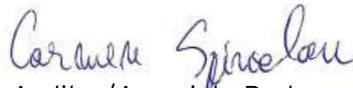
We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Opinion on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

Based on the procedures performed, our opinion is that the electronic format of the financial statements is prepared, in all material respects, in accordance with the requirements of ESEF Regulation.

On behalf of,

**Ernst & Young Assurance Services SRL**  
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania  
Registered in the electronic Public Register under No. FA77



Name of the Auditor/Associate Partner: Carmen Spiridon  
Registered in the electronic Public Register under No. AF4838  
Bucharest, Romania  
24 March 2022



**ROMPETROL WELL SERVICES SA**

**STANDALONE FINANCIAL STATEMENTS**

Prepared in accordance with  
**Order of Minister of Public Finance no. 2844/2016**

**31 December 2021**

**ROMPETROL WELL SERVICES SA**  
**Stand-alone Financial Statements**  
Prepared in accordance with  
**Order of the Minister of Public Finance no. 2844/2016**  
**31 December 2021**

---

<b>Contents</b>	<b>Page</b>
Statement of profit or loss and other comprehensive income	3
Statement of the financial position	4
Statement of changes in equity	5 - 6
Statement of cash flow	7
Notes to the standalone financial statements	8 - 52

**ROMPETROL WELL SERVICES SA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

	Notes	2021	2020
<b>Turnover</b>		44,597,156	47,667,818
Revenues from contracts with customers	2	44,185,085	47,249,182
Rental revenues	2.1	412,071	418,636
Other operating income	3.1	1,363,979	928,040
<b>OPERATING INCOME – TOTAL</b>		<b>45,961,136</b>	<b>48,595,858</b>
Expenses with consumables		(11,406,887)	(10,853,051)
Power and water expenses		(422,678)	(383,087)
Merchandise expenses		(48,065)	(25,500)
Payroll costs, out of which:	5	(16,573,739)	(17,484,748)
- Salaries		(15,556,835)	(16,539,435)
- Social security contributions		(503,961)	(545,618)
Fixed assets' value adjustments, of which	8,9,10,18	(4,505,501)	(4,895,712)
- Depreciation		(3,996,830)	(4,895,712)
- Impairment of property, plant and equipment		(508,671)	-
Current assets value adjustment		(36,490)	(157,129)
Expenses with third-party services	3.2	(12,118,731)	(12,922,035)
Taxes, duties and similar expenses		(702,696)	(658,869)
Other operating expenses	3.3	(412,850)	(333,444)
<b>OPERATING EXPENSES – TOTAL</b>		<b>(46,227,637)</b>	<b>(47,713,575)</b>
<b>OPERATING RESULT</b>		<b>(266,502)</b>	<b>882,283</b>
Interest income		2,445,163	3,680,119
- of which, revenues from related parties		2,440,580	3,667,494
Other financial income		294,308	419,241
<b>FINANCIAL INCOME - TOTAL</b>	4.1	<b>2,739,471</b>	<b>4,099,360</b>
Other financial expenses		(698,781)	(352,129)
<b>FINANCIAL EXPENSES - TOTAL</b>	4.2	<b>(698,781)</b>	<b>(352,129)</b>
<b>FINANCIAL RESULT</b>		<b>2,040,690</b>	<b>3,747,231</b>
<b>RESULT BEFORE TAX</b>		<b>1,774,188</b>	<b>4,629,514</b>
Income tax expense	6	(144,554)	(266,562)
<b>RESULT FOR THE YEAR</b>		<b>1,629,634</b>	<b>4,362,952</b>
<b>Earnings per share</b>	7	<b>0.0059</b>	<b>0.0157</b>
<b>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):</b>		<b>2,890,901</b>	<b>(2,959,784)</b>
Actuarial gain / (losses) relating to retirement benefits		1,257,342	(1,800,752)
Remeasurement of fair value of equity instruments measured at fair value through other comprehensive income		1,633,559	(1,159,032)
<b>TOTAL COMPREHENSIVE INCOME, net of tax</b>		<b>4,520,535</b>	<b>1,403,168</b>

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
FLOREA Georgian Stefan

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

Signature  C4F17BF6781D416...

Signature  564191DA489F41E...

Explanatory notes from 1 to 25 are part of these financial statements.

**ROMPETROL WELL SERVICES SA**  
**STATEMENT OF FINANCIAL POSITION**  
**For the year ended as at 31 December 2021**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

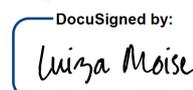
	Notes	31 December 2021	31 December 2020
<b>Assets</b>			
<b>Non-current assets</b>			
Property, Plant & Equipment	8	25,053,007	26,656,353
Right of use assets	18.1	1,803,236	2,137,506
Investment property	9	451,402	470,005
Intangible assets	10	118,254	195,149
Equity instruments at FVOCI	11	10,203,550	8,258,837
Other financial assets	12	1,625,584	4,240,893
<b>Total non-current assets</b>		<b>39,255,033</b>	<b>41,958,743</b>
<b>Current assets</b>			
Inventories, net	13	4,876,107	4,456,063
Trade and other receivables	14	47,694,690	17,048,662
Availabilities in cash pooling system	21	55,022,238	82,419,445
Other current assets	15	566,987	679,272
Collateral cash for guarantee letters	16.1	5,797,291	5,155,274
Cash and deposits	16	227,231	151,117
<b>Total current assets</b>		<b>114,184,544</b>	<b>109,909,833</b>
<b>Total assets</b>		<b>153,439,577</b>	<b>151,868,575</b>
<b>Capital and reserves</b>			
<b>Capital</b>			
Share capital, of which:		28,557,446	28,557,446
Subscribed and paid in share capital	17.1	27,819,090	27,819,090
Share capital adjustments	17.2	738,356	738,356
Legal reserves		5,563,818	5,563,818
Other reserves		56,194,311	23,368,155
Retained earnings		28,832,880	58,042,926
Retained earnings IFRS transition		18,041,378	18,041,378
Current result		1,629,634	4,362,952
<b>Total equity</b>		<b>138,819,467</b>	<b>137,936,674</b>
<b>Long-term liabilities</b>			
Employee benefits liabilities	19	684,006	2,354,410
Deferred tax liabilities	6	1,112,249	648,236
Lease liabilities	18.2	209,813	525,365
Other liabilities		82,997	112,394
<b>Total long-term liabilities</b>		<b>2,089,065</b>	<b>3,640,405</b>
<b>Current liabilities</b>			
Trade and other payables	20	11,853,922	9,499,264
Income tax payable	6	382,261	463,953
Lease liabilities	18.2	294,861	328,279
<b>Total current liabilities</b>		<b>12,531,044</b>	<b>10,291,496</b>
<b>Total liabilities</b>		<b>14,620,109</b>	<b>13,931,901</b>
<b>Total equity and liabilities</b>		<b>153,439,577</b>	<b>151,868,575</b>

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
FLOREA Georgian Stefan

Signature   
C4F17BF6781D416...

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

Signature   
564191DA489E41E

Explanatory notes from 1 to 25 are part of these financial statements.

**ROMPETROL WELL SERVICES SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended as at 31 December 2021**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

For the year ended as at 31 December 2020	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
<b>Balance at 1 January 2020</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>27,498,620</b>	<b>56,872,244</b>	<b>18,041,378</b>	<b>12,170,108</b>	<b>148,703,614</b>
<b>Current result</b>	-	-	-	-	-	4,362,952	4,362,952
<b>Other comprehensive income</b>	-	-	<b>(2,959,784)</b>	-	-	-	<b>(2,959,784)</b>
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income (b)	-	-	(1,159,032)	-	-	-	(1,159,032)
Actuarial gain / (losses) relating to retirement benefits (a)	-	-	(1,800,752)	-	-	-	(1,800,752)
<b>Total comprehensive income</b>	-	-	<b>(2,959,784)</b>	-	-	<b>4,362,952</b>	<b>1,403,168</b>
Profit distribution	-	-	-	12,170,108	-	(12,170,108)	-
Dividends	-	-	-	(12,170,108)	-	-	(12,170,108)
Other movements	-	-	(1,170,682)	1,170,682	-	-	-
<b>Balance at 31 December 2020 including OCI</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>23,368,155</b>	<b>58,042,925</b>	<b>18,041,378</b>	<b>4,362,952</b>	<b>137,936,674</b>

For the year ended as at 31 December 2021	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
<b>Balance at 1 January 2021</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>23,368,155</b>	<b>58,042,926</b>	<b>18,041,378</b>	<b>4,362,952</b>	<b>137,936,674</b>
<b>Profit for the year</b>	-	-	-	-	-	1,629,634	1,629,634
<b>Other comprehensive income</b>	-	-	<b>2,890,901</b>	-	-	-	<b>2,890,901</b>
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income (b)	-	-	1,633,559	-	-	-	1,633,559
Actuarial gain / (losses) relating to retirement benefits (a)	-	-	1,257,342	-	-	-	1,257,342
<b>Total comprehensive income</b>	-	-	<b>2,890,901</b>	-	-	<b>1,629,634</b>	<b>4,520,535</b>
Profit distribution	-	-	-	4,362,952	-	(4,362,952)	-
Dividends	-	-	-	(33,572,997)	-	-	(33,572,997)
Other Capital Reserves (c)	-	-	29,935,254	-	-	-	29,935,254
<b>Balance at 31 December 2021 including OCI</b>	<b>28,557,446</b>	<b>5,563,818</b>	<b>56,194,311</b>	<b>28,832,881</b>	<b>18,041,378</b>	<b>1,629,634</b>	<b>138,819,467</b>

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
**FLOREA Georgiana Stefan**

Signature   
 C4F17BF6781D416...

**Prepared by,**  
**MOISE Luiza-Roxana**  
 Finance Manager

Signature   
 564191DA489F41E...

Explanatory notes from 1 to 25 are part of these financial statements.

**ROMPETROL WELL SERVICES SA**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**The legal reserve** is in amount of RON 5,563,818 (2020: RON 5,563,818). The company constituted the legal reserve in accordance with the provisions of the Romanian trading companies law, which requires at least 5% of the annual company's profit before tax to be transferred to legal reserve until the ending balance of this reserve reaches 20% of the company's share capital.

**Other reserves** represent reserves constituted on the basis of mandatory legislation, respectively reserves for elements of other comprehensive income as well as other capital reserves:

- a) The decrease in other reserves with the amount of RON 1,257,342 represents the net impact from remeasurement gain / (loss) of retirement benefits and other similar liabilities related to the personnel generated by the changes in assumptions and measurement technique applied.
- b) The subsequent valuation of financial assets at fair value, representing investments in equity instruments and for which the Company elected to present the gain / (loss) in other elements of comprehensive income according to IFRS 9 Financial instruments, has determined an increase in other reserves with RON 1,633,559.
- c) On 24 December 2021, the Company concluded an assignment agreement with majority shareholder KMG International NV, through which the contractual receivables of Oilfield Exploration Solutions SA were transferred from Rompetrol Well Services SA to KMG International NV at the nominal value of RON 34,705,969. As a result of the transaction, the trade receivable allowance amounting RON 29,935,254 was reversed through Other Capital Reserves, the receivable balance from Oilfield Exploration Business Solution SA was derecognized while the Company recognized a receivable from KMG International NV. According to the assignment agreement, the receivable in amount of RON 34,705,969 will be settled in two installments, June 2022 and December 2022.

**Retained earnings** represent reserves constituted through the distribution of prior year profits, respectively the cover of prior year losses.

**Retained Earnings IFRS transition** represent the retained earnings constituted on the first adoption of IAS, less IAS 29, as well as adoption of other mandatory IFRSs.

During the General Ordinary Meeting of the Shareholders from 26 April 2021, it was decided the distribution of the previous years profit as dividends in gross amount of RON 33,572,995.

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
FLOREA Georgian Stefan

Signature

DocuSigned by:  
*Georgian Florea*  
C4F17BF6781D416...

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

Signature

DocuSigned by:  
*Luiza Moise*  
564191DA489F41E...

**ROMPETROL WELL SERVICES SA**  
**STATEMENT OF CASH FLOW**  
**For the year ended as at 31 December 2021**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

**Indirect method**

Name of item	31 December 2021	31 December 2020
<i>Cash flows from operating activities:</i>		
<b>Net result before tax</b>	<b>1,774,189</b>	<b>4,629,514</b>
<i>Adjustments for:</i>		
Depreciation and adjustments related to tangible assets and investment properties	3,629,991	4,505,390
Depreciation and adjustments related to right of use assets	289,953	301,916
Depreciation and adjustments related to intangible assets	76,895	78,692
Impairment for property, plant and equipment	508,671	-
Provisions for post-employment benefits plans and other provisions	(103,789)	(44,164)
Adjustments for inventory depreciation	(266,624)	105,679
Allowance for trade and other receivables	303,115	51,450
Trade receivables and sundry debtors write off	52,011	-
Earnings from debts write-off (unclaimed dividends)	(807,378)	(609,424)
Interest income, net	(2,423,599)	(3,643,722)
Loss / (gain) from disposal of property, plant and equipment	(440,113)	(183,980)
Net foreign exchange differences	394,123	(186,831)
<b>Operating profit before working capital changes</b>	<b>2,987,443</b>	<b>5,004,520</b>
Increase / (Decrease) of performance guarantees	1,973,292	(1,878,379)
Increase / (Decrease) of trade and other receivables	(943,321)	1,064,584
Decrease / (Increase) of inventories	(153,420)	(331,101)
Increase / (Decrease) of trade and other debts	469,788	(1,869,180)
Paid income tax	(382,659)	(657,027)
<b>Net cash flow from operating activities</b>	<b>3,951,124</b>	<b>1,333,417</b>
<i>Cash flows from investing activities:</i>		
Purchase of purchase of tangible and intangible assets	(2,664,984)	(4,725,664)
Proceeds from sale of tangible and intangible assets	588,385	300,351
Increase of cash pooling balance	27,343,475	13,456,141
Interest received	2,498,895	3,814,721
<b>Net cash from investing activities</b>	<b>27,765,771</b>	<b>12,845,549</b>
<i>Cash flows from financing activities:</i>		
Payments of principal portion of lease liabilities	(330,696)	(1,633,934)
Dividends paid to equity holders	(31,310,085)	(12,550,860)
<b>Net cash flows from financing activities</b>	<b>(31,640,781)</b>	<b>(14,184,794)</b>
Net (decrease) / increase of cash and cash equivalents	74,975	(5,065)
Net foreign exchange differences	1,139	(762)
Cash and cash equivalents at the beginning of the financial year	151,117	156,944
<b>Cash and cash equivalents at the end of the financial year</b>	<b>227,231</b>	<b>151,117</b>

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
FLOREA Georgian Stefan

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

Signature  C4F17BF6781D416...

Signature  564191DA489F41E...

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

## **1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES**

The financial statements of **ROMPETROL WELL SERVICES SA** for the financial year ended as at 31 December 2021 are approved according to the resolution of the Board of Directors dated 22 March 2022.

Rompetro Well Services SA ("the Company") is a stock company, registered office located in Ploiesti, Clopotei Street, No. 2 bis, Romania. The Company is registered with the Trade Register under the number J29/110/05.03.1991.

It was turned into a joint-stock company named SC PETROS SA based on the Government Decision no. 1213 of November 1990, under the Law 15/1990, and operated under such name until September 2001 when its name was changed into ROMPETROL WELL SERVICES SA.

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

The ultimate parent of KazMunayGas International is the National Wealth Fund JSC "Samruk-Kazyna", an entity based in Kazakhstan.

The company's main scope of business mainly consists of: special well operations, rent of special well tools and devices, other services provision. The Company provides services for both domestic and foreign markets. Its long history in both the domestic and the foreign oil industry makes it a competitive, reliable and serious partner for a large range of services:

- Primary and secondary cementing;
- Acidizing and cracking services;
- Sand-Control services (reinforcement and packing);
- Well nitrogen treatment services;
- Well testing services;
- Well lining services;
- Drilling tools and instrumentation rental services.

These annual stand-alone financial statements are public and available on <https://rompetrolwellservices.kmginternational.com/>, on Investor Relations section.

### **1.1. BASIS FOR THE PREPARATION OF THE FINANCIAL STATEMENTS**

Starting with 31 December 2012, the financial statements of the Company are prepared in accordance with the Order no. 1286/2012 of the Ministry of Public Finance, the latest regulation being Order no. 2844/2016 of the Ministry of Public Finance, approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market. Such provisions are aligned with the requirements of the International Financial Reporting Standards adopted by the European Union, except for the provisions of IAS 21 - The Effects of Changes in Foreign Exchange Rates regarding the functional currency.

In order to prepare these financial statements, pursuant to the Romanian legal requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

The financial statements of the Company are based on the historical cost principle. The stand-alone financial statements are presented in RON and all amounts are rounded up in RON unless otherwise specified.

The financial statements of the Company are prepared based on the going concern principle.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS**

**a) The going concern principle**

The regional market and demand for well services registered a significant drop starting with the year 2020 on the background of effects generated by COVID-19 pandemic, as well as due to a negative trend, registered by the petroleum industry.

The upstream sector was directly impacted by the crude dynamics, quotations volatility for oil products, production reduction measures or suspension of some major exploration and production projects. Additionally count geopolitical tensions (USA, Russia, Saudi Arabia, Iran) and OPEC decisions for limiting or reducing the crude production, Brent quotation in year 2020 being at a level of USD 42 / barrel, 35% down in comparison with USD 64 / barrel recorded in year 2019. Although the price of crude increased by 67%, in the past financial year, against the background of coal and gas shortages, and the ascending trend is expected to continue, investment in the sector has remained limited and major producers remain reticent and are keeping production levels low, adopting a cautious position in the event of reduced economic activity as a result of the pandemic and the major impact of various COVID-19 virus mutations globally.

Within the COVID-19 pandemic context, measures for limiting virus spreading and population mobility imposed in the year 2020 and partially maintained also in the year 2021 were reflected in a dramatic and sudden drop of demand for oil products, decreased refining margins, generating overstocks of raw materials and products.

This market context together with climate-change concerns and regulations, had determined big upstream sector companies to adjust their strategies and development plans, reduce investments and take other actions like postponing or canceling of some exploration projects, reduction of crude oil production, implementing of programs for cutting costs and staff, measures for maintaining economic sustainability.

The company managed to implement measures and programs for optimizing costs, improving current activities and employees' protection, in response to major changes in the economic and social climate. The company continues to maintain the measures adopted and aims to implement new strategies that will allow it to increase its flexibility to possible unpredictable fluctuations in demand.

Although in 2022 the market is expected to be still volatile, with a moderate level of new investments from our main customers, the flexibility of the Company in regards to the type of services rendered, together with a strong financial position, including cash availabilities, will allow the operational activity to record a similar level as the one recorded in 2021.

Considering all the above as well as next year cash flow projections based on existing and renewed commercial contracts, the financial statements of the Company were prepared based on the going concern principle.

**b) Foreign Currency Transactions**

Transactions in foreign currencies are initially recorded by the Company at their respective functional currency spot rate at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

Differences arising on settlement or translation of monetary items are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss resulted from the re-conversion of non-monetary items is treated in line with the recognition of gain or loss upon the change in fair value (i.e., the exchange rate differences on items whose fair value gain or loss is recognised in Other elements of global earnings, or the profit or loss are also recognised in Other elements of global earnings, profit or loss, respectively).

The exchange rates used to translate the balances denominated in foreign currency as at 31 December 2021 were, for RON:

	<b>31 December 2021</b>	<b>31 December 2020</b>
1 EUR	4.9481	4.8694
1 USD	4.3707	3.9660

**c) Financial instruments**

A financial instrument is any contract which produces a financial asset for a company and a financial liability or equity instrument for another entity. The Company's financial assets include cash and cash equivalents, trade receivables and other receivables (including loans to related parties) and financial investments. The Company's financial liabilities include trade liabilities and other liabilities. The accounting policies for the recognition and measurement of each item are described in this Note.

***Initial and subsequent measurement***

Financial assets and liabilities are initially measured at fair value. Transaction costs which are directly attributable to acquisition or issuance of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added at initial recognition or deducted from the fair value of respective financial asset or liability, as the case may be.

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

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

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding.

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

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

Financial liabilities are classified as subsequently measured at amortized cost, except for (a) *financial liabilities at fair value through profit or loss*, (b) *financial liabilities* that arise when a transfer of a financial asset does not qualify for derecognition, (c) *financial guarantee contracts*, who is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (d) *commitments to provide a loan* at a below-market interest rate which is subsequently measured at the higher of the value of the loss adjustment and the amount initially recognized, (e) *contingent consideration recognized by an acquirer in a business combination* which subsequently is measured at fair value with changes recognized in profit or loss.

For purposes of subsequent measurement, the company's specific financial assets and liabilities are classified in three categories:

- Financial asset measured at amortized cost (Receivables and loans granted); and
- Trade payables and other liabilities;
- Financial assets measured at fair value through other comprehensive income (Financial assets, Note 1h).

