

HALF-YEAR REPORT OF THE BOARD OF DIRECTORS

**prepared in accordance with Regulation FSA no.5/2018
for the first half-year of 2022**

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. (PTR) is one of the major suppliers of well services in Romania. The company offers a wide range of services for oil and gas wells. These services include cementing, stimulation, tubular running operations etc.

In the first half of this year, the upstream market continued to be volatile, with a low level of new investment and works from our main customers. Moreover, the geopolitical context and the uncertainty facing the region during this period triggered a sharp increase in purchase prices for goods and services contracted by the Company for current activities, but also a fluctuation in delivery times.

Although in 2022 we expect the market to be still volatile, with a low level of new investment from our main customers, we estimate the Company's flexibility in terms of the type of services provided, along with a strong financial position, including cash and cash equivalents, will allow the operational activity to register a level similar to the one recorded in 2021.

1. Economic and financial position

1.1. Presentation of a current economic and financial analysis in comparison with the same period of the last year, with reference to at least the following:

a) balance sheet items: assets accounting for at least 10% of total assets; cash and other available funds; reinvested profits; total current assets; company's debts situation; company total current liabilities;

	At	-lei At
	30.06.2022	30.06.2021
Fixed assets	49,664,942	37,086,891
Current assets, of which:	112,849,886	113,806,614
Cash and availabilities in cash-pooling system	72,551,276	88,007,051
Total assets	162,514,828	150,893,505
Equity, of which:	90,711,935	105,647,818
Current year profit / (loss)	(564,707)	1,284,141
Long term liabilities	11,238,218	3,223,172
Current liabilities	60,564,675	42,022,515
Total equity and liabilities	162,514,828	150,893,505

The net value of fixed assets had recorded an increasing trend, the significant impact being given by the increase in Right-of-Use Assets, represented by financial lease for two production equipment (cement pumping units).

The decrease in equity is the direct consequence of the decision to distribute previous year profit as dividends in full (1.6 mil lei), as well as from distribution of dividends from previous years reserves and other reserves (45.9 mil lei).

Long term liabilities increase is generated mainly by the recognition of finance lease liability.

The current liabilities increase was generated mainly by the recognition of the dividends granting obligation in amount of 47.5 million lei established based on the Annual General Meeting of Shareholders on April 27, 2022. The due date for the obligation settlement towards the shareholders of the company was established on October 25, 2022.

b) the profit and loss account: net sales; gross income; cost and expenditure items representing for at least 20% of net sales or of gross income ; provisions for risks and various expenses ; reference to any sale or discontinuation in one activity segment during the last 6 months or during the following 6 months ; dividends declared and paid;

Economic and financial indicators achieved in the first six months of this year, shows the direct effects of current economic conditions.

	- lei	
	H1 2022	H1 2021
Operating income, out of which:	23,291,382	22,913,067
Services performed	22,967,704	22,284,069
Operating expenses	(24,794,748)	(22,614,898)
Operating result	(1,503,366)	298,169
Net financial income	938,659	1,096,302
Net Result	(564,707)	1,284,141

The negative impact in operating expenses is triggered by rapid increase of purchase prices for direct costs (such as materials, fuel, gas) as a result of market reaction to the geopolitical context.

c) cash flow: all the changes occurred in the cash flow generated by the main activity, by investments and financial activities, the cash flow at the beginning and at the end of the period.

Statement of Cash Flows

Indirect method

	- lei	
	H1 2022	H1 2021
Net cash flow (used in) generated by operating activities	17,345,7699	4,360,414
Net cash from investments	(15,994,426)	(4,179,707)
Net cash flows from financing activities	(1,178,172)	(183,019)
Net increase / (decrease) of cash and cash equivalents	172,246	(2,364)
Cash and cash equivalents at the beginning of the financial year	227,231	151,117
Cash and cash equivalents at the end of reported period	400,402	148,804

During the first six months of the year 2022, all the company's commitments were respected, managed in financial equilibrium, ensuring the cash availability for full and timely payment of commercial commitments, salaries, budgetary obligations and dividends. Solid liquidity position allowed the Company to address working capital requirements in full from own sources. In addition to the cash presented at the end of the reporting period, the Company can use also without restrictions the own cash resources from cash-pooling master account, in amount of 72,234,970 lei at 30.06.2022, respectively 87,633,743 lei at 30.06.2021.

