ROMPETROL WELL SERVICES SA

STANDALONE FINANCIAL STATEMENTS

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

31 December 2023

Contents	**Page**

	Notes	**2023**	**2022**
Revenue		**72,563,673**	**52,768,046**
Revenues from contracts with customers	2	72,067,998	52,295,150
Rental revenues	2.1	495,675	472,896
Other operating income	3.1	923,838	460,851
OPERATING INCOME – TOTAL		**73,487,511**	**53,228,897**
Expenses with consumables		(19,654,780)	(15,250,181)
Power and water expenses		(585,961)	(586,223)
Merchandise expenses		(17,280)	(21,974)
Payroll costs, out of which:	5	(21,212,561)	(19,427,316)
- Salaries		(20,295,367)	(18,527,453)
- Social security contributions		(671,446)	(537,587)
Fixed assets' value adjustments, of which	8,9,10,18	(5,921,961)	(4,895,557)
- Depreciation and amortization		(5,921,961)	(4,895,557)
- Impairment of property, plant and equipment		-	-
Allowance for inventories	13	65,803	88,003
Allowance for expected credit losses	14	(113,053)	629,748
Expenses with third-party services	3.2	(14,296,892)	(13,482,470)
Taxes, duties and similar expenses		(702,188)	(697,127)
Other operating expenses	3.3	(243,960)	(182,878)
OPERATING EXPENSES – TOTAL		**(62,682,833)**	**(53,825,975)**
OPERATING PROFIT / (LOSS)		**10,804,678**	**(597,078)**
Interest income		3,839,711	3,849,094
- of which, revenues from related parties		3,825,036	3,843,126
Other financial income		42,505	801,290
FINANCIAL INCOME - TOTAL	**4.1**	**3,882,216**	**4,650,384**
Finance costs		(832,047)	(1,175,979)
FINANCE COSTS - TOTAL	**4.2**	**(832,047)**	**(1,175,979)**
FINANCIAL PROFIT / (LOSS)		**3,050,169**	**3,474,405**
PROFIT / (LOSS) BEFORE TAX		**13,854,847**	**2,877,328**
Income tax expense	6	(2,086,984)	(427,811)
PROFIT / (LOSS) FOR THE YEAR		**11,767,863**	**2,449,517**
Earnings per share	7	**0.0423**	**0.0088**
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		**(1,213,037)**	**(426,892)**
Actuarial gain / (losses) relating to retirement benefits		(173,572)	(427,313)
Remeasurement of fair value of equity instruments measured at fair value through other comprehensive income		(1,039,466)	421
TOTAL COMPREHENSIVE INCOME FOR THE YEAR, net of tax		**10,554,826**	**2,022,625**

The Financial Statements from page 1 to page 54 were approved by the Board of Directors in 20 March 2024 and are signed in his name by:

Administrator,
FLOREA Georgian Stefan

Signature

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

	Notes	31 December 2023	31 December 2022
Assets			
Non-current assets			
Property, Plant & Equipment	8	21,371,048	24,696,706
Right of use assets	18.1	11,746,246	13,313,521
Investment property	9	414,197	432,799
Intangible assets	10	59,652	60,619
Equity instruments at FVOCI	11	8,966,492	10,204,052
Other financial assets	12	6,580,872	2,539,595
Total non-current assets		**49,138,507**	**51,247,292**
Current assets			
Inventories, net	13	5,442,042	5,951,473
Trade and other receivables	14	18,263,004	16,943,438
Availabilities in cash pooling system	21	50,730,823	46,117,041
Other current assets	15	1,053,746	1,099,439
Collateral cash for guarantee letters	16.1	121,112	1,404,000
Cash and deposits	16	648,543	491,717
Total current assets		**76,259,270**	**72,007,108**
Total assets		**125,397,777**	**123,254,400**
Capital and reserves			
Capital			
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		24,619,128	25,832,165
Retained earnings		12,854,944	12,854,944
Retained earnings IFRS transition		18,041,378	18,041,378
Current result		11,767,863	2,449,517
Total equity		**101,404,577**	**93,299,268**
Long-term liabilities			
Employee benefits liabilities	19	1,175,961	1,032,717
Deferred tax liabilities	6	844,685	1,088,141
Lease liabilities	18.2	6,172,638	8,645,653
Other liabilities		77,748	93,449
Total long-term liabilities		**8,271,032**	**10,859,960**
Current liabilities			
Trade and other payables	20	12,669,755	16,118,478
Income tax payable	6	419,415	354,898
Lease liabilities	18.2	2,632,998	2,621,796
Total current liabilities		**15,722,168**	**19,095,172**
Total liabilities		**23,993,200**	**29,955,132**
Total equity and liabilities		**125,397,777**	**123,254,400**

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For the year ended as at 31 December 2022	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
Balance at 1 January 2022	**28,557,446**	**5,563,818**	**56,194,311**	**28,832,881**	**18,041,378**	**1,629,634**	**138,819,467**
Profit for the year	**-**	**-**	**-**	**-**	**-**	2,449,517	2,449,517
Other comprehensive income	**-**	-	**(426,892)**	**-**	-	**-**	**(426,892)**
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income (b)	-	-	421	-	-	-	421
Actuarial gain / (losses) relating to retirement benefits (a)	-	-	(427,313)	-	-	-	(427,313)
Total comprehensive income	**-**	**-**	**(426,892)**	**-**	**-**	**-**	**(426,892)**
Profit distribution	-	-	-	1,629,634	-	(1,629,634)	-
Dividends	-	-	-	(47,542,825)	-	-	(47,542,825)
Transfer from other reserve to retain earnings (c)	-	-	(29,935,254)	29,935,254	-	-	-
Balance at 31 December 2022	**28,557,446**	**5,563,818**	**25,832,165**	**12,854,944**	**18,041,378**	**2,449,517**	**93,299,268**