***Receivables and loans***

This category is the most relevant to the Company. Receivables and loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate (EIR) method, less impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

***Trade payables and other liabilities***

Trade payables and other liabilities are subsequently measured at amortized cost, using the effective interest rate. The effective interest method is a method to calculate the amortized cost of a financial liability and to allocate interest expenses from the relevant period. The effective interest rate is the rate that exactly discounts the estimated future cash payments over the expected life of the financial liability (including all paid or received commissions which are part of the effective interest rate, transaction costs and other bonuses or discounts) or (if the case) on a shorter period, to the net carrying amount from the initial recognition.

***Derecognition***

A financial asset is primarily derecognised when:

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

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

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

**Offsetting of financial instruments**

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

**d) Impairment of financial assets**

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

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

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

**e) Property, plant and equipment**

Property, plant and equipment are stated at cost less cumulative depreciation and, if the case, less loss from impairment, in the financial statements of the Company.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to the profit and loss statement in the period in which the costs are incurred. In cases where it can be proved that expenses have increased the future economic benefits obtained from the use of intangible assets besides the standard evaluation of its performance, the expenditure is capitalized as additional costs of the property, plant and equipment.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes the cost of construction and other direct costs. Depreciation of these and other assets is registered starting with the date when they are ready to be used for the activity they are intended for.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

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

	<u>Years</u>
Buildings and other constructions	5 - 60
Machinery and other equipment	3 - 27
Vehicles	3 - 15

The useful life and methods of depreciation of intangible assets are revised at each fiscal year end and adjusted prospectively if the case.

When assets are sold or disposed of, their cost and related accumulated depreciation are removed and any income or loss resulting from their output is included in the profit or loss account.

**f) Investment property**

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are disclosed at their historical cost less the provisions for depreciation and impairment. Depreciation of investment properties is computed using straight-line method through their useful life of between 35 and 40 years.

For the purpose of disclosure of fair values are consequently assessed by an accredited external, independent valuator, by applying a valuation model recommended by the International Valuation Standards Committee. The revaluation is performed at least every 3 years.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

The difference between the net disposal proceeds and the carrying amount of the asset is recognised in the income statement in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use. If an owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change of use.

**g) Intangible assets**

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

- Intangible assets consist mainly of software and licenses and are amortized on a straight-line basis over 3 to 5 years;
- The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programmers are expensed as incurred.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**h) Equity instruments at FVOCI**

Equity instruments at FVOCI represent strategic long term investments and are recorded at fair value through other comprehensive income.

Dividends received from entities in which the Company has shares are recognized in profit and loss account of the year when the right of the Company to collect dividends is established and it is probable that they will be collected.

The changes in fair value are recognized in other elements of the comprehensive income until the investment is derecognized or depreciated, moment when the cumulative gain or losses are reclassified from other comprehensive income in a retained earnings account for the respective period.

Fair value is the price received from selling an asset or the price paid to transfer a liability in a normal transaction between market participants, at the date of the valuation.

Valuation at fair value implies that the asset is exchanged in a normal transaction for the sale of the asset or transfer of the debt, between market participants, at the valuation date, under current market conditions. In a valuation at fair value it is assumed that the transaction of sale of the asset takes place either:

- on the main market of the asset, or
- in the absence of a main market, on the market most advantageous for the asset.

The valuation at fair value of an asset is based on the assumption that market participants would use when determining the value of the asset, assuming that market participants act to obtain maximum economic benefit.

The Company uses valuation techniques appropriate to the circumstances and for which there are available sufficient data for fair value valuation, using to the maximum the relevant observable input data and minimizing the unobservable input data used.

The financial assets that are the object of valuation at fair value are classified within the fair value hierarchy, based on the input data, which is the necessary basis for selecting and using the necessary approach for its reliable determination. The data entry hierarchy consists of three levels:

- (i) Level 1 - prices quotations (unadjusted) on active markets for identical assets and liabilities, to which the entity has access to at the valuation date;
- (ii) Level 2 - entry data, other than the price quotations included in level one, which are observed for assets or liabilities, either directly or indirectly;
- (iii) Level 3 - non-observable entry data for assets or liabilities.

Additional details on structure of financial assets, classified according to IFRS 9 in financial assets valued at fair value through other comprehensive income, are presented in Note 11.

**i) Impairment of non-financial assets**

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

The recoverable amount is the higher of fair value less costs to sell and value in use. In order to determine the recoverable amount of property, plant and equipment, the Company uses value in use, this being assessed based on estimated future cash flows that are discounted to their present value using a pre-tax discount rate. The discount rate reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted already.

The company bases its impairment computation on detailed budgets and forecast calculations which cover a period of 7 years. A long-term growth rate is calculated and applied to the future cash flows determined based on the company's budgets and forecasts.

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

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

**j) Provisions**

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

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

**k) Leases**

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

*Company as a lessee*

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- |                   |             |
|-------------------|-------------|
| ▶ Other equipment | 3 – 5 years |
|-------------------|-------------|

ii) *Lease liabilities*

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

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

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

iii) *Short-term leases and leases of low-value assets*

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

**Company as lessor**

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**l) Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

**m) Receivables**

A receivable represents the Company's right to an amount of consideration that is unconditional. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 9.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

**n) Cash and cash equivalents**

Cash includes petty cash, cash at banks and cheques in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash in less than three months to maturity from the date of acquisition and that are subject to an insignificant risk of devaluation.

**o) Revenue from contracts with customers**

Revenue is recognised at the level of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The revenue is recognised when the Company satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when the customer obtains control of that asset. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has concluded that it is the principal in its revenue arrangements because it typically controls the goods or services before transferring them to the customer.

The Company's business model establish the identification of performance obligations as the written requests of clients, which represent the commitment to purchase goods or services, based on the framework contract.

The Company has framework agreements concluded with customers, services provided/merchandise sold being made based on purchase order. The Company has assessed, by type of contract, the goods and/or services promised in each type of contract and has identified the following contracts as separate performance obligations (POs):

- contracts for well services: specific well operation to a specific defined well.
- Other segments: rental (distinct space and vehicle), ITP services (specific vehicle verification) and other merchandise (distinct goods).

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

The transaction price is the client's promise to pay in cash a fixed amount of the consideration. The company analyzed the transaction price and concluded that it did not include a significant financing component or a variable component.

The company has determined for each performance obligation identified at the beginning of the contract whether it will be fulfilled over time or at a specific time. The company collects commercial receivables within 30 - 90 days. Revenue is recorded based on job ticket which is approved by the customer at the end of the well work.

**p) Retirement benefit costs**

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

Under the provisions of the collective labor agreement, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with the Company at the date of their retirement. These amounts are estimated as of the reporting date and the measurement process applied is subject to uncertainty. The retirement benefit is determined through a measurement technique applied judgments and estimates such as applicable benefits provided in the agreement, the Company headcount and specific actuarial estimates such as discount rate, price inflation and key demographic figures like mortality rates. (Note 19). The defined benefit liability as of reporting date comprises the estimated present value of the defined benefit obligation and while the related current year service cost recorded in the profit and loss statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

Actuarial gains and losses recognized in other comprehensive income are presented in the statement of comprehensive income.

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

**q) Taxes**

- *Current income tax*

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

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

- *Deferred tax*

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

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

- ▶ Where the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ The deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures when the reversal of such temporary differences can be controlled and likely not to be reversed in the foreseeable future.

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

- ▶ Where the deferred tax asset arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- ▶ In case of deductible temporary differences associated with investments in subsidiaries and related parties and interests in joint ventures, the deferred tax asset is recognised only when the temporary differences are likely to be reversed in a foreseeable future and when there can be a taxable profit for which temporary differences may be used.

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

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

Deferred tax relating to items recognized outside the profit and loss statement is recognized outside the profit or loss account. Deferred tax items are recognized depending on the nature of the underlying transaction either in other comprehensive income or directly in equity.

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

- *Revenue related taxes*

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

- ▶ Where the sales tax incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the acquisition cost of the asset or as part of the expense item as the case may be.
- ▶ Receivables and payables whose taxes are included in their amount.

The net amount of sales tax recoverable from, or payable to, the tax authority is included in the receivables or payables in the balance sheet.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**r) Dividends**

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

**s) Contingent assets and liabilities**

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

Contingent assets are not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

**1.3. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS**

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

The estimates and assumptions that accounting judgements rely on are subject to constant review. Revisions to accounting estimates are recognized in the period in which the estimate is revised if such revision only affects that period or in the period of the revision and future periods if such revision affects both current and future periods.

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

*(i) Carrying value of trade receivables*

The Company use the simplified approach in calculating the expected credit losses for trade receivables as these do not contain a significant financing component. The Company has applied the practical expedient to calculate expected credit losses using a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The Company assesses the requirement for an allowance for impairment in trade and other receivables when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

*(ii) Impairment of property, plant & equipment and investment properties*

The Company analyses at each reporting date if there are indicators of impairment of tangible assets and investment properties. If any indication exists, or when annual impairment testing for assets is required, the Company estimates the assets recoverable amount. Assets are analyzed each time when events or changes in market or industry indicates the fact that the accounting value of these assets may not be recoverable. If for these assets allowances for impairment are necessary, the accounting value for these assets is adjusted to the recoverable amount, which is determined as the highest between fair value less cost to sale and the value in use (based on discounted future cash flows). The allowances for impairment are reversed only in the case when the events or circumstances that determined the initial impairment have changed. The discounted cash flows are determined based on Company's management estimation as regards to contracts and future projects concluded at the date of evaluation or estimated to be contracted in the future, closely linked to market conditions. Other factors that might lead to changes in estimations could include restructuring plans or changes in legislation.

The recoverable amount is sensitive to the discount rate applied to discounted cash flows, as well as to the inputs of cash flows and the growth rate estimated for the analyzed period.

At the end of financial year 2021, the Company has performed the impairment test for all its tangible assets using the discounted cash flow method. The discounted cash flow method assumes the value of cash-generating units by estimating the present value of the future expected earnings arising from the use of the cash generating unit, using a discount rate. Estimated cash flows were determined taking into account the company's projections regarding the operating profits for the next seven years, discounted with an estimated economic growth rate of the industry in which the company operates.

The recoverable amount of the CGU of RON 21.4 million was determined based on the value in use (VIU) calculation using the cash flow projections from the approved business plan. Business Plan take into account only the turnover expected to be generated from agreements already signed with main customers for cementing and acidizing services. Revenues expected to be generated by new services to be provided were not considered given Management's conservative approach when preparing the budgets for the next period. This is also linked to the inherent risk generated by the timing of receiving work orders from customers. As a result of the analysis, Management identified an impairment for this CGU in amount of RON 508,671.

Significant estimates applied to the determination of the value in use by the Company are:

- Operating profit margin;
- Discount rate.

The estimated operating profit margin is presented below:

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
	%	%	%	%	%	%	%
Rompetro Well Services SA	6.06	6.94	8.04	8.25	8.21	7.8	8.6

Operating profit margins are estimated based on the average historical operational results recorded for 2018 – 2021, further revised to reflect the anticipated effects of COVID-19 which might trigger a downturn of CAPEX investments for the Company's main customers.

The discount rate applied in the model was 11.86% and reflects the current assessment of the market risk for Company. The discount rate was estimated based on weighted average cost of capital for the industry. This rate was corrected in order to reflect the market assessment of certain industry risks for which future cash flows were not adjusted.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

Sensitivity of estimates

The recoverable amount determined based on value of in use would equal the carrying amount of the property, plant and equipment if operating profits would increase by 3.2% obtaining the following operating profit margin.

	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>	<u>2028</u>
	%	%	%	%	%	%	%
Rompetrol Well Services SA	6.25	7.17	8.3	8.51	8.48	8.05	8.87

The break-even point for the current model is achieved by is obtained by decreasing the discount rate from 11.86% to 11.23%.

*(iii) Fair value measurement of financial instruments*

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments.

The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Valuation techniques used to measure fair value shall be applied consistently. However, a change in a valuation technique or its application (eg a change in its weighting when multiple valuation techniques are used or a change in an adjustment applied to a valuation technique) is appropriate if the change results in a measurement that is equally or more representative of fair value in the circumstances. That might be the case if, for example, any of the following events take place:

- (a) new markets develop;
- (b) new information becomes available;
- (c) information previously used is no longer available;
- (d) valuation techniques improve; or
- (e) market conditions change.

Set out below is a comparison between the fair value as at 31 December 2021 and as at 31 December 2020:

	<u>Fair Value</u>	
	<u>2021</u>	<u>2020</u>
Rompetrol Rafinare SA*	1,802,384	967,133
Rompetrol Logistics SRL	8,401,066	7,291,604

\*Company listed on Bucharest Stock Exchange under RRC symbol.

The fair value of the investment in Rompetrol Rafinare SA was determined based on price quotation available on Bucharest Stock Exchange at the reporting date.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

The Company has a minority participation of 6.98% in Rompetrol Logistics, a dormant entity part of KMG International NV Group. Further, Rompetrol Logistics is the sole shareholder of Rompetrol Gas, the LPG distribution company of the KMG International NV Group. Rompetrol Gas is a profitable company and according to the forecasted figures for the following 5 years will continue to be profitable.

At the end of financial year 2021, based on new information available, the Company has performed the fair value assessment of the investment in Rompetrol Logistics using the discounted cash flow method.

The fair value assessment of the investment in Rompetrol Logistics and further in Rompetrol Gas has also been determined based on financial budgets approved by senior management covering a five-year period. The discount rate applied to cash flow projections for Rompetrol Gas is 11.4% (2020: 9.7%) 9.6% (2020: 9.7%) for Rompetrol Logistics. Cash flows beyond the 5-year period are extrapolated using a 2.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.9%. (2020: 7.8%).

Considering that Rompetrol Logistics is a dormant company, fair value assessment of the Company's investment is influenced by the operational performance of Rompetrol Gas, that requires the use of estimates and assumptions such as, discount rates, gross margin and operating costs.

The key assumptions used to determine the fair value of the investment are:

- Discount rates;
- Gross margin considered for Rompetrol Gas;
- Operating expense considered for Rompetrol Gas.

After performing the fair value assessment as of 31 December 2021, the Company considered necessary to record a gain through other comprehensive income amounting RON 931,948, net of tax.

**Description of significant unobservable inputs in valuation**

The fair values of the non-listed equity investments have been estimated using a DCF model. The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.

Non-listed equity investment	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Rompetrol Logistics	DCF method	Discount rate	9.56%	1% increase (decrease) in the WACC would result in a decrease (increase) in fair value by RON 1,983 – decrease; RON 2,181 – increase
Rompetrol Logistics	DCF method	Discount for lack of marketability	20%	5% increase (decrease) in the marketability discounts would result in an increase (decrease) in fair value by RON 129,247
		Minority interest discount rate	15%	5% increase (decrease) in the minority interest discount would result in an increase (decrease) in fair value by RON 96,935
Rompetrol Gas	DCF method	Discount rate	11.40%	1% increase (decrease) in the WACC would result in an increase (decrease) in fair value by RON 81,757 - increase and respectively RON 83,805 - decrease
Rompetrol Gas	DCF method	Gross margin	n/a	5% increase (decrease) in the Gross margin would result in an increase (decrease) in fair value by RON 2,380 thousand
Rompetrol Gas	DCF method	Operating expenses	n/a	5% increase (decrease) in the Operating Expenses would result in an increase (decrease) in fair value by RON 10,013 thousand - decrease respectively RON 17,882 thousand – increase

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**Reconciliation of fair value measurement of investments classified as equity instruments designated at fair value through other comprehensive income ('OCI'):**

	<b>Rompetrol Rafinare SA</b>	<b>Rompetrol Logistics SRL</b>	<b>Total</b>
<b>1 January 2021</b>	<b>967,133</b>	<b>7,291,604</b>	<b>8,258,737</b>
Remeasurement recognized in OCI	835,251	1,109,462	<b>1,994,713</b>
<b>31 December 2021:</b>	<b>1,802,384</b>	<b>8,401,066</b>	<b>10,203,450</b>

**1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES**

The accounting policies adopted are consistent with those of the previous financial year except for the following amended IFRSs which have been adopted by the Company as of 1 January 2021:

• **Interest Rate Benchmark Reform – Phase 2 – IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (Amendments)**

In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. While application is retrospective, an entity is not required to restate prior periods. Management has estimated that there is no impact on the financial statements by applying the amendments.

• **IFRS 16 Leases-Covid 19 Related Rent Concessions (Amendment)**

The amendment applies, retrospectively, to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including in financial statements not yet authorized for issue at 28 May 2020. IASB amended the standard to provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. The amendment provides a practical expedient for the lessee to account for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change was not a lease modification, only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021.
- There is no substantive change to other terms and conditions of the lease.

Management has estimated that there is no impact on the financial statements by applying the amendments.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

**1.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED**

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

The amendments were initially effective for annual reporting periods beginning on or after January 1, 2022 with earlier application permitted. However, in response to the Covid-19 pandemic, the Board has deferred the effective date by one year, i.e. 1 January 2023, to provide companies with more time to implement any classification changes resulting from the amendments. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments.

In November 2021, the Board issued an exposure draft (ED), which clarifies how to treat liabilities that are subject to covenants to be complied with, at a date subsequent to the reporting period. In particular, the Board proposes narrow scope amendments to IAS 1 which effectively reverse the 2020 amendments requiring entities to classify as current, liabilities subject to covenants that must only be complied with within the next twelve months after the reporting period if those covenants are not met at the end of the reporting period. Instead, the proposals would require entities to present separately all non-current liabilities subject to covenants to be complied with only within twelve months after the reporting period. Furthermore, if entities do not comply with such future covenants at the end of the reporting period, additional disclosures will be required. The proposals will become effective for annual reporting periods beginning on or after 1 January 2024 and will need be applied retrospectively in accordance with IAS 8, while early adoption is permitted. The Board has also proposed to delay the effective date of the 2020 amendments accordingly, such that entities will not be required to change current practice before the proposed amendments come into effect. These Amendments, including ED proposals, have not yet been endorsed by the EU.

- **IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements 2018 - 2020 (Amendments)**

The amendments are effective for annual periods beginning on or after 1 January 2022 with earlier application permitted. The IASB has issued narrow-scope amendments to the IFRS Standards as follows:

- **IFRS 3 Business Combinations (Amendments)** update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
- **IAS 16 Property, Plant and Equipment (Amendments)** prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.
- **IAS 37 Provisions, Contingent Liabilities and Contingent Assets (Amendments)** specify which costs a company includes in determining the cost of fulfilling a contract for the purpose of assessing whether a contract is onerous.
- **Annual Improvements 2018 - 2020** make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

The amendments have not yet been endorsed by the EU.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES (continued)**

• **IFRS 16 Leases-Covid 19 Related Rent Concessions beyond 30 June 2021 (Amendment)**

The Amendment applies to annual reporting periods beginning on or after 1 April 2021, with earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued. In March 2021, the Board amended the conditions of the practical expedient in IFRS 16 that provides relief to lessees from applying the IFRS 16 guidance on lease modifications to rent concessions arising as a direct consequence of the Covid-19 pandemic. Following the amendment, the practical expedient now applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

Management has assessed and concluded that the updates included in this standard will not impact the financial statements of the Company.

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

The Amendments are effective for annual periods beginning on or after January 1, 2023 with earlier application permitted. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. Also, guidance and illustrative examples are added in the Practice Statement to assist in the application of the materiality concept when making judgements about accounting policy disclosures. The Amendments have not yet been endorsed by the EU.

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

The amendments become effective for annual reporting periods beginning on or after January 1, 2023 with earlier application permitted and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The amendments introduce a new definition of accounting estimates, defined as monetary amounts in financial statements that are subject to measurement uncertainty. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. The Amendments have not yet been endorsed by the EU.

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

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

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

## 2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	<u>2021</u>	<u>2020</u>
Revenue from well services	43,968,023	47,111,434
Revenue from other services	70,857	67,767
Revenue from goods sold	146,206	69,981
<b>Total</b>	<b><u>44,185,085</u></b>	<b><u>47,249,182</u></b>
	<u>2021</u>	<u>2020</u>
<b>Export</b>	<u>-</u>	<u>-</u>
Internal market sales	44,185,085	47,249,182
<b>Total sales</b>	<b><u>44,185,085</u></b>	<b><u>47,249,182</u></b>

During 2021, the Company's activity experienced a reduction of orders for rendering well services. From operational point of view, the Company implemented measures to secure the workforce available in order to honor all orders (such as periodic testing, reduced physical contact between teams). From a commercial point of view, the Company participated to several publicly announced tenders in order to secure activity for the period to come.

Having in mind the increasing trend of crude quotation and the increased number of immunized against COVID-19, as well as past experience with similar events of crude price sudden drop registered in the past, we expect that in the medium and long-term perspective, the market will gradually recover, however there is still an inherent risk of having significant volatility of crude oil prices generated by different international market conditions.

The Company analyzed the criteria for defining an operational segment according to IFRS 8 Operating segments and concluded that business is organized as single cash generating unit, with one segment, considering the nature of the services provided, the type of customers and the method used to provide services. For the purpose of making decisions about resource allocation and performance assessment, Management analyze and monitors the operating results of the business as a single segment.