	H I 2022	H I 2021
1. Liquidity indicators		
Current liquidity indicator	1.86	2.71
2. Gearing ratio	13.2%	0.3%
3. Activity indicators		
Turnover speed of debits - clients (days)	101.11	63.95
Turnover speed of fixed assets	0.47	0.61

The indicators presented above reflect the preservation of financial independence, even in the conditions of decreased activity.

We specify that financial information for the reported period January 1st 2022 – June 30th 2022 was not audited. The auditor's report shall be prepared only annually at the end of each year - calendar year. Financial auditor of the Company is Ernst & Young Assurance Services SRL, a company specialized and recognized as independent auditor and audit of annual statements is made in purpose of offering a clear view in all material respects, of the financial position of the company, of the results of its operations, of the situation changes in equity, as well as of the situation cash flow statement.

2. Analysis of the company's activity

2.1. Presentation and analysis of trends, elements, events or uncertainty factors which affect or could affect the company's liquidity position, in comparison with the same period of the last year.

The current context of the upstream market, with increased oil price volatility, negative impact of the Covid-19 pandemic and existing geopolitical conditions, continue to determine large companies in this sector to maintain a low level of investment. However, the Company managed to partially compensate for these negative effects, by applying a flexible policy on the type of services offered, as well as by a prudent approach towards costs, while maintaining its social responsibilities.

To ensure success in service quality, health and safety of employees and environment protection, Rompetrol Well Services has implemented and maintains since 2006 an integrated management system certified according to ISO 9001, ISO 14001 and ISO 45001.

2.2. Presentation and analysis of the effects on the company's financial position of all capital expenditure, either current or anticipated (by mentioning the purpose and the source of finance for the expenditure), in comparison with the same period of the last year.

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

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 and the value financed in the amount of EUR 2,412,000. The Company paid in the first half of the year 2020 the advance, as part of the leasing contract, in amount of RON 1,297,120. The equipment was delivered in the first half of 2022 which resulted in the recognition of assets under the category rights of use of assets and corresponding lease liability in the amount of RON 12,061,957.

The Company will continue with the investment programme for the year using own financing sources, in order to maintain the high quality of equipment and continue to offer services with a high degree of complexity to its customers.

2.3. Presentation and analysis of the events, transactions, economic changes which significantly affect the income generated by the main activity. Mention of the extent to which the income has been affected by each element identified. Comparison with the same period of the last year.

The current market context impacted the upstream activity in Romania, the level of activity being similar with one recorded in same period of previous year and with 14% lower than the first six months of year 2020.

3. Changes which affect the company's capital and administration

3.1. Description of the situations when the company was unable to fulfil its financial obligations within that period.

The Company was able to meet all its financial obligations, having permanently liquidities, the obligations being paid within the deadlines set by the legislative norms or the contractual clauses.

3.2. Description of any change in the rights of holders of securities issued by the company.

The transferable securities issued by SC Rompetrol Well Services S.A. are admitted to the Bucharest Stock Exchange, under category II, starting with 18.06.1998 and are traded on this market under the symbol PTR.

The registered capital at June 30th 2022 is 27,819,090 RON equivalent to 278,190,900 shares with a nominal value of 0.10 RON / share.

During the first half of 2022 there was no change as regards the rights of holders of securities issued by the Company.

At June 30th, 2022, no person from the Company's management participates in the share capital of the company.

4. Significant transactions

In the case of issuers of shares, information on major transactions concluded by the issuer with the persons that act in concert or in which these persons have been involved in the relevant time period.

The transactions with the affiliated parties carried out during the reporting period are as follows:

Sales	H1 2022
KMG Rompetrol SRL	1,556,095
Rompetrol Logistics S.R.L.	108,296
KMG Rompetrol Services Center SRL	3,857
Oilfield Exploration Business Solutions S.A.	77
Rompetrol Rafinare S.A.	155
Rompetrol Drilling S.R.L.	181
Rominserv SRL	108
Total	1,668,770

Acquisitions	H1 2022
Rompetrol Downstream S.R.L.	2,121,830
KMG Rompetrol SRL	1,909,963
KMG Rompetrol Services Center SRL	475,232
Global Security Sistem SA	8,476
Total	4,515,501

Chairman of the Board of Directors,

Utekov Yedil

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Yedil Utekov
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General Manager,

Florea Georgian Stefan

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Georgian Florea
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Finance Manager,

Moise Luiza Roxana

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