### 2.1 RENTAL REVENUES

Below there is an analysis of Company's rental revenues:

	<u>2021</u>	<u>2020</u>
Revenue from office space rental	394,191	400,756
Revenue from equipment's rental	17,880	17,880
<b>Total</b>	<b><u>412,071</u></b>	<b><u>418,636</u></b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

### 3. OTHER REVENUES AND OTHER EXPENSES

#### 3.1. Other operating income

In the table below other operating revenues are being detailed depending on their nature:

	<u>2021</u>	<u>2020</u>
Other operating income:		
- earnings from debts write-off	807,378	609,424
- earnings from sale of waste	86,123	51,380
- earnings from disposal of fixed assets	440,113	183,980
- earnings from compensations and penalties	29,854	24,300
- other revenues	510	58,956
<b>Total</b>	<b><u>1,363,979</u></b>	<b><u>928,040</u></b>

Revenues from the debts write-off in amount of RON 807,378 (2020: RON 609,424) represent mainly the cancellation of unclaimed dividends obligation, which were within the prescription limit and for which the Company has taken all legal steps to settle. Debts write-off was made based of the Board of Directors decision from 9 December 2021.

#### 3.2. Expenses with third-party services

In the table below expenses for third party services are being detailed depending on their nature:

	<u>2021</u>	<u>2020</u>
Travel expenses	1,030,112	1,069,557
Maintenance and repair expenses	757,208	931,019
Royalties and rental expenses	792,811	603,914
Insurance premiums	638,266	707,461
Postage and telecommunications	46,478	74,708
Bank commissions and similar charges	57,346	51,167
Entertaining, promotion and advertising	123,420	19,121
<b>Other third party services, from which:</b>	<b><u>8,673,089</u></b>	<b><u>9,465,088</u></b>
Goods transportation services	3,381,950	3,423,583
Well services rendered –by subcontractors	618,888	1,057,169
Outsourced activities services	1,652,209	2,188,277
Dedicated management assistance and specialized technical consulting services	1,402,809	1,287,184
Others	723,832	614,131
Security services	646,525	650,087
Consultancy and audit	246,876	244,658
<b>Total</b>	<b><u>12,118,730</u></b>	<b><u>12,922,035</u></b>

The weight of these expenses in the structure of the operating costs is specific to the main activity, regarding the service delivery at the headquarters of the beneficiaries with auto type equipment and the flexible adaptability to the current market conditions.

During 2021, the company partially subcontracted services of acidizing, hot oil pumping and nitrogen for a specific project to a third party. The value of the services performed by this subcontractor in order to fulfill the contractual obligations assumed by the Company, as a supplier, amounts to RON 618,888 for the financial year ended (2020: RON 1,057,169).

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**3. OTHER REVENUES AND OTHER EXPENSES (continued)**

**3.3. Other operating expenses**

In the table below other operating expenses are being detailed depending on their nature:

	<u>2021</u>	<u>2020</u>
Compensations, fines, penalties	7,239	8,697
Amounts or goods granted as sponsorship	-	297,486
Write-off trade receivables and sundry debtors	52,011	-
Destroyed / improper stocks	353,594	-
Other operating expenses	6	27,261
<b>Total</b>	<b><u>412,850</u></b>	<b><u>333,444</u></b>

**4. FINANCIAL EXPENSES AND REVENUES**

**4.1. Financial revenues**

	<u>2021</u>	<u>2020</u>
<b>Interest income, from which:</b>	<b><u>2,445,163</u></b>	<b><u>3,680,119</u></b>
Income obtained from the entities within the group	2,440,580	3,667,494
Income from exchange rate differences	293,466	418,970
Other financial income	842	271
<b>Total financial income</b>	<b><u>2,739,471</u></b>	<b><u>4,099,360</u></b>

The line "Income obtained from the entities within the group" in amount of RON 2,440,580 (2020: RON 3,667,494) represents interest revenue from cash-pooling.

**4.2. Financial expenses**

	<u>2021</u>	<u>2020</u>
Expenses from exchange rate differences	626,008	318,232
Other financial expenses, out of which	72,773	33,897
Interest expense on the lease liability	17,780	28,118
<b>Total financial expenses</b>	<b><u>698,781</u></b>	<b><u>352,129</u></b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

## 5. EXPENSES WITH EMPLOYEES

The expenses with salaries and taxes, recorded during 2021 and 2020 are as follows:

	<u>2021</u>	<u>2020</u>
Expenses related to salaries and allowances	15,556,835	16,539,435
Other expenses with employees benefits	512,943	399,695
Contributions to special funds	149,178	168,499
Expenses related to the social insurances	354,783	377,119
<b>Total</b>	<b><u>16,573,739</u></b>	<b><u>17,484,748</u></b>

The average number of employees decreased from 158 at 31 December 2020 to 142 employees at 31 December 2021.

The average number of employees has evolved as follows:

	<u>2021</u>	<u>2020</u>
Management personnel	1	3
Administrative personnel	22	19
Production personnel	125	136

### The Administrators and Managers

During 2021 and 2020, the Company has paid the following remuneration to the members of the Board of Directors and to the executive directors:

	<u>2021</u>	<u>2020</u>
The Members of the Board of Directors	213,049	359,088
Executive directors	383,795	787,843
<b>Total</b>	<b><u>596,844</u></b>	<b><u>1,146,931</u></b>

In 2021, the presentation of average number of management personnel (executive directors), as well as level the remuneration paid to the executive directors, were disclosed according to the principles included in the Remuneration Policy and Remuneration Report. If the same principles would have been applied in 2020, the average number of management personnel would have been 1 and the remuneration paid RON 272,148.

As at 31 December 2021, the Company had no obligations regarding the payment of the retirement benefits to former members of the Board of Directors and of the executive management.

At the end of 2021, the Company had no advance payments to be reimbursed to the members of the executive management and there were also no guarantees of future obligations taken over by the company under the name of the Managers or Administrators.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**6. INCOME TAX**

Main components of income tax expenses for fiscal years ended as of 31 December 2021 and 2020 are:

*Statement of profit and loss*

	<u>2021</u>	<u>2020</u>
<i>Current income tax:</i>		
Expenses regarding the current income tax	300,967	764,477
<i>Deferred income tax</i>		
For the initial registration and continuation of the temporary differences	<u>(156,413)</u>	<u>(497,915)</u>
<b>Expenses regarding the income tax reported in statement of total comprehensive income</b>	<b><u>144,554</u></b>	<b><u>266,562</u></b>

Reconciliation between the expenses regarding the current income tax and the deferred income tax and the accounting profit is as follows for fiscal years 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Accounting result before tax	1,774,189	4,629,514
At Company's statutory income tax rate of 16% (2020: 16%)	283,871	740,722
Effect of value adjustments from non-taxable incomes	(66,291)	-
Effect of value adjustments from items similar to revenues	-	-
Non-deductible expenses for tax computation:		
Allowance for trade receivables and inventories	72,130	25,141
Depreciation of tangible assets	95,746	19,101
Other non-deductible expenses	(9,246)	(19,009)
Reinvested profit	-	-
Fiscal credit	(75,243)	(153,191)
Effect of fiscal (profit) / loss carried forward	-	-
<b>Expenses with current income tax at effective rate 16% (2020: 16%)</b>	<b><u>300,967</u></b>	<b><u>612,764</u></b>
Cancellation of fiscal facility related to 2019	-	187,309
Bonus income tax payment according OUG 33/2020	-	(35,596)
<b>Expenses with current income tax reported in statement of profit and loss</b>	<b><u>300,967</u></b>	<b><u>764,477</u></b>

The General Meeting of Shareholders decided on 27 April 2020 the profit distribution as dividends, and as a result, the Company decided to cancel the fiscal facility for reinvested profit related to 2019.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**6. INCOME TAX (continued)**

**Deferred income tax**

The deferred income tax refers to the following:

	<u>Statement of the financial position</u>		<u>Profit and Loss Statement</u>		<u>Other Comprehensive Income</u>	
	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2021</u>	<u>31 December 2020</u>	<u>31 December 2021</u>	<u>31 December 2020</u>
Revaluation of assets (fair value as deemed cost) with reserve transfer to retained earnings (at transition to IFRS)	(936,673)	(1,042,392)	105,718	15,918	-	-
Recognition of right of use assets	(80,979)	(134,462)	53,483	(39,252)	-	-
Recognition of estimates for retirement benefits	109,441	376,706	42,008	489,693	(309,272)	(248,380)
Recognition of lease liability	80,748	136,583	(55,835)	36,800	-	-
Fair value valuation of financial assets	(588,591)	(277,437)	-	-	(311,154)	220,768
Recognition of estimate for untaken holiday	68,468	62,623	5,845	(30,501)	-	-
Temporary adjustment inventories	78,863	121,523	(42,660)	16,909	-	-
Temporary adjustment receivables	156,473	108,620	47,853	8,348	-	-
<b>(Expenses regarding) /income from the deferred tax</b>			<b>156,413</b>	<b>497,915</b>	<b>(620,426)</b>	<b>(27,612)</b>
<b>Assets regarding the deferred tax</b>	493,994	806,055				
<b>Liabilities regarding the deferred tax</b>	(1,606,243)	(1,454,291)				
<b>Assets / (Liabilities) regarding the deferred tax, net</b>	<b>(1,112,249)</b>	<b>(648,236)</b>				

The reconciliation of deferred tax payable is as follows:

	<u>2021</u>	<u>2020</u>
<b>Beginning of balance</b>	<b>648,236</b>	<b>1,118,539</b>
Deferred tax expense recognized in profit and loss	(156,413)	(497,915)
Deferred tax expense recognized in other comprehensive income	620,426	27,612
<b>Ending Balance</b>	<b>1,112,249</b>	<b>648,236</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**7. EARNINGS PER SHARE**

The value of earning per share is calculated by dividing the net profit of the year attributable to shareholders by the weighted average number of shares outstanding during the period.

The following report present the net profit and the number of shares used in computing earnings per share:

	<u>31 December 2021</u>	<u>31 December 2020</u>
Net result attributable to shareholders	1,629,634	4,362,952
Weighted average number of shares	<u>278,190,900</u>	<u>278,190,900</u>
<b>Earnings per share (RON / share)</b>	<b><u>0.0059</u></b>	<b><u>0.0157</u></b>

There was no issue or cancellation of shares between the date of the report and the date of the presentation of the financial statements.

**8. PROPERTY, PLANT & EQUIPMENT**

	<u>Land</u>	<u>Buildings and special constructions</u>	<u>Technical equipment and machinery and other tangible assets</u>	<u>Advances and Tangible assets in progress</u>	<u>Total</u>
<b>Cost</b>					
<b>On 1 January 2020</b>	<u>5,585,846</u>	<u>7,505,647</u>	<u>94,868,231</u>	<u>3,213,356</u>	<u>111,173,080</u>
Additions	-	23,293	26,712	4,675,659	4,725,664
Disposals	-	(96,107)	(4,268,947)	-	(4,365,054)
Transfers	-	539,858	1,993,299	(2,533,157)	-
<b>On 31 December 2020</b>	<u>5,585,846</u>	<u>7,972,691</u>	<u>92,619,295</u>	<u>5,355,858</u>	<u>111,533,690</u>
Additions	-	10	268,262	2,396,711	2,664,984
Disposals	(145,617)	(12,879)	(11,387,752)	-	(11,546,248)
Transfers	-	101,977	3,971,996	(4,073,973)	-
<b>On 31 December 2021</b>	<u>5,440,229</u>	<u>8,061,799</u>	<u>85,471,802</u>	<u>3,678,596</u>	<u>102,652,424</u>
<b>Depreciation and Impairment</b>					
<b>On 1 January 2020</b>	-	<u>2,694,303</u>	<u>81,944,929</u>	-	<u>84,639,234</u>
Depreciation charge for the year	-	392,766	4,094,020	-	4,486,787
Disposals	-	(72,080)	(4,176,601)	-	(4,248,681)
Depreciation	-	-	-	-	-
<b>On 31 December 2020</b>	-	<u>3,014,991</u>	<u>81,862,346</u>	-	<u>84,877,339</u>
Depreciation charge for the year	-	418,697	3,192,692	-	3,611,388
Disposals	-	(12,879)	(11,385,098)	-	(11,397,977)
Depreciation	-	0	508,671	-	508,671
<b>On 31 December 2021</b>	-	<u>3,420,808</u>	<u>74,178,610</u>	-	<u>77,599,419</u>
<b>Net accounting value</b>					
<b>On 31 December 2021</b>	<u>5,440,229</u>	<u>4,640,991</u>	<u>11,293,192</u>	<u>3,678,596</u>	<u>25,053,005</u>
<b>On 31 December 2020</b>	<u>5,585,846</u>	<u>4,957,701</u>	<u>10,756,949</u>	<u>5,355,858</u>	<u>26,656,351</u>
<b>On 1 January 2020</b>	<u>5,585,846</u>	<u>4,811,342</u>	<u>12,923,303</u>	<u>3,213,356</u>	<u>26,533,846</u>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**8. PROPERTY, PLANT & EQUIPMENT (continued)**

A percentage of 96% from the increase recorded during 2021 for plant and equipment, in amount of RON 4.5 million, is represented by the acquisition and / or the upgrade of machinery, equipment and handling tools used for well services operations and other preliminary operations.

Approximately 4% from total investments conducted by the company in 2021 were related to rehabilitation and modernization of the headquarter building and replacement of IT equipment.

The Company used own funds in order to finance the budgeted capital expenditure for 2021.

On 23 February 2021 the Company sold to a third party a surface of 442 sqm together with a storage shed, both having a carrying amount of RON 24,617. The assets were located on Campina base. The consideration obtained from the sale were RON 112,116 resulting in a net income of RON 87,499, amounts detailed in Note 3.1.

On 30 March 2021 the Company sold to a third party a surface of 5923 sqm located in Boldesti-Scaeni, having a carrying amount of RON 51,000. The consideration obtained from the sale were RON 129,776 resulting in a net income of RON 76,776, amounts detailed in Note 3.1.

On 21 April 2021 the Company sold to a third party a surface of 1506 sqm located in Targu Mures, having a carrying amount of RON 58,000. The consideration obtained from the sale were RON 187,260 resulting in a net income of RON 129,260, amounts detailed in Note 3.1.

On 14 May 2021 the Company sold to a third party a surface of 1381 sqm located in Tecuci, having a carrying amount of RON 12,000. The consideration obtained from the sale were RON 54,192 resulting in a net income of RON 42,192, amounts detailed in Note 3.1.

The Company is performing an annual assessment in order to identify potential indicators for impairment of tangible assets, considering specific characteristics of these assets and taking into account estimates of future cash flows generated by the respective assets.

The Company performed an impairment test for tangible assets as of 31 December 2021, which aimed to determine the recoverable amount of the equipment and the production capacities, and concluded there is the need to record an impairment. The recoverable amount of this equipment was determined based on discounted cash flows estimated to be generated by the assets. The impairment recorded for the difference between the recoverable amount of the equipment and the net book value is RON 508,671 (Note 1.3 ii)).

All presented tangible assets are the property of the Company.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**9. INVESTMENT PROPERTIES**

The company has an apartment block in Campina and two apartments in Timisoara, held with the exclusive target to obtain income from rents. These are being classified as investment properties.

	<u>2021</u>	<u>2020</u>
<b>Initial balance on 1 January</b>	<b>470,005</b>	<b>488,608</b>
Depreciation expenses	(18,603)	(18,603)
<b>Ending balance on 31 December</b>	<b>451,402</b>	<b>470,005</b>

	<u>2021</u>	<u>2020</u>
Income from rents obtained from real estate investments	12,017	11,951
Direct operational expenses (including repairs and maintenance) which generate income from rents	(35,920)	(35,920)
<b>Net result from investment property recorded at cost</b>	<b>(23,903)</b>	<b>(23,969)</b>

As of 31 December 2021, the fair values of the investment properties are based on the fair valuation made as of 31 December 2019 by SC Accento Management Consultants SRL, a recognised independent evaluator. During 2021, the real estate market in the area where the properties are located did not varied significantly in order to give a material impact on their fair value.

**10. INTANGIBLE ASSETS**

	<u>Patents and licenses</u>	<u>Intangible assets in progress</u>	<u>Total</u>
<b>Costs</b>			
<b>On 1 January 2020</b>	<b>765,916</b>	-	<b>765,916</b>
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
<b>On 31 December 2020</b>	<b>765,916</b>	-	<b>765,916</b>
Additions	-	-	-
Disposals	-	-	-
Transfers	-	-	-
<b>On 31 December 2021</b>	<b>765,916</b>	-	<b>765,916</b>
<b>Amortisation and impairment</b>			
<b>On 1 January 2020</b>	<b>492,073</b>	-	<b>492,073</b>
Depreciation charge for the year	78,693	-	78,693
Disposal	-	-	-
<b>On 31 December 2020</b>	<b>570,766</b>	-	<b>570,766</b>
Depreciation charge for the year	76,896	-	76,896
Disposal	-	-	-
<b>On 31 December 2021</b>	<b>647,663</b>	-	<b>647,663</b>
<b>Net accounting value</b>			
<b>On 31 December 2021</b>	<b>118,253</b>	-	<b>118,252</b>
<b>On 31 December 2020</b>	<b>195,150</b>	-	<b>195,150</b>
<b>On 1 January 2020</b>	<b>273,841</b>	-	<b>273,841</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

**11. EQUITY INSTRUMENTS AT FVOCI**

Name of the company	Nature of the relationship	Year of investment	Percent held on		Fair value of the investment on	
			31 January 2020	31 December 2021	31 December 2020	31 December 2021
Romp petrol Logistics SRL	Long term investment	2002/2003/2007	6.98%	6.98%	7,291,604	8,401,066
Romp petrol Rafinare SA*	Long term investment	2003/2004	0.05%	0.05%	967,133	1,802,384
Romp petrol Drilling SRL	Long term investment	2014	1%	1%	100	100
<b>Total</b>					<b>8,258,837</b>	<b>10,203,550</b>

\*Company listed on Bucharest Stock Exchange under RRC symbol.

For more details regarding equity instruments at FVOCI please refer to Note 1.3) iii) Fair value of financial instruments.

**12. OTHER FINANCIAL ASSETS**

	31 December 2021	31 December 2020
Collateral account for guarantee letters with maturity over one year	890,196	3,948,400
Specific account for dividends	707,633	257,483
Specific accounts for other guarantee	27,755	35,010
<b>Other financial assets</b>	<b>1,625,584</b>	<b>4,240,893</b>

The details on the structure of collateral account for guarantee letters with maturity over one year can be found below (see details in Note 22):

Number	Beneficiary	Currency	Amount equivalent RON	Start date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
30495	SNGN ROMGAZ SA	RON	68,673	17-Feb-21	17-Mar-22	RON	68,673
28471	SNGN ROMGAZ SA	RON	821,523	02-Sep-20	22-Sep-22	RON	821,523
<b>Total collateral accounts with maturity over one year as of 31 December 2021</b>							<b>890,196</b>

Number	Beneficiary	Currency	Amount equivalent RON	Start date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
16201	SNGN ROMGAZ SA	RON	3,628,678	12-Jun-17	07-Sep-20	RON	3,628,678
26527/26528	SNGN ROMGAZ SA	RON	48,262	17-Feb-20	17-Mar-21	RON	48,262
28471	SNGN ROMGAZ SA	RON	271,460	02-Sep-20	22-Sep-22	RON	271,460
<b>Total collateral accounts with maturity over one year as of 31 December 2020</b>							<b>3,948,400</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**13. INVENTORIES**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Cement and additives	3,064,253	2,813,665
Spare parts equipment	1,981,716	2,142,767
Other inventories	323,033	259,150
Allowance for inventories	<u>(492,895)</u>	<u>(759,519)</u>
<b>Total inventories, net</b>	<b><u>4,876,107</u></b>	<b><u>4,456,063</u></b>

The inventories mainly contain cement, additives and spare parts for special equipment. For the items whose procurement process is relatively long, as well for the items whose consumption is dependent on fluctuating demand of our customers, it is applied an optimization quantitative procurement, which explains a variation of inventory value between two acquisitions.

The presented allowance for inventories is related to inventories with no movement for more than one year.

	<b>Allowance for inventories</b>
<b>On 1 January 2020</b>	<b><u>653,840</u></b>
Additions	131,594
Used during the year	(25,915)
Exchange rate differences	-
<b>On 31 December 2020</b>	<b><u>759,519</u></b>
Additions	89,692
Used during the year	(356,316)
<b>On 31 December 2021</b>	<b><u>492,894</u></b>

**14. TRADE AND OTHER RECEIVABLES**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade receivables - third parties	14,306,969	13,054,705
Trade receivables with affiliated entities	26,513	34,652,129
Allowance for trade receivables – third parties	(1,045,512)	(1,259,090)
Allowance for trade receivables – affiliated entities	<u>(535,458)</u>	<u>(29,862,363)</u>
<b>Total trade receivables, net</b>	<b><u>12,752,512</u></b>	<b><u>16,585,381</u></b>
Other receivables – third parties	519,605	770,266
Other receivables with the affiliated entities	34,859,988	248,288
Other receivables with state budget	145,019	108,838
Value adjustments for other receivables – third parties	(429,853)	(428,463)
Value adjustments for other receivables – affiliated entities	<u>(152,580)</u>	<u>(235,648)</u>
<b>Total other receivables, net</b>	<b><u>34,942,178</u></b>	<b><u>463,282</u></b>
<b>Total receivables, net</b>	<b><u>47,694,690</u></b>	<b><u>17,048,662</u></b>

At year-end 2021, a receivables assignment agreement was concluded between the Company and KMG International NV (KMGI), whereby the Company, as creditor, assigns the uncontested, liquid and payable claim of the aggregate amount of RON 34.7 million held against Oilfield Exploration Business Solutions SA (OEBS), to KMGI.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

(all amounts expressed in Lei ("RON"), unless otherwise specified)

**14. TRADE AND OTHER RECEIVABLES (continued)**

The Company assigns the claim together with any and all rights, accessories and guarantees deriving therefrom, and KMGI takes over the claim together with any and all rights, accessories and guarantees deriving therefrom. The transfer of all rights held in relation to the financial asset OEBS has been reflected in the financial statements by the derecognition of the financial asset OEBS against the recognition of a new one against KMGI. The reversal of the impairment losses recorded in the previous financial years for the financial asset, in amount of RON 29,935,254, was assimilated to a gain from other capital reserves.

Trade receivables are usually collected within 30 to 90 days.

In the table below, there are detailed the movements within the provision for the impairment of trade and other receivables:

	Individually impaired	Collectively impaired	Total
<b>On 1 January 2020</b>	<b>30,802,789</b>	<b>919,667</b>	<b>31,722,456</b>
Transfer between category	-	-	-
Charge for the year	6,239	97,376	<b>103,614</b>
Unused amounts, reversed	(13,243)	(38,744)	<b>(51,987)</b>
Amounts written-off	-	-	-
Exchange rate differences	-	11,480	<b>11,480</b>
<b>On 31 December 2020</b>	<b>30,795,785</b>	<b>989,779</b>	<b>31,785,564</b>
Transfer between category	-	-	-
Charge for the year	527,878	2,612	<b>530,490</b>
Unused amounts, reversed	(30,002,127)	(160,503)	<b>(30,162,629)</b>
Amounts written-off	-	-	-
Exchange rate differences	-	9,980	<b>9,980</b>
<b>On 31 December 2021</b>	<b>1,321,536</b>	<b>841,868</b>	<b>2,163,404</b>

The impairment loss for financial assets evaluated at amortized cost are calculated based on three stage model, using swap for credit risk, internal or external ratings of counterparties and corresponding probability of default. For all trade receivables, the impairment losses are estimated based on simplified approach, recognizing anticipated losses for their entire lifetime.

Impairment losses, calculated and recognized, based on the new model required by IFRS 9 for Company's trade receivables, is presented as follows:

At 31 December 2021	Current	Total trade receivables						Total
		< 30 days	31 – 60 days	61- 90 days	91 - 180 days	181 - 360 days	> 360 days	
Expected credit loss rate (%)	0.43%	7.18%	41.94%	35.14%	29.91%	67.52%	100%	-
Estimated total gross carrying amount at default	10,925,519	2,098,600	48,288	86,880	4,458	99,906	1,069,831	<b>14,333,482</b>
Expected credit loss	(531,588)	(261)	(61)	(36)	(36)	-	(1,048,987)	<b>(1,580,970)</b>

At 31 December 2020	Current	Total trade receivables						Total
		< 30 days	31 – 60 days	61- 90 days	91 - 180 days	181 - 360 days	> 360 days	
Expected credit loss rate (%)	2.64%	12.60%	63.82%	62.08%	60.74%	90.00%	100%	-
Estimated total gross carrying amount at default	10,274,077	1,526,086	17,449	19,019	106,407	24,045	35,739,752	<b>47,706,834</b>
Expected credit loss	(32,071)	(44,446)	(11,016)	(7,623)	(54,513)	(21,955)	(30,949,830)	<b>(31,121,453)</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**15. OTHER CURRENT ASSETS**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Advance expenses for car insurance	35,167	94,648
Advance expenses for vignette	103,586	110,329
Advance expenses for business insurance	336,608	342,704
Advance expenses for authorizations, transportation licenses, subscriptions, others	91,626	131,591
<b>Other current assets TOTAL</b>	<b>566,987</b>	<b>679,272</b>

The values represent the payments carried out during the current year, for costs which affect the next financial year in accordance with the validity period for the insurances, authorizations, licenses, subscriptions.

**16. CASH AND DEPOSITS**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Bank accounts in RON	403	780
Bank accounts in foreign currency	11,297	9,070
Short term deposits in RON	194,064	120,140
Petty cash in RON	11,534	9,933
Petty cash in foreign currency	9,932	11,194
<b>Total cash and short term deposits</b>	<b>227,231</b>	<b>151,117</b>

The cash in banks records interests at variable rates, depending on the daily rates of the deposits in banks. The short term deposits are being constituted for periods of one day and records interests for the respective rates of the short term deposits.

The service providing contracts concluded with our main customers contain clauses referring to creation of performance guarantees through a guarantee granting instrument issued under the provisions of the law, by a bank or insurance company, i.e. Letters of Bank Guarantees.

Collateral deposits were classified depending on the maturity calculated from the starting date of the deposit. (details in Note 12 and 16.1).

In note 21 it is presented the details regarding the company's participation for the year 2021 to the system for optimization of cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. The amount available in the principal account on 31 December 2021 was of RON 54,822,634 (2020: RON 82,166,109), being ready to use without restriction, depending on the necessity.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**16. CASH AND DEPOSITS (continued)**

**16.1 COLLATERAL CASH FOR LETTERS OF GUARANTEE**

The detail of the collateral deposits as at 31 December 2021 for the Letters of Bank Guarantee with maturity between less than 12 months is enclosed in the table below:

Number	Beneficiary	Currency	Amount equivalent RON	Start Date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
00888-02-0737559	OMV PETROM SA	EUR	264,382	7-Jan-21	18-Jan-22	EUR	264,382
00888-02-0740162	OMV PETROM SA	EUR	494,810	18-Jan-21	15-Jan-22	EUR	494,810
00888-02-0740171	OMV PETROM SA	EUR	593,772	18-Jan-21	15-Jan-22	EUR	593,772
00888-02-0761638	OMV PETROM SA	EUR	395,848	8-Apr-21	14-Jan-22	RON	395,848
00888-02-0814163	OMV PETROM SA	EUR	272,259	5-Nov-21	11-Nov-22	EUR	272,259
00888-02-0750347	OMV PETROM SA	RON	1,746,324	3-Mar-21	7-Mar-22	RON	1,746,324
00888-02-0815359	OMV PETROM SA	RON	2,014,989	12-Nov-21	12-Nov-22	RON	2,014,989
34741	SNGN ROMGAZ SA	RON	14,907	7-Oct-21	5-Jul-22	RON	14,907
<b>Total collateral deposits</b>							<b>5,797,291</b>

The collateral deposits as at 31 December 2020 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Start Date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
00888-02-0647852	OMV PETROM SA	EUR	584,328	20-Jan-20	20-Jan-21	RON	584,328
00888-02-0647861	OMV PETROM SA	EUR	730,410	20-Jan-20	20-Jan-21	RON	730,410
00888-02-0667278	OMV PETROM SA	RON	1,444,169	26-Mar-20	11-Mar-21	RON	1,444,169
00888-02-0691054	OMV PETROM SA	EUR	340,858	20-Jul-20	14-Jan-21	RON	340,858
00888-02-0703416	OMV PETROM SA	RON	1,084,732	7-Sep-20	3-Sep-21	RON	1,084,732
00888-02-0647843	OMV PETROM SA	EUR	316,511	20-Jan-20	20-Jan-21	RON	316,511
00888-02-0652907	OMV PETROM SA	RON	654,266	7-Feb-20	22-Jan-21	RON	654,266
<b>Total collateral deposits</b>							<b>5,155,274</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**17. SHARE CAPITAL**

**17.1. Subscribed share capital**

The last modification of the share capital has been in 2008, when the shareholders have decided, after the general meeting which has taken place on 20 June 2008, to increase the share capital of the company by the amount of RON 13,909,545, from RON 13,909,545 up to RON 27,819,090, through issuing, for free, of a number of 139,095,450 new shares with a nominal value of RON 0.10 / share.

The new issued shares have been allocated for the shareholders registered under the Shareholders' Registry at the date of the registration, approved by the Extraordinary Meeting of the Shareholders, respectively July 8th 2008, proportional to the amounts held by each of them. The allocation index has been 1. The issuing of shares has been financed from the reserves of the result carried forward of the financial year 2007, respectively from the amount allocated to Other reserves.

The finalization of the procedural phases for approval and recognition has been officially signaled through the repetition of the transacting of the shares, after the increase of the share capital, on 18 September 2008, without undergoing modifications until 31 December 2021.

	<b>31 December 2021</b>	<b>31 December 2020</b>
	<i>Number</i>	<i>Number</i>
Subscribed capital, ordinary shares	278,190,900	278,190,900
	<i>RON</i>	<i>RON</i>
Nominal value, ordinary shares	0.1	0.1
	<i>RON</i>	<i>RON</i>
Value of the share capital	27,819,090	27,819,090

The share capital of the company is totally paid in on 31 December 2021.

The Company is listed under the Bucharest Stock Exchange under the symbol PTR.

**17.2. Adjustments on share capital**

According to the IAS 29 provisions, the company has adjusted the costs of its purchased investments until 31 December 2003 with the purpose of reflecting the accounting impact in the hyperinflation. The value of the share capital has been increased at 31 December 2012 by RON 166,740,745. This adjustment had no impact over the carried forward distributable profit of the company. In 2013, the general ordinary meeting of shareholders on 30 April 2013 approved to cover the brought forward accounting loss from first application of IAS 29 "Financial Reporting in Hyperinflationary Economies" in amount of RON 166,002,389, from own capitals, i.e. "adjustment of share capital". The effect of this decision for the structure of share capital on 31 December 2021, as well as on 31 December 2020 and is presented in the table below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
Share capital, from which:	28,557,446	28,557,446
Paid-in share capital	27,819,090	27,819,090
The adjustment of the share capital	738,356	738,356

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**18. LEASES**

**18.1 The right-of-use assets**

The statement of the identified assets as of 31 December 2021 is presented in the table below:

Cost	Technical equipment and machinery and other tangible assets	Advances	Total Right of use assets
<b>On 1 January 2020</b>	<b>800,974</b>	-	<b>800,974</b>
Additions	611,628	1,297,120	1,908,748
Remeasurement	(64,358)	-	(64,358)
Transfers	-	-	-
<b>On 31 December 2020</b>	<b>1,348,214</b>	<b>1,297,120</b>	<b>2,645,334</b>
Additions	-	-	-
Remeasurement	(44,317)	-	(44,317)
Transfers	-	-	-
<b>On 31 December 2021</b>	<b>1,303,897</b>	<b>1,297,120</b>	<b>2,601,017</b>
<b>Depreciation and impairment</b>			
<b>On 1 January 2020</b>	<b>205,913</b>	-	<b>205,913</b>
Depreciation charge for the year	301,916	-	301,916
Transfers	-	-	-
<b>On 31 December 2020</b>	<b>507,829</b>	-	<b>507,829</b>
Depreciation charge for the year	289,953	-	289,953
Transfers	-	-	-
<b>On 31 December 2021</b>	<b>797,782</b>	-	<b>797,782</b>
<b>Net accounting value</b>			
<b>On 31 December 2021</b>	<b>506,116</b>	<b>1,297,120</b>	<b>1,803,236</b>
<b>On 31 December 2020</b>	<b>840,386</b>	<b>1,297,120</b>	<b>2,137,506</b>
<b>On 1 January 2020</b>	<b>595,061</b>	-	<b>595,061</b>

At the beginning of 2020, the Company signed a financial leasing contract which acquires the right to use two production equipment (cement pumping units). The financing contract has a period of 5 years, starting with the date of the goods receipt, the total value of the equipment's being of EUR 2,680,000. The Company paid in the first half of the year the advance, as part of the leasing contract, in amount of RON 1,297,120. The equipment will be delivered during 2022. (Note 22).

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**  
*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**18. LEASES (continued)**

**18.2 Lease liability**

The accounting value of the lease liability and the movements recorded in this category during financial year 2021:

	<u>2021</u>	<u>2020</u>
<b>At 1 January</b>	<b>853,644</b>	<b>623,644</b>
Additions during the period	-	589,886
Remeasurement of lease contract	(47,773)	(64,386)
Interest associated to lease liability	17,780	27,701
Principal payments	(330,696)	(336,814)
Exchange rate difference for liability	11,718	13,614
<b>Balance at 31 December</b>	<b>504,674</b>	<b>853,644</b>

The following expenses represent amounts recognized in profit and loss account in connection to lease contracts:

	<u>2021</u>	<u>2020</u>
Depreciation expense of right of use assets	289,953	311,630
Interest expense on lease liability	17,780	28,118
Expense relating to short-term leases	20,707	12,692
Expense relating to leases of low-value assets	-	4,072
Variable lease payments	13,935	15,739
<b>Total amounts recognised in profit or loss account</b>	<b>342,376</b>	<b>372,250</b>

**19. OTHER POST EMPLOYMENT BENEFITS**

	<u>2021</u>	<u>2020</u>
<b>Balance at 1 January</b>	<b>2,354,410</b>	<b>846,202</b>
<b><i>Included in profit or loss</i></b>		
Interest expense	54,151	5,549
Service Cost	127,405	42,209
(Gain) / loss on settlement	(285,345)	(91,921)
<b><i>Included in other comprehensive income</i></b>		
Actuarial loss/(gain)	(1,566,614)	1,552,372
<b>Balance at 31 December</b>	<b>684,006</b>	<b>2,354,410</b>

The liabilities regarding pensions and other similar obligations have been determined based on the provisions of the collective labour contract of the Company, which stipulates the payment of a number of salaries to each employee at retirement, depending on the period of employment. As of 31 December 2021, the amount of the provision for benefits to be granted at retirement is RON 684,006. In 2021, the Company analyzed and adjusted the simplified internal model used to determine the retirement benefits which resulted in a change of the measurement technique applied as the current model is more detailed and considers a wider range of assumptions, also using an actuarial model. The effect of the change in the measurement techniques used for the computation of the retirement benefit led to a decrease of the provision of RON 1,566,614 that fully recognized in other comprehensive income in the current period in which they occur.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**19. OTHER POST EMPLOYMENT BENEFITS (continued)**

The management has taken into consideration for carrying out the calculation, mainly the turnover of the employees, the age of the employees, the estimated mortality rate, the estimated salary costs evolution, discount rates. Due to micro and macroeconomic trends observed in the oil and gas sector, the estimates applied for the computation of the retirement benefits have been revised being summarized in the table below:

	<b>31 December 2021</b>	<b>31 December 2020</b>
	%	%
The turnover of the personnel in one year	10.00	13.95
The mortality rate for the current year	1.17	-
The contribution of the company to the gross salary	2.50	3.00
The inflation rate of the salary	3.00	2.31
The nominal discounting rate (the interest rate for governmental bonds)	5.20	2.97
<b>Real discounting rate</b>	<b>2.20</b>	<b>0.66</b>

A quantitative sensitivity analysis for significant assumptions as at 31 December is, as shown below:

<b>Assumptions for pension plan:</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Rate of staff turnover, estimated up to the retirement date		
10% increase	(54,201)	(273,621)
10% decrease	60,293	273,621
Future salary increases, estimated up to the retirement date		
10% increase	27,482	235,441
10% decrease	(26,142)	(235,441)
Discount rate		
10% increase	(23,576)	(291,040)
10% decrease	24,933	355,458
Probability to survive up to retirement date / mortality rate		
10% increase	68,401	
10% decrease	(68,401)	

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**20. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)**

	<b>31 December 2021</b>	<b>31 December 2020</b>
Trade payables - third parties	5,247,393	4,356,225
Trade payables with affiliated entities	976,098	1,191,924
Advance payments and deferred income	1,314	5,912
Salaries	1,282,822	1,245,624
Dividends to be paid	3,453,475	1,997,940
Taxes	892,820	651,638
Other liabilities	-	50,000
<b>Total</b>	<b>11,853,922</b>	<b>9,499,264</b>

The increase registered in the category of trade payables at the end of the financial year 2021 compared to the previous year is determined both by the timing of the acquisitions made by the Company, at the end of the year, in order to ensure the optimum level of working capital, as well as the necessity and the opportunity to carry out expenses for the modernization and refurbishment of the production equipment.

**21. PRESENTATION OF THE AFFILIATED PARTIES**

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 31 December 2021.

<u>Name of the company</u>	<u>Transaction type</u>	<u>Country of origin</u>	<u>The nature of relationship</u>
KMG International NV	Payments of dividends, transfer of the receivable from Oilfield Exploration Business Solutions SA	Holland	Parent Company
Rompetrol Rafinare SA	ITP services	Romania	Minority investment of 0.05% of the Rompetrol Rafinare share capital
Rompetrol Logistics SRL	Rental services, ITP services, reinforcement security services	Romania	Minority investment of 6.98%, of the Rompetrol Logistics share capital
Oilfield Exploration Business Solutions SA	Render of services, rental of premises, ITP services	Romania	Company member of KMG International Group
Rompetrol Downstream SRL	Procurement of fuel, GPS services, procurement of rovinețe	Romania	Company member of KMG International Group
KMG Rompetrol SRL	Management and IT services, cash pooling services, rental of premises	Romania	Company member of KMG International Group
Rominserv SRL	Miscellaneous repairs services, ITP services	Romania	Company member of KMG International Group
Rompetrol Drilling SRL	Rental of premises	Romania	Company's subsidiary, where Rompetrol Well Services has 1%
KMG Rompetrol Services Center SRL	Services for procurement, legal, employees, translations and IT Laboratory test	Romania	Company member of KMG International Group
Rompetrol Quality Control SRL	Laboratory test	Romania	Company member of KMG International Group
Global Security Sistem SA	Security services	Romania	Associate of KMG International Group

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**21. PRESENTATION OF THE AFFILIATED PARTIES (continued)**

**Receivables**

	<b>31 December 2021</b>	<b>31 December 2020</b>
KMG Rompetrol SRL	55,022,238	82,430,038
KMG International NV	34,178,091	-
Oilfield Exploration Business Solutions SA*	-	4,770,000
Rompetrol Logistics SRL	19,618	20,329
KMG Rompetrol Services Center SRL	754	1,484
<b>Total</b>	<b>89,220,701</b>	<b>87,221,851</b>

*\*) At the year-end 2021, the Oilfield Exploration Business Solutions SA receivables was assigned to KMG Internationa NV As of 31 December 2020, Oilfield Exploration Business Solutions SA was presented at recoverable amount of RON 4,770,000. (see Note 14).*

**Liabilities**

	<b>31 December 2021</b>	<b>31 December 2020</b>
KMG Rompetrol SRL	543,769	718,563
Rompetrol Downstream SRL	392,678	200,851
KMG Rompetrol Services Center SRL	32,693	271,386
Rompetrol Quality Control SRL	864	-
Global Security Sistem SA	6,094	1,125
<b>Total</b>	<b>976,098</b>	<b>1,191,924</b>

**Sales**

	<b>2021</b>	<b>2020</b>
KMG Rompetrol SRL	2,440,580	3,667,494
Rompetrol Logistics SRL	201,360	204,916
KMG Rompetrol Services Center SRL	7,678	7,545
Oilfield Exploration Business Solutions SA	3,393	4,579
Rompetrol Rafinare SA	155	387
Rompetrol Drilling SRL	361	355
Rominserv SRL	-	108
<b>Total</b>	<b>2,653,526</b>	<b>3,885,384</b>

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**21. PRESENTATION OF THE AFFILIATED PARTIES (continued)**

**Acquisition of goods and services**

	<u>2021</u>	<u>2020</u>
Rompetrol Downstream SRL	3,168,305	2,654,922
KMG Rompetrol SRL	2,472,856	2,295,292
KMG Rompetrol Services Center SRL	1,341,390	1,830,428
Global Security Sistem SA	25,468	21,045
Rompetrol Quality Control SRL	1,089	1,089
Rominserv SRL	-	-
<b>Total</b>	<b><u>7,009,107</u></b>	<b><u>6,802,776</u></b>

Starting with 2014, it was implemented an optimization system for the cash availability between the companies within KazMunayGas International Group, known as cash pooling concept. Cash pooling system was implemented in relation to cash availability from certain bank accounts of the Company, and the direct effect will be transposed to the optimization of cash for the company, with impact in the interest income. According to the cash pooling system, in terms of assets presentation, the amounts available at the end of the reporting period is reflected in the statement of financial position in the line "Availabilities in cash pooling system". During the reporting period, the average balance of master account was RON 72,348,598, generating interest in amount of RON 2,440,580. The value of these receivables as of 31 December 2021 was of RON 55,022,238.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**21. PRESENTATION OF THE AFFILIATED PARTIES (continued)**

Description	Validity term	Contract Date	Maturity Date	Interest rate	Currency	Principal	Interest receivable as of 31 December 2020	Balance existing as of 31 December 2020	Interest receivable as of 31 December 2021	Balance existing as of 31 December 2021
Cash Optimization System implementation of The KMG Rompetrol Group companies (cash pooling)	12 months, with automatically extension	15-Sep-14	15-Sep-22	Based on ROBOR OVERNIGHT	RON	Depending on the working capital needs	253,336	82,166,109	199,604	54,822,634
<b>Total</b>							<b>253,336</b>	<b>82,166,109</b>	<b>199,604</b>	<b>54,822,634</b>

On 17 October 2019, KMG International NV issued a deed guarantee in favor of the Company for an amount up to 30 million USD, in connection with the current cash pooling contract.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

## **22. COMMITMENTS AND CONTINGECIES**

At the beginning of 2020, the Company signed a financial leasing contract which acquires the right to use two production equipment (cement pumping units). The financing contract has a period of 5 years, starting with the date of the goods receipt, the option to buy the goods being expressed at the moment the contract was signed. The value of the assets is in amount of EUR 2,680,000, and the value financed, in the amount of EUR 2,412,000.

The IFRS 16 standard establishes the moment of the initial recognition of an right-of-use asset concurrently with a debt arising from the lease agreements at the beginning of the roll-out, that is, the date on which a lessor makes available to the lessee, for use, the underlying asset. Due to the fact that the date of making available to the Company the vehicles that are the object of the contract occurs during the financial year 2022, the Company did not recognized the asset and debt arising from the mentioned contract.

### **Guarantees to third parties**

The service providing contracts concluded with our main customers contain clauses referring to creation of performance guarantees through a guarantee granting instrument issued under the provisions of the law, by a bank or insurance company, i.e. Letters of Bank Guarantees.

The detail of the collateral accounts on 31 December 2021 and 2020 for the Letters of Bank Guarantee is enclosed in Note 12 and Note 16.1.

### **Transfer pricing**

Fiscal legislation in Romania includes the principle of "market value", according to which transactions between affiliated parties must be conducted at market value. Taxpayers which conduct transactions with affiliated parties must prepare and readily present to Romanian fiscal authorities at their written demand the transfer price file. The failure to present the transfer price file or the presentation of an incomplete file may lead to application of penalties for nonconformity; in addition to the content of the transfer price file, the fiscal authorities might interpret differently the transactions and circumstances than the interpretation of management and, as a consequence, might impose additional fiscal obligations resulting from adjustment of transfer prices. The management of the Company is considering that it will not suffer losses in case of a fiscal control for the verification of transfer prices. However, the impact of possible different interpretations of the fiscal authorities can't be estimated.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

### 23. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT

#### The risk of the interest rate

- Loans received: the company is not being involved in any loan contract and therefore not exposed to risks regarding the movement of the interest rate;
- Loan granted: for the loans granted presented in note 21 (Availabilities in cash pooling system), the income from interest varies, depending on OVERNIGHT ROBOR.

If interest rates would have varied with + / - 1 percent and all other variables would have been constant, the net result of the Company as of 31 December 2021 would increase / decrease with RON 735,848 (2020: increase / decrease with RON 894,057).

#### Risk of the exchange rate variations

Most of the transactions of the company are in RON. Depending on the case, the structure of the amounts available in cash and the short term deposits are also being adapted. The difference between the entry of the amounts in foreign currency and their repayment cannot generate, through the variation of the exchange rate, significant impact in the Company's financial position.

#### **Foreign currency sensitivity**

The following tables demonstrate the sensitivity towards a possible reasonable change (5%) of the exchange rate of the USD dollar, EUR, all other variables being maintained constant.

The impact over the profit of the company before taxation is due to the changes in fair value of the assets and monetary debts. The exposure of the company to the foreign currency modifications for any other foreign currency is not significant.

	<u>Total</u> <u>RON</u>	<u>5%</u> <u>USD</u>	<u>5%</u> <u>EUR</u>
<b>31 December 2020</b>			
<b>Balance</b>	<b>(14,421)</b>	<b>(57,122)</b>	<b>42,702</b>
Monetary assets	100,676	702	99,974
Monetary liabilities	(115,097)	(57,824)	(57,273)
<b>31 December 2021</b>			
<b>Balance</b>	<b>(141,087)</b>	<b>(73,475)</b>	<b>(67,612)</b>
Monetary assets	4,320	634	3,686
Monetary liabilities	(145,406)	(74,109)	(71,297)

#### The credit risk

The company treats the crediting of its customers procedural, with flexibility through the stable contracting strategy as an essential mechanism for the risk repartition. The unfavorable conditions of the financial - banking market is also experienced by the customers of the company, but the Management permanently monitors the receivables, collections and potential impairments.

#### The market risk

Taking into consideration the structure and continuance of trade contracts, it can be highlighted as important clients SC OMV Petrom SA and SNGN Romgaz SA concentrating around 84% of the total turnover registered for the financial year 2021. The main contracts with SC OMV Petrom SA and SNGN Romgaz SA are valid until 3 January 2024, respectively 7 September 2022.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

**23. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT (continued)**

**Liquidity risk**

The Company monitors its risk of a shortage of funds using a liquidity planning tool.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the efficient use of working capital. Approximately 67% of the Company's debt will mature in less than one year at 31 December 2021 (2020: 85%) based on the carrying value reflected in the financial statements. The Company assessed the concentration of risk with respect to chargeability of its debt and concluded it to be low.

The table below details the profile of the payment terms of the financial liabilities of the Company, based on non-updated contractual payments:

<b>Trade payables and similar liabilities</b>	<b>On demand</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade payables - third parties	327,385	3,991,243	928,765	-	-	5,247,393
Trade payables with affiliated entities	272,839	703,259	-	-	-	976,098
Lease liabilities	-	53,395	221,458	229,822	-	504,674
Dividends to be paid	33,893	-	330,589	3,088,993	-	3,453,475
Other liabilities	-	-	-	-	-	-
<b>Total year 2021</b>	<b>634,116</b>	<b>4,747,897</b>	<b>1,480,811</b>	<b>3,318,815</b>	<b>-</b>	<b>10,181,639</b>

<b>Trade payables and similar liabilities</b>	<b>On demand</b>	<b>Under 3 months</b>	<b>Between 3 and 12 months</b>	<b>Between 1 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
Trade payables - third parties	516,243	2,848,482	991,500	-	-	4,356,225
Trade payables with affiliated entities	279,679	912,245	-	-	-	1,191,924
Lease liabilities	-	87,359	240,918	525,367	-	853,644
Dividends to be paid	1,238,319	-	-	759,621	-	1,997,940
Other liabilities	-	50,000	-	-	-	50,000
<b>Total year 2020</b>	<b>2,034,242</b>	<b>3,898,086</b>	<b>1,232,418</b>	<b>1,284,988</b>	<b>-</b>	<b>8,449,734</b>

**24. AUDIT EXPENSES**

Contractual costs for audit services with the financial auditor for financial year ended 31 December 2021 were in amount of RON 79,982, equivalent of EUR 16,464.

All paid fees refer to auditing services on individual financial statements prepared by the Company in accordance with Order of Minister of Public Finance no. 2844/2016.

**25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD**

Letter of bank guarantee with number LG/ 99007664 having as beneficiary OMV Petrom SA, in amount of RON 39,552, was issued on 18 January 2022 with maturity date 14 January 2023

Letter of bank guarantee with number LG/ 99007665 having as beneficiary OMV Petrom SA, in amount of RON 44,496, was issued on 18 January 2022 with maturity date 14 January 2023.

**ROMPETROL WELL SERVICES SA**  
**NOTES TO FINANCIAL STATEMENTS**  
**For the year ended as at 31 December 2021**

*(all amounts expressed in Lei ("RON"), unless otherwise specified)*

---

**25. EVENTS SUBSEQUENT TO THE REPORTING PERIOD (continued)**

**Impact of sanction risks and conflict in Ukraine**

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

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

It is expected that these events may affect the activities in various sectors of the economy, could result in further increases in European energy prices and increased risk of supply chain disturbances.

The Company does not have direct exposures to related parties and/or key customers or suppliers from those countries since the Company and its main customers activate only on local market, therefore the most recently sanctions imposed against Russia are not expected to have an impact on the Company's activity.

The Company regards these events as non-adjusting events after the reporting period, the quantitative effect of which cannot be estimated at the moment with a sufficient degree of confidence. Currently, the Company's management is analyzing the possible impact of changing micro-and macroeconomic conditions on the Company's financial position and results of operations.

At this stage Management doesn't expect that such conflict will have a significant negative impact on the Company's operations and on the recoverable value of the Company's long term assets.

**Cyber risk**

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

In subsequent period, we were subject to an attempt to gain unauthorized access to our computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect on us, however this kind of events may occur in the future.

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

On 22 March 2022, the Board of Directors approved the proposal to distribute gross dividends in amount of RON 1,629,634, respectively RON 0.005857970 / share, proposal on which the General Ordinary Meeting of the Shareholders that will take place on 27 April 2022 shall decide.

The Financial Statements from page 1 to page 52 were approved by the Board of Directors in 22 March 2022 and are signed in his name by:

**Administrator,**  
FLOREA Georgian Stefan

Signature   
C4F17BF6781D416...

**Prepared by,**  
MOISE Luiza-Roxana  
Finance Manager

Signature   
564191DA489E41E...

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

**ANNUAL REPORT  
OF THE BOARD OF DIRECTORS  
FOR THE 2021 FINANCIAL YEAR**

prepared according to Law no. 24/2017 regarding the issuers of financial instruments and market operations and FSA Regulation no. 5/2018 regarding the issuers of financial instruments and market operations

**Company**

**ROMPETROL WELL SERVICES S.A.**

Registered office:	Ploiești - str. Clopoței no. 2 bis
Telephone no.:	0244/544321, 0244/544101
Fax no.:	0244/522913
Tax identity code:	RO 1346607
Trade Registry no.:	J29/110/March 05, 1991
Trading market:	BUCHAREST STOCK EXCHANGE
Subscribed and paid in share capital:	RON 27,819,090

Main characteristics of the securities issued by the company

No. of shares:	278,190,900
Nominal value (RON/share):	RON 0.10
Class and type of securities:	"A" nominative

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

**Table of contents**

1. Analysis of the company's activity .....	3
2. Company's tangible assets .....	11
3. Market of the securities issued by the company .....	11
4. Company's management .....	14
5. Financial Statements .....	17
6. Corporate governance .....	19
7. Annexes .....	32

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

## 1. Analysis of the company's activity

Romp petrol Well Services S.A. (RWS) is one of the most important companies in the specific Romanian market segment. RWS offers a wide range of specialized services for crude oil and natural gas wells including cementing, stimulations, nitrogen services, tubular running operations and rentals of equipment and tools.

In 2021 RWS continued to consolidate and develop core activities, mainly those regarding the provision of special services at the well. On the background of effects generated by the COVID-19 pandemic and the evolution of the petroleum industry, the Company managed to maintain both its leading position in this area and record positive financial results.

Two main trends have impacted 2021: growth in quotations and demand for crude oil on the international markets and fluctuations in the supply chain of raw materials, typical for the upstream industry.

The evolution of crude oil followed an upward trend in 2021, the price of this raw material increasing by about 67%, from an average of \$41.6/bbl in 2020 to \$69.2/bbl in 2021 (Ural Med crude oil quotation).

Given the international context (COVID evolution – Delta and Omicron, resumption and growth of economic activities, production increases – OPEC, tensions in the Middle East, impact of Hurricane Ida), crude oil producers failed to keep up with this growth, development projects frozen in 2020 not being restarted at full capacity.

Also, the dynamics of quotations was not considered at the beginning of the year as a stable indicator for a long period, which contributed to maintaining a low level of activities, comparable to that registered in 2020.

To these were added divestment/ adjustment decisions of the operators' investment budgets, but also shortcomings in the supply chain of raw materials typical to the upstream industry in the second half of the year. The cumulative effect of these factors was reflected in even greater delays in starting and resuming drilling operations.

	-RON		
	2019	2020	2021
Operating income, of which:	66,981,161	48,595,858	45,961,135
Services rendered	65,678,479	47,249,182	44,185,085
Operating expenses, of which:	(57,844,704)	(47,713,575)	(46,227,637)
Depreciation	(4,883,457)	(4,895,712)	(3,996,830)
Provision adjustments, net	631,085	(157,129)	(545,161)
Net financial income	4,518,132	3,747,231	2,040,690
<b>EBIT</b>	<b>13,654,589</b>	<b>4,629,514</b>	<b>1,774,188</b>
<b>Net Profit</b>	<b>12,170,108</b>	<b>4,362,952</b>	<b>1,629,634</b>
Available funds in cash pooling system	96,010,188	82,419,445	55,022,238
Number of employees	172	158	149

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

**1.1. a) Description of the company's core activity**

Benefiting from almost 70 years of experience, Rompetrol Well Services SA is a competitive, solid and reliable partner, offering a wide range of services in the oil and gas industry.

The Company's core activities are: supply of services for oil and gas wells, rental of well tools and equipment, and other services. The offered services include: cementing, stimulations, tubular running operations performed in the oil fields in Romania and abroad.

On an annual basis, the Company cements an average of 250 strings and liners, with a depth varying from 50 to 5,500 meters, supplies tubular running services for casings and liners to all Romanian clients. The company also offers rental services for drilling tools.

**b) Specification of the company's incorporation date**

Rompetrol Well Services S.A. was established in 1951 and in the 70 years of activity, although it operated with various structures and under various names, the main profile was the performance of special operations at Romanian oil and gas wells.

Government Decision no. 1213, from November 1990 decided that the company to be transformed in a joint-stock company, according to Law no. 15/1990, under the name of PETROS S.A., name under which it operated until September 2001, when it changed its name into ROMPETROL WELL SERVICES S.A.

**c) Description of any merger or signification reorganization of the company, of its subsidiaries or of controlled companies, during the financial year**

During 2021 and respectively 2020, the Company did not participate to any merger or reorganization.

**d) Description of purchases and/or disposals of assets**

During 2021, the acquisitions performed by the Company were represented mainly by special equipment needed for the normal operating activity. The Company did not dispose fixed assets with significant net book value. During February – May 2021, the Company sold land plots in Boldesti-Scaieni, Targu Mures, Tecuci and Campina, the total carrying amount being of 145.617 RON and resulted in a net income of 335.727 RON.

**e) Description of the main results of the evaluation of the company's activity.**

**1.1.1. General assessment elements:**

**a) Profit;**

At the end of 2021, Rompetrol Well Services registered a positive result (profit) of RON 1,629,634.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

**b) Turnover;**

In 2021, the turnover was RON 44,597,157, 6% lower than in 2020, respectively 8% lower than the budgeted turnover. The impact was generated by the delays in restart of normal activities for the upstream market, delays determined by the global context as well as internal business decisions of our main customers.

**c) Export;**

In 2021, due to the restrictions imposed as a result of the Covid pandemic, no services were provided outside Romania.

**d) Costs;**

In 2021, the operating expenses adjusted with provisions were RON 45,682,476, 4% lower than those registered in the previous year, their evolution being directly influenced by the decrease of the activity volume, as presented under item b).

**e) Market percentage;**

In Romania the Company holds between 15% and 70% of market shares for various types of special services rendered.

**f) Liquidity (available funds in the account, etc.).**

In terms of liquidity, the Company maintained the capacity to cover current debts from current assets, the current liquidity indicator reaching a level of 9.11 at December 31<sup>st</sup>, 2021.

**1.1.2. Assessment of the company's technical level**

*Description of the main rendered services*

The main services performed by ROMPETROL WELL SERVICES S.A. are the following:

- **Cementing and various pumping services such as:**  
casing cementing, primary cementing, remedial cementing (plug cementing and squeeze cementing), killing of wells, well circulations, millings and fluids displacements, interventions on damaged wells, miscellaneous pumping, tubular material, manifold, blow out preventer, etc.
- **Stimulation services:**  
tensio-active treatments, acidizing, handling and transport of fluids (acid solutions, emulsions and enzymes etc.), aquifers layers isolation.
- **Liquid Nitrogen services:**  
lifting operations, foam acidizing, pipeline pressure testing;
- **Tubular running services;**
- **Rentals of tools and equipment for various drilling-extraction works or the solving of well technical accidents;**
- **Cement analysis at the well site or in the lab;**
- **Cementing solutions preparation according to recipes;**

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

**a) main markets for each product or service and distribution methods;**

ROMPETROL WELL SERVICES SA maintained its position on the internal market being permanently concerned with improving the quality of performed services. With production capacities spread throughout the territory of the country and qualified labour force, well prepared in the field of supplies of special services at crude oil and gas wells, ROMPETROL WELL SERVICES promptly ensures the services requested by their beneficiaries irrespective of the location.

The main markets for the services of Rompetrol Well Services are in Central and Eastern Europe.

**b) weight of each category of products or services in the income and in the total turnover of the company for the last three years;**

The situation of the weight of each category of services in the 2019, 2020, 2021 turnover is presented in Annex no. 1.

**c) new products envisaged to which a large volume of assets will be allocated during the next financial year, and products' development stage.**

The equipment modernization program in the last years focused on updating technologies for cementing and well stimulation services, respectively tubing and acidizing services. The endowment of cementing pump trucks with new high pressure lines is in accordance to the current safety requirements of the industry. The Company continues to develop and implement efficient cementing and well stimulation technologies to meet the operational requirements of customers.

**1.1.3. Assessment of the technical and material supply activity (domestic sources, import sources)**

*Information on the safety of supply sources and the prices of raw materials and the dimension of raw materials and materials stocks.*

The main types of materials necessary to perform the company's activity are: cement and additives, fuels and lubricants, car spare parts and technological equipment, ensured based on annually concluded firm agreements, which ensures stability and safety to the company's operation under optimum conditions. The levels of stocks of raw materials and spare parts vary depending on the volume of activity forecast in the immediately next period. Purchase prices are the market prices.

**1.1.4. Assessment of the selling activity**

**a) Description of the sales evolution sequentially on the internal and/or external market and of sales perspectives on a medium and long-term basis;**

The income evolution is presented in the table below:

	2019	2020	- RON 2021
<b>Sales by activities, of which:</b>	<b>66,135,769</b>	<b>47,667,818</b>	<b>44,597,157</b>
▪ Income from rendered services	66,100,810	47,597,837	44,450,951
▪ Income from the sale of merchandise	34,959	69,981	146,206

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

In 2021, the Company's activity continued to record a decrease in orders for the provision of well services. Despite the constantly changing market conditions, RWS has been able to secure its leading position in the specific market segment through diversity and flexibility in providing specialized services tailored to each client. From an operational point of view, the Company has implemented measures to ensure the availability of labor in order to honor all orders (such as periodic testing, reduced physical contact between teams). From a commercial point of view, the Company participated in all publicly announced auctions in order to ensure the activity for the next period.

Although in 2022 the market is expected to be still volatile, with a moderate level of new investments from our main customers, the flexibility of the Company in regards to the type of services rendered, together with a strong financial position, including cash availabilities, will allow the operational activity to record a similar level as the one recorded in 2021.

Having in mind the increasing trend of crude quotation and increased number of immunized against COVID-19, as well as past experience with similar events of crude price sudden drop registered in the past, we expect that in the medium and long-term perspective, the market will recover up to normal conditions.

**b) Description of the competitive situation in the company's activity field, of the weight on the market of the products or services of the company and of the main competitors;**

Given the conditions of a competitive environment and the maintenance at a prudent level of the activity in the oil and gas industry, the Company succeeded in maintaining the market share for most services supplied in Romania, while increasing the complexity of supplied services. A share varying between 15% and 70% of the specific service market is held by the company.

The Company's main competitors are: SCHLUMBERGER LOGELCO, HALLIBURTON ROMANIA, S.M.A.P.E. and TACROM SERVICES.

**c) description of any significant dependence of the company on a single client or a group of clients whose loss would have a negative impact on the company's income.**

We can say that ROMPETROL WELL SERVICES depends on the position of OMV - PETROM BUCUREȘTI S.A., client which represents approx. 65% of the company's sales. To reduce this risk of dependence, the company targets the increase of the proportion of well special services supplied to other E&P players on the domestic market and the extension of the activity on the external market.

**1.1.5. Assessment of the aspects related to the company's employees/personnel**

**a) Specification of the number and training level of the company's employees and of the labour force syndication degree;**

The Company ensured training for employees, mainly through in-house training programs, to ensure the achievement of the maximum benefits from the operation of existing equipment, continuously raising the skills level of employees and to create a safe work environment.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

The structure of employees as at December 31, 2021 was as follows:

Total employees, out of which:	149
- with higher education	64
- with secondary education	8
- qualified workers	77

The labour force syndication degree is 91.28%.

**b) Description of the relationships between the manager and the employees, and of any conflictual elements characterizing such reports.**

The relationships between the manager and employees are based on collaboration, according with "Collective labour agreement" at a company level, there being no conflictual elements which could characterize such relationships.

**1.1.6. Assessment of the aspects related to the impact of the issuer's basic activity on the environment**

*A brief description of the impact of the issuer's core business activities on the environment as well as any existing or expected litigation of the breach of environmental protection legislation.*

The activity carried out within the Company, both at the headquarters in Ploiești and at all the units in the country, strictly follows the observance of the environmental legislation in force, in this way avoiding any litigation that may arise as a result of violations of applicable law.

The company carries out regular checks on compliance with environmental requirements in accordance with the environmental permits related to working points in the country to avoid penalties or fines that could be applied for non-compliance in this field, but also for the relationship with our suppliers and customers. Lately, more and more attentive to environmental issues and concerned with identifying solutions that would lead to a reduction in the ecological footprint.

Verification of compliance with the environmental provisions in force is a complex process by which the Company performs a detailed assessment of activities with environmental impact, compliance with environmental legislation for both technological processes carried out on site and documents held, identifying any non-compliance and proposing solutions to comply, prevent or reduce the impact on the environment.

In July 2021, the audit of the recertification of the Integrated Management System (environment, quality, safety and health at work) was carried out by DNV Business Assurance, following which Rompetrol Well Services S.A. has been certified for the next 3 years with the new standards ISO 9001: 2015, ISO 14001: 2015 and ISO 45001: 2018. In order to verify and maintain compliance with these standards, the Company annually conducts internal audits of the environment, quality and health and safety at work at all its bases and inspections of the operations it performs at customer locations. Also, in 2021, the Company was audited in terms of (Environment, Emergency Situations, Health and Safety at Work) by the KMG Group, obtaining a score of 85.4% which corresponds to the rating "Excellent".

Rompertrol Well Services aims to achieve several environmental objectives, including:

- *Implementation of sustainability ideas within the entity.*
- *Disposal by authorized companies of all types of waste identified within the Company.*
- *Optimizing the consumption of electricity and gas by using LED lamps and using new thermal power plants with low consumption.*

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- *Reduce paper consumption by electronic archiving.*
- *Monitoring and implementation of environmental issues imposed in environmental permits.*
- *Periodic monitoring of the spaces arranged for waste collection and safe storage;*
- *Training in the field of environmental protection of staff working for and on behalf of the organization.*
- *Prevention of any accidental pollution;*
- *Continuation of the process of renewing the fleet with new generation trucks equipped with Euro 6 engines, thus contributing to the reduction of emissions eliminated in the atmosphere.*
- *Training of all staff on the selective collection of waste, the reduction of specific consumption and in particular the responsibility for the implementation of the environmental policy and environmental objectives that the Company has set out to achieve.*

The management of ROMPETROL WELL SERVICES provides the necessary resources and framework for the implementation of the established environmental objectives, directly and personally involved in all projects aimed at the continuous improvement of environmental protection through the services provided.

According to Law no. 105/2006 and the Emergency Ordinance no. 196/2005, regarding the obligations to the Environmental Fund, Rompetrol Well Services S.A. pays monthly taxes on emissions of pollutants into the air from fixed sources and annual tax on packaging placed on the market, according to the Declarations on obligations to the Environmental Fund.

#### **1.1.7. Assessment of the research and development activity**

*Specification of the expenses in the financial year and of those anticipated in the next financial year for the research and development activity.*

In 2021 the Company did not registered research and development expenses.

#### **1.1.8. Assessment of the company's risk management activity**

*Description of the Company's exposure to the price, credit, liquidity and cash flow risk. Description of the company's risk management policies and objectives.*

The activity performed by the Company implies its exposure to:

- *price risk*: the Company has a flexible price policy, which enables it to react and adapt to the potential price fluctuations which could appear on the market;
- *credit risk*: the Company's activity is financed from own sources, but the credit risk could not be totally eliminated. The Company approached client crediting in a procedural, flexible manner, through the contracting strategy established as an essential risk distribution mechanism. The company's management permanently monitors the receivables and their collection;
- *interest rate risk*: the Company did not contract bank loans, not having any effect of the interest rate on expenses. For the available funds placed in cash pooling system, the interest income is variable by reference to ROBOR evolution;
- *liquidity risk*: until present the liquidity risk was estimated as low, because the company succeeded in obtaining a stable balance between the due date of receivables generated by sales and the chargeability of the debts for the operational and investment activity.;
- *exchange rate risk*: most income achieved by the Company is referred to RON and EUR. The time difference between the recognition of amounts in foreign currency and their collection cannot generate significant effects over the Company's financial position.

**1.1.9. Elements of perspective regarding the company's activity****a) Presentation and analysis of trends, elements or factors of uncertainty which affect or could affect the liquidity of the company as compared to the same period of the previous year.**

The activity performed by the company did not determine malfunctions of the cash flows, being compensated by the efficiency of the management of existing liquidities. The commitments to suppliers were rhythmically paid. The registered overdue amounts do not have the risk of significant penalties. As at December 31<sup>st</sup>, 2021 the company is not involved in any litigation for the payment of outstanding debts. The company ensured permanent promptness in honouring the agreements throughout the country.

The perspectives of extending service activities on external markets however impose rational decisions in prudently engaging liquidities upon the conclusion of new agreements.

**Main objectives for 2022**

To continue offering high quality services in all the main activities performed by the Company. Taking into account the current market trend, the Company is analyzing the possibility of expanding on the services market in the Middle East region. In this sense, the Company continued discussions with possible local partners, including the opening of an operational base in the area.

**b) Presentation and analysis of the effects of capital expenses, current or anticipated, on the company's financial situation as compared to the same period of last year.**

The company operated through the use of its own financing sources, without engaging credits from banking institutions or other legal persons.

The debt category does not include overdue debts such as interest or other credits engaged from banking institutions, but only the effect of applying the new leasing standard.

The permanent trend for the constructive and functional improvement of drilling installations imposed by the necessity to obtain a technical and economic efficiency of extraction wells led to the necessity to perform investments in order to satisfy market requirements.

A weight of 96% of the increase registered in tangible assets, of RON 4.5 million, is represented by the purchase and/or modernization of equipment, machinery and tools used for well services operations and other preliminary operations.

Approximately 4% of the total investments made by the Company in 2021 targeted works made to rehabilitate and modernize the administrative buildings and the replacement of IT equipment.

The Company ensured its own financial resources to achieve the 2021 capital expenditure budget.

**c) Presentation and analysis of events, transactions, economic changes significantly affecting the income from the basic activity.**

The turnover for 2021 decreased by 6% compared to 2020, due to the reduction of well services demand. This decrease was limited to level mentioned above due to the solid position of the Company on the specific market.

## **2. Company's tangible assets**

### **2.1. Specification of the location and of the characteristics of the main production capacities owned by the company.**

The patrimonial assets such as tangible assets enable a flexible organization in the territory to operatively honour beneficiary's orders.

The place of service supply is identified at the beneficiaries, not in the organizational perimeter of the company, the use of production capacities depending on the orders received from beneficiaries.

The location of plots of land and constructions on the geographic area is identified in the following localities: Ploiești (Prahova County), Câmpina (Prahova County), Răzvad (Dâmbovița County), Leordeni (Argeș County), Mihăești – Stupărei (Vâlcea County), Potcoava (Olt County), Craiova (Dolj County), Tg. Cărbunești (Gorj County), Slobozia – Conachi (Galați County), Ianca (Brăila County), Timișoara (Timiș County), Mediaș (Sibiu County), Moinești (Bacău County), Videle (Teleorman County).

The main production capacities are represented by the existence of fixed assets in the patrimony, such as: cementing units, bulk trucks, tank trucks, cement laboratory equipment and other types of utility vehicles and drilling tools.

### **2.2. Description and analysis of the degree of wear and tear of the company's properties.**

The work in open air at wells, the circulation on difficult to access roads and the use of corrosive materials imply a high degree of wear and tear – compensated through the investments in the last years. The car specific nature of production capacities implies the recognition of maintenance costs resulted from the adaptation and recognition of the imperative normative documents specific to European integration and of environmental protection problems: DGT transport licenses, vignettes, tachographs, environmental taxes, first registration taxes, local taxes, etc.

### **2.3. Specification of the potential problems related to the ownership right over the company's tangible assets.**

For all tangible assets, the ownership right is recognized, according to the held documents and the regulations in force.

## **3. Market of the securities issued by "ROMPETROL WELL SERVICES" S.A.**

### **3.1. Specification of the markets in Romania and in other countries on which the securities issued by the company are negotiated.**

The securities issued by ROMPETROL WELL SERVICES S.A. are admitted to the listing of the Bucharest Stock Exchange through decision no. 133 / March 26, 1998 and are traded on such market under the STANDARD category in the sector of the securities issued by Romanian legal persons, starting with June 18, 1998, under the PTR symbol. The securities issued by the company are in class A – nominative shares.

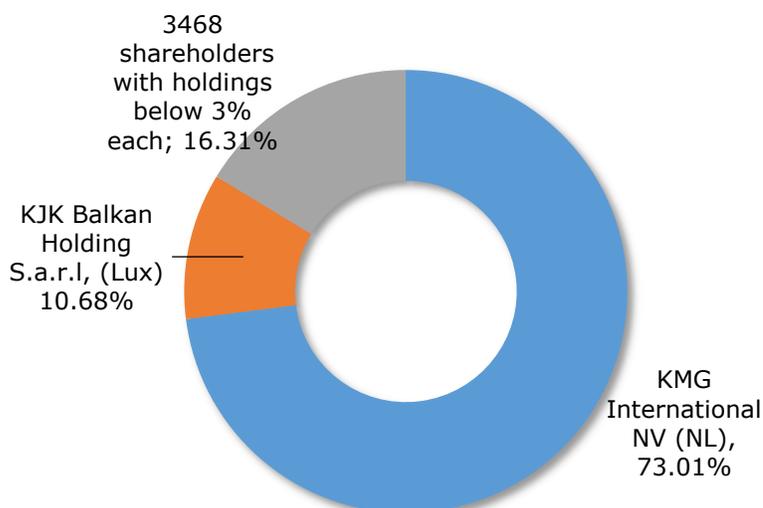
ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

The share capital as at December 31, 2021 is RON 27,819,090 equivalent to 278,190,900 shares with a nominal value of RON 0.10 /share and is distributed by holders as follows:

1. KMG INTERNATIONAL N.V. The Netherlands	RON 20,311,015 (73.0111 %)
2. KJK BALKAN HOLDING S.a.r.l Luxembourg	RON 2,970,995 (10.6797 %)
3. Other shareholders (3468 shareholders)	RON 4,537,080 (16.3092 %)

### Shareholding structure



### 3.2. Description of the company's dividend policy. Specification of the dividends due/paid/accumulated in the last 3 years and, if applicable, of the reasons for the potential decrease of dividends over the last 3 years.

The decision to declare and pay dividends is made in the Annual Ordinary General Meeting of Shareholders at the recommendation of the Board of Directors. The recommendations on the dividend value and payment manner are adopted in the meeting of the Board of Directors proposing the profit distribution based on end-of-year results.

The policy provides a differentiated approach in determining the volume of dividends in respect of the Company, depending on:

- The nature and profitability of the commercial activity of the Company and its share capital needs;
- The expected own equity requirements for performance of the activity plans and the investment projects.
- The actual dividend volume shall take into account own equity financing needs for:
  - Financing of capital investments in existing assets;
  - Financing of investment projects in respect of the part which requires the allocation of own funds according to the agreed structure of project financing;
  - Debt reimbursement;
  - Other relevant factors that influence the company's cash flows.

The Board of Directors drafts proposals for the amount of dividends actually distributed for the reporting period.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

The dividends distribution rate, subject to the other provisions of this Policy, is set at a minimum of 30% as long as there is sufficient cash availability computed as following:

Cash balance N + Cash Pooling net balance N + Cash from operations N+1 + Cash from Investing N+1 + Finance cost paid N+1 + Mandatory loan repayments N+1

Where N is represented by the year for which the distribution is made while N+1 is represented by the next year. For N+1 computation is prepared based on the budget.

The Dividends are distributed to the Company's shareholders pro rata with their shareholdings in the Company.

The final decision shall be taken by the appropriate corporate bodies of the Company.

Amount of dividends shall be identified when decision is made to declare and disburse dividends.

The GMS decision on declaring and paying dividends shall reflect the following:

- the value of the dividend per share;
- the registration date and the adequate ex date, identifying the shareholders entitled to the dividend;
- the dividend payment date;
- any other legal requirements mentioned in the legal provisions in force.

*For the year ended December 31<sup>st</sup>, 2019*, the OGMS approved on April 27, 2020 the distribution of the net profit as dividends of RON 12,170,108, respectively RON 0.0437 gross/share.

*For the year ended December 31<sup>st</sup>, 2020*, the OGMS, approved on April 26, 2021, the distribution of the net profit as dividends of RON 4,362,951, respectively RON 0.0156833 gross share and also aproved the change of the destination of the reserves constituted from the net profit of the company obtained in the previous years in the amount of RON 29,210,045 and the distribution of this amount as dividends to shareholders, respectively RON 0.1050 gross / share. Thus, for 2020, the total value of the dividend was 0.120683 lei gross / share.

*For the year ended December 31<sup>st</sup>, 2021*, the OGMS, scheduled for April 27(28), 2022 shall decide on the profit distribution manner. The proposal of the Board of Directors is to distribute net profit as dividends the amount of RON 1,629,634, respectively RON 0.00585797 gross/share.

Until December 31<sup>st</sup>, 2021, the following dividends were paid:

- 93 % of the gross dividend approved for the 2018 financial year;
- 93 % of the gross dividend approved for the 2019 financial year;
- 93 % of the gross dividend approved for the 2020 financial year

### **3.3. Description of any activities of the company related to the purchase of its own shares.**

The Company did not perform any activities related to the purchase of its own shares.

### **3.4. If the company has subsidiaries, specification of the number and nominal value of the shares issued by the parent company held by subsidiaries.**

Not applicable.

### **3.5. If the company issued bonds and/or other debt securities, presentation of the manner in which the company pays its obligations to the holders of such securities.**

Not applicable.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

#### 4. Management of ROMPETROL WELL SERVICES S.A.

According to the Articles of Incorporation, the Company's activity is managed by a Board of Directors formed of 5 members, appointed by the Ordinary General Meeting, who may also be shareholders of the company, natural or legal persons, of Romanian or foreign citizenship, respectively nationality.

At the beginning of 2021, the Board of Directors consisted of the following members: Yedil Utekov, Abzal Doszhanov, Madalin Laurentiu Coltanel, Olga Turcanu, Eugeniu Moby Henke.

In the General Meeting of Shareholders from January 28, 2021 Mr. Yedil Utekov and Mr. Abzal Doszhanov were elected permanent administrator until April 29, 2022.

During 2021, there was one change in the membership of the Board of Directors.

Following Abzal Doszhanov's waiver of his mandate as member of the Board of Directors, Florea Georgian Stefan was appointed as interim member of the Board of Directors, effective as of October 18, 2021 until the next General Meeting of Shareholders.

Therefore, at the end of 2021, the Board of Directors has the following structure:

Yedil Utekov – Chairman of the Board of Directors  
Georgian Stefan Florea – Member/General Manager  
Olga Turcanu - Member  
Laurentiu Madalin Coltanel - Member  
Eugeniu – Moby Henke - Member

##### 4.1. Presentation of the list of company's directors and of the following information for each director:

*a) CV (forename, surname, age, qualification, professional experience, position and seniority;*

- Yedil Utekov - Kazakh citizen, born in 1976

Chairman of the Board of Directors between October 01, 2020 and December 31, 2021.

Term of mandate: until April 29, 2022.

Mr. Yedil Utekov is a graduate of the Faculty of Resources and Hydrocarbons Chemical Technology of Astrakhan State Technical University in Russia, and started his career in the oil and gas industry back in 2001, as a process operator with Akasaraisky Gas Processing Plant in Russia; then in the months September 2001 – June 2002, he worked as operator for ZAO Intergaz Central Asia, Kazakhstan. Starting with June 2002, he gradually advanced from the position of engineer with Atyrau Refinery, to that of Ecology, Technology, Health and Safety Manager. During April 2005 – April 2010, he worked for Agip KCO, in Atyrau, Kazakhstan, the last position held in this company being that of Group Coordinator for Technical Control and Inspection in August 2008 – April 2010.

He has solid professional experience in the oil and gas industry, holding management positions in various fields thereof, working in various companies such as: Atyrau refinery, Agip KCO and KazMunayGas.

- Abzal Doszhanov – Kazakh citizen, born in 1984;

Member of the Board of Directors between September 09, 2020 and October 18, 2021.

Term of mandate: until October 18, 2021.

Mr. Abzal Doszhanov graduated from Atyrau Institute of oil and gas and IFP School.

Mr. Abzal Doszhanov joined Rompetrol in 2010, successfully accomplishing various roles – initially on an operational level, holding key positions as Process improvement manager and then

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

at management level, gradually holding positions such as Deputy Production manager and General Manager.

- Georgian Stefan Florea - Romanian citizen, born in 1982  
Member of the Board of Directors between October 18, 2021 - December 31, 2021  
Term of mandate: until the next General Meeting of Shareholders  
He has graduated from the Petroleum Gas University Ploiesti. Mr. Florea holds a master's in reservoir engineering from the Petroleum Gas University Ploiesti.  
Mr. Georgian Stefan Florea has joined Rompetrol Well Services since 2007, successfully accomplishing various roles – initially at the operational level, passing through petroleum engineer – DST division, field engineer at cementing division, petroleum engineer at technical department, country representative of Rompetrol Well Services & Rompetrol SA in Kurdistan, sales coordinator and then at the management level Deputy General Manager Rompetrol Well Services starting with March 2018.

- Olga Turcanu – Romanian citizen, born in 1979;  
Member of the Board of Directors between April 29, 2018 and December 31, 2021.  
Term of mandate: until April 29, 2022.  
Mrs. Olga Turcanu studied international economic relationships and economic law in the Moldova Academy of Economic Sciences both at a license and master's degree level. In 2013 Mrs. Olga Turcanu was accepted as a Member of the Association of Chartered Certified Accountants (ACCA), and starting with 2018 she has a Fellow ACCA status.  
She has professional experience in fiscal consultancy, financial audit in the oil and gas industry, economic analysis, budgeting, business planning, taxation, analysis of investment projects, corporate financing.  
She worked in various companies such as: PriceWaterhouseCoopers, Mechel Trade House, Bluehouse Capital Group, Rominserv.

- Laurentiu Madalin Coltanel – Romanian citizen, born in 1977;  
Member of the Board of Directors between February 01, 2020 - December 31, 2021.  
Term of mandate: until April 29, 2022.  
Mr. Laurentiu Madalin Coltanel holding the position of Production Engineer, later, he has held the positions of Project Manager and Operations Director within the Rompetrol Rafinare company, the Head of COO Office.

- Eugeniu – Moby Henke – Romanian citizen, born in 1973;  
Member of the Board of Directors between April 29, 2018 and December 31, 2021.  
Term of mandate: until April 29, 2022.  
He is a lawyer, graduate of the Law Faculty of the Bucharest University (1992-1996) and has a Master's Degree in Administrative Sciences (1997-1999) in the Bucharest National School of Political and Administrative Studies.  
He has professional experience in the following fields:
  - consultancy for public and private companies (organizations), governmental agencies and natural persons;
  - development and preparation of corporate systems, legal analysis of transactions, projects;
  - protection of clients' rights in general jurisdiction courts at all levels;
  - preparation, negotiation and legal support in performing contracts, agreements and other legal documents;

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- experience as a Manager of the legal department of the KMG International Group, in work teams for a series of projects (commercial, legislative, etc.).

*b) any agreement, understanding or family connection between such director and another person due to whom such person was appointed director;*

As far as directors are aware, there was no agreement, understanding or family connection between the company's directors and another person due to whom they were appointed directors.

*c) director's participation in the company's capital;*

As per the company's Shareholders' Register, consolidated on December 31, 2021, issued by the Central Depository, none of the directors participates in the company's share capital.

*d) list of the persons affiliated to the company.*

None of the members of the Company's Board of Directors is affiliated to Rompetrol Well Services S.A. as provided by FSA Regulation no. 5/2018.

**4.2. Presentation of the list of the members of the company's executive management. For each of them, the presentation of the following information:**

*a) the term for which the person is part of the executive management;*

During 2021, Management's structure was as following:

<b>No</b>	<b>Position</b>	<b>Forename and surname</b>	<b>Period</b>
1.	GENERAL MANAGER	DOSZHANOV ABZAL	January 01, 2021 - October 18, 2021
2.	GENERAL MANAGER	FLOREA GEORGIAN STEFAN	October 18, 2021 - December 31, 2021
3.	FINANCE MANAGER	MOISE LUIZA ROXANA	January 01, 2021 - December 31, 2021

*b) any agreement, understanding or family connection between such person and another person due to whom such person was appointed as member of the executive management;*

We are not aware of cases of understandings, agreements or family connections between the members of the executive management and other persons due to whom they were appointed in such position.

*c) participation of such person in the company's capital.*

According to the Company's shareholders' register, consolidated on December 31, 2021, issued by the Central Depository, no member of the executive management participates in the company's share capital.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

**4.3. For all the persons presented under 4.1. and 4.2., specification of the potential litigation or administrative procedures they were involved in, in the last 5 years, regarding their activity at the issuer and those regarding the capacity of such person to perform their duties at the issuer.**

None of the persons in the company's management was involved in the last 5 years in litigation or administrative procedures.

**5. Financial Statements**

*Presentation of an analysis of the current economic and financial situation as compared to the last 3 years, referring at least to:*

*a) balance sheet items: assets representing at least 10% of total assets; cash and other liquid available funds; reinvested profits; total current assets; total current liabilities;*

Starting with the year ended as at December 31, 2012, the Company's individual financial statements were prepared according to the provisions of Order of the minister of public finances no. 1286/2012 approving the accounting regulations according to International Financial Reporting Standards applicable to the companies whose securities are approved for trading on a regulated market, Order of the Minister of Public Finances no. 2844/2016 with all subsequent amendments and supplementations.

In order to prepare such financial statements, according to Romanian legislative requirements, the company's functional currency is deemed to be the Romanian leu (RON).

Synthesis of patrimonial items:

	2019	2020	- RON 2021
<b>Total assets, of which:</b>	<b>164,278,951</b>	<b>151,868,575</b>	<b>153,439,577</b>
Fixed assets	41,094,485	41,958,743	39,255,033
Current assets	123,184,466	109,909,833	114,184,544
<b>Total liabilities, of which:</b>	<b>164,278,951</b>	<b>151,868,575</b>	<b>153,439,577</b>
Share capital, of which:	28,557,446	28,557,446	28,557,446
Subscribed paid in share capital	27,819,090	27,819,090	27,819,090
Legal reserves	5,563,818	5,563,818	5,563,818
Other equities	102,412,242	99,452,458	103,068,569
Current profit/loss	12,170,108	4,362,952	1,629,634
Current liabilities	13,114,817	10,291,496	12,531,044
Long term liabilities	2,460,521	3,640,405	2,089,065

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

b) Statement of profit and loss account

Summary of Statement of profit or loss:

	2019	2020	- RON 2021
<b>Total revenues, of which:</b>	<b>71,661,673</b>	<b>52,695,218</b>	<b>48,700,607</b>
Operating income	66,981,161	48,595,858	45,961,136
Financial income	4,680,512	4,099,360	2,739,471
<b>Total expenses</b>	<b>58,007,084</b>	<b>48,065,704</b>	<b>46,926,418</b>
Operating expenses, of which:	57,844,704	47,713,575	46,227,637
- consumable material expenses	16,784,640	10,853,051	11,406,887
- staff costs	19,653,427	17,484,748	16,573,739
- fixed asset depreciation expenses	4,883,457	4,895,712	3,996,830
- other expenses	16,523,180	14,480,064	14,250,181
Financial expenses	162,380	352,129	698,781
<b>Gross profit/loss – profit</b>	<b>13,654,589</b>	<b>4,629,514</b>	<b>1,774,188</b>
Income tax and deferred tax	1,484,481	266,562	144,554
<b>Net profit/loss – profit</b>	<b>12,170,108</b>	<b>4,362,952</b>	<b>1,629,634</b>

Synthesis of budget indicator achievement:

	Achievements – previous year	2021	
		Budget forecasts	Achievements
Total revenues, of which:	52,695,218	53,257,500	48,700,607
Operating income	48,595,858	50,198,700	45,961,136
Financial income	4,099,360	3,058,800	2,739,471
Total expenses, of which:	48,065,704	48,431,900	46,926,418
Operating expenses	47,713,575	48,193,000	46,227,637
Financial expenses	352,129	238,900	698,781
Gross profit	4,629,514	4,825,600	1,774,188
Income tax and deferred tax	266,562	617,600	144,554
Net profit	4,362,952	4,208,000	1,629,634

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

*c) cash flow: all the changes occurred in the cash level in the basic activity, investments and financial activity, cash level at the beginning and end of the period.*

Statement of cash flows, synthesis - indirect method

	- RON		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
Net profit/loss before taxation and extraordinary items	13,654,589	4,629,517	1,774,189
Operating profit before changes in the working capital	13,305,339	5,004,516	2,987,443
<b>Net cash from operating activities</b>	<b>16,718,776</b>	<b>1,333,417</b>	<b>3,951,124</b>
<b>Net cash from investment activities</b>	<b>(11,572,624)</b>	<b>12,845,549</b>	<b>27,765,571</b>
<b>Net cash from financing activities</b>	<b>(5,374,941)</b>	<b>(14,184,794)</b>	<b>(31,640,781)</b>
Net variation of cash and cash equivalents	(230,621)	(5,065)	74,975
Unrealized forex expenses	1,832	(762)	1,139
Cash and cash equivalents at the beginning of the financial year	385,733	156,944	151,117
<b>Cash and cash equivalents at the end of the financial year</b>	<b>156,944</b>	<b>151,117</b>	<b>227,231</b>

In 2021 both the performance of agreements with clients and suppliers and the assurance of all cash available funds to pay fully and timely the salary rights, budgetary debts and dividends were managed under financial balance conditions. All investment projects were financed from its own sources. In addition to the cash recorded at the end of the financial year, the available cash in the main account, in the cash-pooling system of RON 55,022,238 as at December 31, 2021 may be used without restrictions.

<b>Indicator</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Current liquidity ratio	9,39	10,68	9,11
Receivable turnover	112	129	120
Asset turnover	1,61	1,14	1,14
Gearing ratio	0.3%	0.6%	0.4%

The gearing ratio is influenced by the application starting with January 1, 2019 of the new Leasing standard, respectively the recognition in the balance sheet positions of the debt related to the existing leasing contracts.

## 6. Corporate governance

ROMPETROL WELL SERVICES S.A. is a company listed on the Bucharest Stock Exchange – main segment, Standard share category, under symbol << PTR >>, as of **June 18, 1998**, according to decision of the Listing registration commission no. 133/March 26, 1998.

The company submits to the current legislation applicable to companies and the capital market: Company Law no. 31/1990 – as subsequently amended, Accounting Law no. 82/1991 – as subsequently amended, Law no. 297/2004 regarding the capital market – as subsequently amended, Law no. 24/2017 regarding the issuers of financial instruments and market operations, FSA Regulation no. 5/2018 regarding the issuers of financial instruments and market operations.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

The company's management adopted in a voluntary, self-imposed manner part of the provisions of the Corporate governance code of the Bucharest Stock Exchange (CGC-BSE).

The Corporate governance code of the Bucharest Stock Exchange is a set of principles and recommendations for the companies whose shares are admitted for trading on the regulated market in order to create in Romania a capital market attractive at an international level, based on the best practices, transparency and trust. The code encourages companies to build a strong relationship with their shareholders and other stakeholders, to communicate in an efficient and transparent manner and show openness to all potential investors.

The objective of the Corporate governance code of the Bucharest Stock Exchange is to raise trust in the listed companies by promoting standards of improved corporate governance in these companies.

A good corporate governance is a strong instrument to strengthen market competitiveness. The central elements of this Code are the investors' access to information and the protection of shareholders' rights. Each listed company must pursue the observance of all Code provisions. The role of a good governance is to facilitate a good and efficient entrepreneurial management, which can ensure the company's long-term success.

The stage of Rompetrol Well Services S.A. compliance with the new Corporate governance Code is presented in Annex no. 2.

According to constitutive documents, **Rompetrol Well Services S.A. is managed in a unitary system** through which the administration is provided by a board of directors formed of 5 members, elected by the ordinary general meeting of shareholders, with a term of mandate of 4 years. The Board of Directors has full powers in making any administration and management decisions besides those that law expressly gives to the General Meeting of Shareholders. By way of exception, the Board of Directors shall exercise the duties of the General Meeting of Shareholders provided by Art.113 letters b, c and f of Law 31/1990, as republished. The decisions of the Board of Directors are valid if made with the vote of the majority of present members. In case of a tie, the chairman shall have a decisive vote.

*Duties and competences of the board of directors and of the chairman of the board of directors*

The Board of Directors has the duties established by Law no. 31/1990 updated, the company's Articles of Incorporation and other duties established by the general meetings of shareholders as its tasks, respectively, mainly, the following:

- a) establish the main directions of activity and development of the company;
- b) name and revoke the Company's managers and supervise their activity;
- c) prepare the annual activity report;
- d) perform the decisions of general meetings;
- e) except for the legal deeds for whose adoption/conclusion the approval of the general assembly of shareholders is necessary, according to the imperative provisions of law, approve the adoption/conclusion on behalf of the company of the legal deeds whose object has a value comprised between USD 500,001 – USD 10,000,000; the approval is necessary if it is about a single commercial transaction made through one and/or several separate agreements, if the cumulated value of such agreements exceeds such amount;
- f) approve the Company's organizational structure;

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- g) designate and/or revoke the persons acting as company's representatives in the relationships with banks, with a first signature right, respectively with a second signature right; joint signature rules shall apply adequately to make any payment made for and on behalf of the company;
- h) approve the conditions to contract any types of loans from a bank and/or financial institution, and from any other legal person;
- i) approve the company's intermediary financial statements, prepared according to law;
- j) approve the marketing strategy and the investment plan of the company, and the annual budget (investment expenses and operational expenses), at the common proposal made by the general manager and economic manager;
- k) file the application to open the company's insolvency procedure according to law no. 85/2014 regarding the insolvency procedure.

During 2021, the membership of the Board of Directors was the following:

- Yedil UTEKOV - Chairman between January 01, 2021 – December 31, 2021;
- Eugeniu Moby HENKE - Member between January 01, 2021 – December 31, 2021;
- Abzal DOSZHANOV - Member between January 01, 2021 – October 18, 2021;
- Georgian Stefan FLOREA - Member between October 18, 2021 – October 18, 2021;
- Olga TURCANU - Member between January 01, 2021 – December 31, 2021;
- Laurentiu Madalin COLTANEL - Member between January 01, 2021 – December 31, 2021;

### 6.1. Information on the members of the Board of Directors

The CVs of the members of the Board of Directors of Rompetrol Well Services SA are available on the company's website at [rompetrolwellservices.kmginternational.com](http://rompetrolwellservices.kmginternational.com). In addition, you can also find additional information in section 4.1 hereof.

According to the criteria assessing the independence of non-executive members of the Board of Directors, on December 31, 2021, none of the directors meets the independence criteria provided by the Code principles and recommendations.

In 2021 there were 18 meetings of the Board of Directors and 30 decisions were adopted, the directors' participation in such meetings being as follows: Yedil Utekov- 18 meetings, Eugeniu-Moby Henke – 18 meetings, Olga Turcanu – 18 meetings, Laurentiu Madalin Coltanel – 18 meetings, Abzal Doszhanov – 13 meetings, Georgian Stefan Florea – 3 meetings.

All the meetings of the Board of Directors were chaired by the Chairman. Subjects and projects relevant for the Company's activity were subject to debates. Decisions were adopted, considering legal provisions, regulations, articles of incorporation and internal incidental procedures. The decisions were made with the vote „in favour“ of the majority of those present, according to the provisions of the Articles of incorporation.

For the financial year ended at December 31<sup>st</sup>, 2021, according to the legal provisions, the directors' remuneration was approved by the Ordinary General Meeting of Shareholders of April 26, 2021.

The information on the expenses related to directors' and managers' remuneration is presented in the annual financial statements and the remuneration report.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

The company has a financial auditor which performed its activity according to the applicable legal provisions and the agreements concluded in this respect. Starting with 2008, the financial auditor is “Ernst & Young Assurance Services SRL”. The financial auditor audited the annual financial statements.

**Information on other commitments and relatively permanent professional obligations of the members of the Board of Directors**

<b>Name</b>	<b>Company</b>	<b>Position</b>	<b>Period</b>
Yedil Utekov	Rompetrol Rafinare SA *	Chairman BoD	01.05.2018- 01.05.2022
	Rominserv S.R.L.*	Member BoD	15.09.2020-14.09.2024
	Rompetrol Petrochemicals *	Sole administrator	01.03.2014 – 14.03.2025
	Palplast SA *	Chairman BoD	19.10.2020 -01.11.2021
	Rompetrol Energy S.A. *	Chairman BoD	01.10.2020 – 31.01.2022
Olga Turcanu	Palplast SA *	Member BoD	15.10.2018 – 01.11.2021
	KMG Rompetrol SRL*	Finance Manager	07.07.2019 - indetermined
	Rominserv Iaifo Zalau SRL *	Member BoD	15.09.2018– 07.04.2021
Laurențiu Mădălin Colțănel	Rominserv S.R.L.*	Member BoD	15.09.2020 – 14.09.2024
	Global Security Sistem S.A. *	Member BoD	12.05.2020 – 16.05.2022
	Rominserv Iaifo Zalau*	Member BoD	07.09.2020 – 07.04.2021
	KMG Rompetrol Development SRL *	Member BoD	23.02.2021 – 22.02.2025

\* Company member of KMG International Group

### Consultative Committees

In its activity, the Board of Directors is supported by an consultative committee, namely the Audit Committee, being entrusted with concluding analysis and preparing recommendations for the Board of Directors, in the specific areas of activity, having the obligation of submitting periodic activity reports to the members of the Board of Directors.

The Audit Committee has been established based on the Decision No.4 of the Board of Directors as of April 29, 2018.

A detailed description of the tasks and responsibilities of the Advisory Committees is found in the Organizational and Operational Guidelines approved by the Board of Directors, regulations published on the company’s webpage rompetrolwellservices.kmginternational.com, section “Relationship with investors – Corporate Governance – Corporate Governance Documents”.

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

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

During 2021, the structure of the Audit Committee was as follows:

- Dan Alexandru Iancu - Chairman in the period 01.01.2021 – 31.12.2021
- Yedil Utekov - Member in the period 01.01.2021 – 31.12.2021
- Olga Turcanu - Member in the period 01.01.2021 – 31.12.2021

*Information about the meetings of the Audit Committee during 2021*

In 2021 there were 11 meetings of the Audit Committee and 8 decisions were adopted, the members' participation in such meetings being as follows: Dan Alexandru Iancu - 11 meetings, - 11 meetings, Olga Turcanu - 11 meetings, Yedil Utekov – 11 meetings.

## 6.2. Executive management

The Company's management prerogatives are delegated by the shareholders through the Articles of Incorporation to the General Manager and the Finance Manager.

In 2021, the company's executive management was provided by the following managers:

- Mr. Abzal DOSZHANOV - General Manager between January 01, 2021 – October 18, 2021
- Mrs. Stefan Georgian FLOREA - General Manager between October 18, 2021 – December 31, 2021
- Mrs. Luiza Roxana MOISE - Finance Manager between January 01, 2021– December 31, 2021

The term of mandate for the General Manager and the Finance Manager ends on April 29, 2022.

## 6.3. Shareholders' rights

ROMPETROL WELL SERVICES S.A. ensures an equitable treatment to all shareholders, including minority and foreign shareholders, according to the legal provisions and the provisions of the Company's Articles of Incorporation.

The company makes all diligences to facilitate the shareholders' participation in the proceedings of the general meeting of shareholders (GMS). ROMPETROL WELL SERVICES shareholders have the possibility to participate in the GMS directly, through a representative based on a special power of attorney or may vote by correspondence (by sending the correspondence vote form through any form of courier service or by e-mail with extended electronic signature incorporated according to Law no. 455/2001 regarding electronic signature).

According to article 11 of the Company's Articles of Incorporation, corroborated with the legal applicable provisions, the **Ordinary General Meeting** meets at least once a year within the imperative term provided by law, and has the following main duties:

- a) to discuss, approve or amend the annual financial statements, based on the reports submitted by the board of directors and the financial auditor, and to set the dividend;
- b) to elect and revoke the company's directors;
- c) to name and set the minimum term of the financial audit agreement, and to revoke the financial auditor;
- d) to set for each year in progress the remuneration due to directors;
- e) to decide on the directors' management;
- f) to analyse the activity of the board of directors and decide to prosecute the directors for the damages caused to the company, also designating the person in charge with exercising such prosecution;

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- g) to establish the income and expense budget and as the case may be the activity program, over the next financial year;
- h) to decide the pledging, lease or dissolution of one or more units of the company;
- i) to approve the maximum limits of remuneration of the persons occupying/exercising management positions, when law so provides.

**The Extraordinary General Meeting** has the following duties:

- a) change the company's legal form;
- b) move the company's headquarters;
- c) change the company's object of activity;
- d) establish or dissolve secondary headquarters: branches, agencies, representative offices or other such units devoid of legal status unless otherwise provided through the articles of incorporation;
- e) extend the company's duration;
- f) increase the share capital;
- g) decrease the share capital or replenish it through an issuance of new shares;
- h) merge with other companies or divide the company;
- i) early dissolve the company;
- j) convert shares from one category to another;
- k) convert a category of bonds in another category or in shares;
- l) issue bonds;
- m) approve the adoption/conclusion on behalf of the company of the legal deeds whose object has a value higher than USD 10,000,000;
- n) any other amendment of the articles of incorporation or any other decision for which the approval of the extraordinary general meeting is required.

The extraordinary general meeting delegates to the board of directors the exercise of the duties provided under letters b) and c) of the above paragraph.

The extraordinary general meeting may delegate to the board of directors the share capital increase according to the provisions of Law no.24/2017.

### **Performance of the General Meeting of Shareholders**

The general meeting of shareholders is called by the directors whenever necessary, by publishing an announcement in the Official Gazette of Romania, Part IV, and in one of the local or national wide circulation newspapers in the locality where the company's headquarters are located. The call shall include: the place, date and time of the meeting, the agenda, explicitly specifying all the problems to be subject to the meeting debate, a clear and precise description of the procedures that must be observed by the shareholders to be able to participate and vote in the general meeting and any other mentions provided by the legislation specific to the capital market.

When proposals to amend the articles of incorporation are mentioned on the agenda, the call shall include the full text of proposals.

When the directors' election is mentioned on the agenda, the call shall include the specification that the list regarding the name, domicile locality and professional qualification of the persons proposed for the director position is at the shareholders' disposal, and may be consulted and supplemented by them.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

The general meeting may assemble at the Company's headquarters or in other places established by directors through the call. Shareholders may also be represented in the general meeting by persons not having the capacity as the Company's shareholder.

The general meeting is chaired by the Chairman of the Board of Directors or a person appointed by them, designating, from among the members of the general meeting or from among the company's shareholders, one to three secretaries, plus one technical secretary from among the employees. They shall draft the shareholders' attendance list, verifying the following:

- the identity documents of the persons coming to the meeting of the General Meeting as shareholders or proxies thereof;
- the special/general power of attorney presented by the lawyers' proxies;
- the correspondence vote forms.

The meeting secretary shall also verify the performance of the legal conditions regarding the presence quorum of shareholders for the validity of general meetings.

If the ordinary or extraordinary general meeting cannot work because of the failure to meet the attendance legal conditions, the meeting will assembly on a second call may debate on the items on the agenda of the first assembly, irrespective of the met quorum, making decisions with the majority of expressed votes.

After the presentation of the materials related to the agenda, the matters subject to the shareholders' debate are subject to vote by the Meeting Chairman.

The decisions of the general meeting are made by open vote, except for the cases when the general meeting decides that the vote is secret or law imposes the secret vote.

*Each action entitles to one vote in the General Meeting sessions.* The person representing several shareholders based on special powers of attorney expresses the votes of the represented persons by totalizing the number of votes "in favour", "against" and "abstention" without compensating them (for instance "under item x on the agenda I represent „a" votes „in favour", „b" votes „against" and „c" „abstentions"). The votes so expressed are validated or, as the case may be, invalidated, based on counterpart three of special powers of attorney, by the secretary of the general meeting. The votes mentioned in the special power of attorney are exercised only in the manner wished by the shareholder.

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

### **Decisions adopted by the general meetings of shareholders during the year 2021:**

***The Ordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of January 28, 2021*** decided as follows:

- rejects the change of the destination of the other reserves and the retained earnings from the company's net profit obtained by the company in the preceding years amounting to 84,370,865 lei and the distribution of this amount as a special dividend to shareholders with a value of 0.3033 lei gross / share and the date of payment of dividends as of June 24<sup>th</sup> 2021.
- approves the termination of Mr. Timur Zhetpisbayev's mandate as a member of the Board of Directors following his request starting with the 9<sup>th</sup> of September 2020.
- approves the termination of Mr. Saduokhas Meraliyev's mandate as a member of the Board of Directors following his request starting with the 1st of October 2020.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- approves the Election of 2 (two) new members of the Board of Directors of the Company, as follows:
  - a. Mr. UTEKOV YEDIL, as new member of the Board of Directors of the Company for a term that will begin with the date of this Ordinary General Meeting of Shareholders and which will expire on 29<sup>th</sup> of April 2022 (the expiration date of the term of office of the current members of the Board of Directors ).
  - b. Mr. DOSZHANOV ABZAL, as new member of the Board of Directors of the Company for a term that will begin with the date of this Ordinary General Meeting of Shareholders and which will expire on 29<sup>th</sup> of April 2022 (the expiration date of the term of office of the current members of the Board of Directors ).
- approves, setting the dates 04.06.2021 as Registration Date, according to art. 86 (1) of the Law no. 24/2017;
- approves, setting the dates 03.06.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018;
- approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this OGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purposes

***The Extraordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of January 28, 2021*** decided as follows:

- rejects the policy of distribution of the company's profit and dividend in accordance with the proposals of the company's shareholder KJK Balkan S.a.r.l.
- approves the policy of distribution of the company's profit and dividend in accordance with the proposals of the company's shareholder KMG International NV.
- approved, setting the dates 04.06.2021 as Registration Date, according to art. 86 (1) of the Law no. 24/2017;
- approved setting the date 03.06.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018.
- approved the authorize Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this EGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

***The Extraordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of March 29, 2021*** decided as follows:

- approves ratification of the execution by the Company with OMV Petrom of the “ Framework Agreement and Subsequent Contract for Provision of Matrix stimulation (acidizing) services.”
- approves, setting the dates 14.04.2021 as Registration Date, according to art. 86 (1) of the Law no. 24/2017
- approves, setting the dates 13.04.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this EGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.
- rejects a program for re-purchasing the own shares by the Company to decrease its share capital for a maximum 27,819,090 shares (representing 10% of the total number of shares) in the following conditions:
  - a) The program shall be performed only for the decrease of the Company's share capital;
  - b) Maximum number of shares that can be redeemed: maximum 27,819,090 shares;
  - c) The minimum price per share shall be 0.1 lei;
  - d) The maximum price per share shall be 1.5 lei;
  - e) Duration of this program: maximum 18 months as of the publishing of the Extraordinary General Shareholders Meeting's Resolution in Part IV of the Romanian Official Gazette;
  - f) The payment of the shares re-purchased by the Company through this program shall be made from the sources provided by the law;
  - g) The re-purchase of the shares within this program will be carried out through all the market operations allowed by the law, which may also include public tender offers initiated by the Company, in compliance with the legal provisions.

For the implementation of this program, the Company's Board of Directors will be empowered to adopt all the necessary measures and to fulfil all the required formalities, in compliance with the above conditions.

- approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this EGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

***The Ordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of April 26, 2021*** decided as follows:

- approves the annual individual financial accounts having as closing day the day of December 31, 2020, prepared according to the International Financial Reporting Standards, based on the Report of administrators and the Report of financial auditor of the Company.
- approves the distribution of Company net profit achieved in 2020 amounting RON 4,362,951 as dividends respective 0.0156833 lei gross value/share.
- approves the change of the destination of the reserves constituted from the net profit of the company obtained in the previous years in the amount of RON 29,210,045 and the distribution of this amount as dividends to shareholders, respectively RON 0.1050 gross / share.
- approves the discharge of liability of the Company directors for their activity carried out during the financial year 2020, based on the presented reports.
- approves the Income and Expenditure Budget and the Investment plan for 2021.
- rejects the Remuneration policy of the management structure of the Company drafted in accordance with the provisions of art. 92<sup>1</sup> of Law no. 24/2017 on issuers of financial instruments and market operations.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- approves the Remuneration policy of the management structure of the Company drafted in accordance with the provisions of art. 92<sup>1</sup> of Law no. 24/2017 on issuers of financial instruments and market operations, according to the proposal of KMG International NV.
- approves the monthly gross remuneration of the members of the Board of Directors for the financial year 2021, and the general limit of the additional remuneration of the Board of Directors members to whom specific positions within the Board of Directors were assigned to.
- approves, setting the dates 18.06.2021 as Registration Date, according to art. 86 (1) of the Law no. 24/2017;
- approves, setting the dates 17.06.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018;
- approves, setting the dates 08.07.2021 as the Payment day according to art. 86 (2) of the Law 24/2017, art. 2 para. 2 letter h) and art. 178 of Regulation 5/2018
- approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this OGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

***The Ordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of October 20, 2021*** decided as follows:

- rejects the revocation of the company's administrators for non-compliance with the provisions of art. 94 para. (1) lit. b) of Law no. 24/2017, respectively of art. 111 para. (1) lit. b) of Law no. 24/2017, republished.
- rejects the dismissal of the company's auditor, Ernst & Young Assurance Services SRL, for non-compliance with the provisions of art. 94 para. (1) lit. b) of Law no. 24/2017, respectively of art. 111 para. (1) lit. b) of Law no. 24/2017, republished.
- rejects election Mr. Lefter Razvan Stefan of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects election Mr. Ventseslav Petrov Avramov of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects election Mr. Yedil Utekov of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects election Mr. Abzal Doszhanov of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects election Mrs. Olga Turcanu of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects election Mr. Eugeniu Moby Henke of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

- rejects election Mr. Laurentiu Madalin Coltanel of company administrators, for a term of office of 2 years, starting with the date of election of the administrators and ending at the end of the 2-year term from the date of their election.
- rejects the appointment of the financial auditor of the company for a period of 2 years starting from the date of election of the financial auditor and ending at the end of the 2-year term from the date of his election.
  - rejects the remuneration of the newly elected administrators, which will have a value equal to the value previously approved by the general meeting of shareholders of the company.
  - approves, setting the dates 09.11.2021 as Registration Date, according to art. 87 (1) of the Law no. 24/2017
  - approves, setting the dates 08.11.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018
  - approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this OGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

**The Extraordinary General Meeting of Shareholders of ROMPETROL WELL SERVICES S.A. of October 20, 2021** decided as follows:

- approves, setting the dates 09.11.2021 as Registration Date, according to art. 87 (1) of the Law no. 24/2017.
- approves, setting the dates 08.11.2021 as the “ex-date”, according to art. 2, para. 2, letter l) of Regulation no. 5/2018
- approves empowering Mr. Abzal Doszhanov, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this EGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

**Shareholders’ right to dividends**

If the General Meeting of Shareholders approves the distribution of dividends from the net profit achieved by the company, all the shareholders registered in the shareholders’ register on the registration date decided by the General Meeting, who approve the value of dividends and the date they are paid to shareholders, are entitled to receive dividends.

**6.4. Transparency, communication, financial reporting**

Romp petrol Well Services gives special importance to transparency in communication. Considering that public trust is essential for the company’s operation, the Company makes of its communication policy an explicit and mutual commitment between the company and its interlocutors. The performance of reporting obligations and communication transparency are manners by which investors’ trust is gained.

The company considers to ensure continuous and periodical reporting in an objective and honest manner comprising all the important aspects of the company’s activity, the financial statements, the applied accounting policies, the registered performances.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

In 2021 reports and press releases regarding the financial results, the GMS call and decision, the periodical reporting (monthly, quarterly, bi-annual, annual) etc were prepared. The information which made the object of mandatory reporting – current and periodical reporting was communicated to the market operator, the Bucharest Stock Exchange, the Financial Supervision Authority and was available by posting on the Company's website, rompetrolwellservices.kmginternational.com in the Relationships with Investors Section.

To ensure the investors' equal access to information, the posting on the Company's web site of the reports and releases addressed to market participants is made after they were posted on the web site of the market operator, the Bucharest Stock Exchange.

According to legal provisions, financial and accounting situations and those regarding Rompetrol Well Services operations are audited by Ernst & Young Assurance Services SRL, independent financial auditor, appointed by the general meeting of shareholders of April 27, 2020 for a period of 2 year.

### **Contact for the relationship with investors**

The annual, bi-annual and quarterly reports are provided to shareholders, at their request. Requests may also be made in electronic format, by e-mail to: investor.relations.rws@rompetrol.com.

### *Internal control and risk management systems in relation to financial reporting procedures*

The company continuously adapted the internal control mechanism as an ensemble of work procedures and methods to prevent facts contrary to the Company's economic interests and the regulated framework to perform the activity, identify deficiencies and establish the necessary measures to re-establish the regulated framework. It mainly targets the financial relations, phenomena and processes, in order to ensure a good operation of the economic activity. Also, aspects related to the opportunity, necessity and economy of the operations performed by the company are analysed. In terms of financial reporting procedures, both procedures for internal reporting at the company's level and for external reporting outside the company are developed. Procedures are reviewed periodically by the company's functional departments. Financial reporting systems are based on principles, rules and legal regulations in force.

### **6.5. Social responsibility**

Rompetrol Well Services S.A., a Group member of the KMG International, directly supports social responsibility initiatives initiated at Group level and is actively involved in social projects in the communities close to its operations. Our efforts to improve the livelihood of local communities cover all aspects of human life, closely aligned with sustainable development principles.

### **Community involvement**

KMG International is an important investor in the Romanian economy, at the same time being a responsible corporate citizen. All companies that are part of the Group have a holistic approach on sustainability, which is why our efforts to improve the quality of life for local communities target all aspects of human life, from environmental protection or social involvement, to health and well-being, culture and education, development of professional and leadership skill.

Social responsibility and sustainability are core principles that guide us in our strategic development and operational management. We strive to become one of the most sustainable

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

players in the national and regional energy market, while being constantly involved in the communities in which we operate.

Our commitment to environmental protection, economic development and social involvement is deeply rooted in our global and local operations, as we understand our important role and our valuable contribution to achieving the Sustainable Development Goals (SDGs) included in the United Nations 2030 Agenda for Sustainable Development.

We actively contribute to the development of the communities where we carry out our activity by using local providers, employing local labour force and at the same time implementing relevant social responsibility projects. Our involvement is based on consulting relevant stakeholders, so that we can identify the projects with the highest added value for our communities.

### **Community and corporate partnerships**

Over the years, Rompetrol Well Services S.A. has developed strong partnerships with representatives from academia and civil society, aimed at strengthening social responsibility projects developed for the communities in which we operate. Through dialogue with various stakeholders, including NGOs, local authorities and communities, government or actors from academia and civil society, we believe we can identify the right sustainable development opportunities.

Education is an important pillar for our social responsibility strategy. We have collaborated with universities and high schools with technical profile from all over the country (eg. the Petroleum-Gas University of Ploiești, the Lazăr Edeleanu Technological High School), who have supported us in our various educational investment projects.

2021 marked the 20th anniversary of the "Ready for Your Career" internship program, with Ploiesti university students being enrolled. For 20 years we have been training future industry professionals through our traditional Internship program. Due to the challenging external context, this year's edition was a hybrid between face-to-face and online activities. After comprehensive induction sessions designed to help interns better understand the oil and gas industry, Rompetrol's activities, the fundamentals of an upstream activity and its economic implications, the interns went through 2 weeks of online study, followed by on-site training provided by mentors at Rompetrol Well Services platform. The online curricula consisted in the development of soft skills: communication, project management, personal branding and other skills required at the start of the career, while on-site learning was focused on technical skills development. The anniversary edition of the program went beyond knowledge transfer and skill development and included a shared value component, the "Community Challenge" project which provoked the interns to also bring change in their communities by addressing real needs and humanitarian causes.

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

## 7. Annexes

*a) the company's incorporation documents if they were amended in the year the reporting is made for;*  
Not applicable.

*b) resignation/demission documents, if such situations existed among administration members, executive management, censors;*  
In the reporting year, intervened the request of Mr. Abzal Doszhanov to give up the director capacity starting with October 18, 2021.

*c) list of the company's subsidiaries and of the companies controlled by it;*  
Romp petrol Well Services S.A. has no subsidiaries or companies controlled by it.

*d) list of the persons affiliated to the company*

Romp petrol Well Services S.A. is part of KMG International Group.  
The Group is registered at the Financial Supervisory Authority.

The parent companies of Rom petrol Well Services S.A. are the national company Welfare Fund "Samruk-Kazyna" (90%) and the National Bank of the Republic of Kazakhstan (10%), companies based in Kazakhstan, wholly owned by the State of Kazakhstan.

The affiliated parties are presented bellow:

1. Companies with headquarter in Romania
  - Oilfield Exploration Business Solutions S.A.
  - Rom petrol Downstream S.R.L.
  - Rom petrol Rafinare S.A.
  - Rom petrol Logistics S.R.L.
  - Rominserv S.R.L.
  - Rom Oil S.A.
  - Global Security Sistem S.A.
  - Uzina Termoelectrică Midia S.A.
  - Rom petrol Petrochemicals S.R.L.
  - Rom petrol Quality Control S.R.L.
  - Rom petrol Financial Group S.R.L.
  - Rom petrol Gas S.R.L.
  - Midia Marine Terminal S.R.L.
  - KMG Rom petrol S.R.L.
  - Byron Shipping S.R.L.
  - Rom petrol Energy S.A.
  - KMG ROMPETROL DEVELOPMENT S.R.L.
  - Fondul de Investitii in Energie Kazah-Roman S.A.
  - KMG Rom petrol Services Center SRL
  - Rom petrol Drilling S.R.L. - suspended activity

ROMPETROL WELL SERVICES S.A.  
ANNUAL REPORT OF THE BOARD OF DIRECTORS for the 2021 financial year

---

2. Companies with headquarter abroad

- KMG International N.V.
- Byron Shipping LTD
- Intreprinderea Mixtă "Romp petrol Moldova" S.A.
- Rompetrol Georgia LTD
- Rompetrol France SAS
- Dyneff SAS
- TRG PETROL TICARET ANONIM ŞİRKETİ
- Rompetrol Bulgaria JSC
- KazMunayGaz Trading A.G.
- Benon Rompetrol LLC

Note: there are also 9 branches and representative offices ale KMG International Group

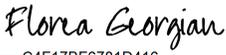
CHAIRMAN OF THE BOARD OF DIRECTORS,

Mr. Yedil UTEKOV

DocuSigned by:  


2D8DB454E0ED4A0  
GENERAL MANAGER,

Mr. Georgian Stefan FLOREA

DocuSigned by:  


C4F17BF6781D416  
FINANCE MANAGER,

Mrs. Luiza Roxana MOISE

DocuSigned by:  


564191DA489F41E...



ROMPETROL WELL SERVICES

Clopotei 2 bis Street  
Ploiesti, Prahova County,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

**Annex no. 1**

**Turnover by type of services  
For periods ending at 2019, 2020 and 2021**

Type of service	2019		2020		2021	
	Actual Value (RON)	%	Actual Value (RON)	%	Actual Value (RON)	%
<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Cementing-Pumping services	42.242.753	63.9%	27.361.114	57.4%	24.543.531	55.0%
Stimulation services	15.606.617	23.6%	15.243.166	32.0%	14.872.756	33.3%
Nitrogen services	5.362.406	8.1%	2.817.566	5.9%	2.305.249	5.2%
Casing Running services	926.174	1.4%	638.161	1.3%	563.528	1.3%
Tools Rental services	350.358	0.5%	33.127	0.1%	38.831	0.1%
Sand Control Services	298.269	0.5%	43.086	0.1%	0	0.0%
Other services	1.349.192	2.0%	1.531.598	3.2%	2.273.261	5.1%
<b>TOTAL</b>	<b>66.135.769</b>	<b>100%</b>	<b>47.667.818</b>	<b>100%</b>	<b>44.597.156</b>	<b>100%</b>

**PRESIDENT OF THE BOARD OF DIRECTORS,****Mr. Yedil Utekov**

DocuSigned by:  
*UTEKOV YEDIL*  
2D8DB454E0ED4A0...

**GENERAL MANAGER,****Mr. Georgian Stefan Florea**

DocuSigned by:  
*Florea Georgian*  
C4F17BF6781D416...

**FINANCE MANAGER,****Mrs. Luiza Roxana Moise**

DocuSigned by:  
*Luiza Moise*  
564191DA489F41E...



ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

Appendix no.2

**Status of compliance of the BSE Corporate Governance Code  
as of December 31<sup>th</sup>, 2020**

<b>Corporate Governance Code</b>	<b>Compliance</b>	<b>Not compliant or partial compliant</b>	<b>Reason for the non-compliance</b>
<b>A.1.</b> All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
<b>A.2.</b> Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quotate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
<b>A.3.</b> The Board of Directors or the Supervisory Board should have at least five members.	YES		
<b>A.4.</b> The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.		Partial compliance	The majority of the members of the Board are non-executive members. Currently there are no independent directors.
<b>A.5.</b> A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be	YES		



## ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

disclosed to shareholders and to potential investors before appointment and during his/her mandate.			
<b>A.6.</b> Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
<b>A.7.</b> The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
<b>A.8.</b> The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NOT	The company is in process of developing a policy / guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
<b>A.9.</b> The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
<b>A.10.</b> The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board	YES		
<b>A.11.</b> The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		N/A	The company is included in the Standard Category.
<b>B.1.</b> The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
<b>B.2.</b> The audit committee should be chaired by an independent nonexecutive member.	YES		



## ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

<b>B.3.</b> Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		Partial compliance	See comments presented at B.6.
<b>B.4.</b> The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		Partial compliance	See comments presented at B.6.
<b>B.5.</b> The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The Regulation of the Audit Committee approved contains provisions in relation to this obligation. The Regulation of the Audit Committee will be revised to include provisions on the evaluation of conflict of interest in connection with the Company's transactions with the affiliated parties.
<b>B.6.</b> The audit committee should evaluate the efficiency of the internal control system and risk management system.		Partial compliance	The responsibility to monitor the efficiency of internal control systems, internal audit and risk management of the company is stipulated in the Regulation of the Audit Committee. Audit Committee evaluates on a continuous bases components of the internal control system.
<b>B.7.</b> The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
<b>B.8.</b> Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
<b>B.9.</b> No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
<b>B.10.</b> The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		Partial compliance	According to the Articles of Incorporation art. 15 alin. 1 letter k, all transactions that respect the mentioned criteria are approved by the Board si are included in current reports according art. 108 Law 24/2017 (R)



## ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

<b>B.11.</b> The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
<b>B.12.</b> To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		
<b>C.1.</b> The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	YES		
<b>D.1.</b> The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		
<ul style="list-style-type: none"> <li><b>D.1.1.</b> Principal corporate regulations: the articles of association, general shareholders' meeting procedures;</li> </ul>	YES		
<ul style="list-style-type: none"> <li><b>D.1.2.</b> Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and not-for-profit institutions;</li> </ul>		Partial Compliance	The recommendation is not implemented as concerns other professional commitments of the Board's members, including executive and non-executive positions in the boards of administration of other companies or non-profit institution.
<ul style="list-style-type: none"> <li><b>D.1.3.</b> Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code</li> </ul>	YES		
<ul style="list-style-type: none"> <li><b>D.1.4.</b> Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken;</li> </ul>	YES		



## ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

<ul style="list-style-type: none"> <li>• <b>D.1.5.</b> Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions;</li> </ul>	YES		
<ul style="list-style-type: none"> <li>• <b>D.1.6.</b> The name and contact data of a person who should be able to provide knowledgeable information on request;</li> </ul>	YES		
<ul style="list-style-type: none"> <li>• <b>D.1.7.</b> Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports.</li> </ul>	YES		
<b>D.2.</b> A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES		
<b>D.3.</b> A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		NOT	The requirement will be implemented.
<b>D.4.</b> The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
<b>D.5.</b> The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
<b>D.6.</b> The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		



## ROMPETROL WELL SERVICES

Strada Clopotei, nr. 2 bis,  
Ploiesti, Judetul Prahova,  
ROMANIA

phone: +(40) 244 54 43 21  
+(40) 244 54 42 65  
email: office.rws@rompetrol.com  
www.petros.ro  
[www.rompetrol.com](http://www.rompetrol.com)

<b>D.7.</b> Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.	YES		
<b>D.8.</b> The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	YES		
<b>D.9.</b> A company should organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.		Partial Compliance	The regular reports prepared by the company to disclose its financial items are complete, highly transparent and relevant in terms of information necessary for making investment decisions. The organization of such events will be established depending on the requests from investors.
<b>D.10.</b> If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	YES		

## CHAIRMAN OF THE BOARD OF DIRECTORS,

Mr. Yedil Utekov

DocuSigned by:  
*UTEKOV YEDIL*  
2D8DB454E0ED4A0...

GENERAL MANAGER,

Mr. Georgian Stefan Florea

DocuSigned by:  
*Florea Georgian*  
C4F17BF6781D416...

FINANCE MANAGER,

Mrs. Luiza Roxana Moise

DocuSigned by:  
*Luiza Moise*  
564191DA489F41E...

**AFFIDAVIT**

The undersigned, **Yedil Utekov**, in capacity of Chairman of the Board, **Georgian Stefan Florea**, in capacity of General Manager and **Roxana Luiza Moise** in capacity of Finance Manager, in consideration of the provision of art. 65 of Law no.24/2017 regarding issuers of financial instruments an market operations and of the provision republished of Regulation no. 5/2018 regarding on issuers of financial instruments and market operations, hereby declare that, to the best of our knowledge, the annual financial accounting statements on December 31, 2020 prepared in compliance with the applicable accounting standards offer an accurate and true image of the assets, liabilities, financial standing, profit and loss account of the Company and, the Report of the Board of Directors comprise a correct analysis of the Company's development and performance, as well as a description of the main risks and uncertainties specific to the performed activity.

**Chairman of the Board of Directors,****Yedil Utekov**

DocuSigned by:  
  
2D8DB454E0ED4A0...

**General Manager****Georgian Stefan Florea**

DocuSigned by:  
  
C4F17BF6781D416...

**Finance Manager,****Roxana Luiza Moise**

DocuSigned by:  
  
564191DA489F41E...

**S.C. Rompetrol Well Services S.A.**

# 2 bis Clopotei Street, 100189, Ploiesti, Prahova County, ROMANIA  
phone: + (40) 244 544321; fax.: + (40) 244 522913; email: [office.rws@rompetrol.com](mailto:office.rws@rompetrol.com); [www.rompetrol.com](http://www.rompetrol.com)