For the year ended as at 31 December 2023	Share capital	Legal reserves	Other reserves	Retained earnings	Retained earnings IFRS transition	Current result	Total equity
Balance at 1 January 2023	**28,557,446**	**5,563,818**	**25,832,165**	**12,854,944**	**18,041,378**	**2,449,517**	**93,299,268**
Profit for the year	**-**	**-**	**-**	**-**	**-**	11,767,863	11,767,863
Other comprehensive income	**-**	-	**(1,213,037)**	**-**	-	**-**	**(1,213,037)**
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income (b)	-	-	(1,039,466)	-	-	-	(1,039,466)
Actuarial gain / (losses) relating to retirement benefits (a)	-	-	(173,572)	-	-	-	(173,572)
Total comprehensive income	**-**	**-**	**(1,213,037)**	**-**	**-**	**-**	**(1,213,037)**
Profit distribution	-	-	-	2,449,517	-	(2,449,517)	-
Dividends	-	-	-	(2,449,517)	-	-	(2,449,517)
Balance at 31 December 2023	**28,557,446**	**5,563,818**	**24,619,128**	**12,854,944**	**18,041,378**	**11,767,863**	**101,404,576**

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The legal reserve is in amount of RON 5,563,818 (2022: 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 173,572 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 a decrease in other reserves with RON 1,039,466.
c) The transfer from other reserves to retained earnings in 2022 in the amount of RON 29,935,254 represents the effect of the decision of General Ordinary Meeting of Shareholders from 27 April 2022 to distribute dividends from this category of reserves.

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 2023, it was decided the distribution of dividends in gross amount of RON 2,449,517.

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	Finance Manager
Signature	Signature

Indirect method

Name of item	Note	31 December 2023	31 December 2022
Cash flows from operating activities:			
Net profit before tax		**13,854,847**	**2,877,328**
Adjustments for:			
Depreciation related to tangible assets and investment properties	8 , 9	4,222,744	3,718,319
Depreciation related to right of use assets	18.1	1,660,944	1,103,906
Amortization related to intangible assets	10	38,273	73,331
Provisions for post-employment benefits plans and other provisions	19	(63,389)	(159,995)
Provision for inventory	13	(65,803)	(88,003)
Allowance for trade and other receivables	14	113,477	(629,748)
Trade receivables and sundry debtors write off	3.3	27,337	175,937
Earnings from debts write-off (unclaimed dividends)	3.1	(787,549)	(331,392)
Interest income	4.1	(3,839,711)	(3,849,094)
Interest expense	4.2	700,439	837,206
Loss / (gain) from disposal of property, plant and equipment		(135,461)	(128,979)
Net foreign exchange differences		66,488	(221,691)
Operating profit before working capital changes		**15,792,636**	**3,377,124**
(Increase) / Decrease of performance guarantees		(2,578,389)	3,479,280
(Increase) / Decrease of trade and other receivables		(1,411,259)	30,674,403
(Increase) / Decrease of inventories		575,234	(987,363)
Increase / (Decrease) of trade and other payables		(1,909,793)	1,946,345
Paid income tax		(2,034,869)	(397,969)
Payments of interest portion of lease liabilities	18.2	(611,509)	(807,496)
Net cash flow from operating activities		**7,642,051**	**37,284,325**
Cash flows from investing activities:			
Purchase of tangible and intangible assets		(929,941)	(3,363,959)
Proceeds from sale of tangible and intangible assets		149,614	133,825
(Increase) / Decrease of cash pooling balance		(4,528,494)	8,962,583
Interest received		3,754,423	3,791,708
Net cash from investing activities		**(1,554,398)**	**9,524,158**
Cash flows from financing activities:			
Payments of principal portion of lease liabilities		(2,628,979)	(1,819,968)
Proceeds from sale of financial assets		100	-
Dividends paid to equity holders		(3,301,948)	(44,724,030)
Net cash flows from financing activities		**(5,930,827)**	**(46,543,997)**
Net (decrease) / increase of cash and cash equivalents		157,077	263,829
Net foreign exchange differences		(251)	657
Cash and cash equivalents at the beginning of the financial year		491,717	227,231
Cash and cash equivalents at the end of the financial year		**648,543**	**491,717**

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FLOREA Georgian Stefan	MOISE Luiza-Roxana
	Finance Manager
Signature	Signature

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES

The financial statements of **ROMPETROL WELL SERVICES SA** for the financial year ended as at 31 December 2023 are approved according to the resolution of the Board of Directors dated 20 March 2024.

Rompetrol 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 Strawinskylaan 1571, Tower Ten, 17th 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, except for equity investments measured as fair value through other comprehensive income. 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.

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

1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a) The going concern principle

The financial statements of the Company were drawn up based on the principle of continuity of activity. The management of the company considers that there are no material uncertainties that could raise significant doubts about this assumption. The management formed a judgment according to which there is a reasonable expectation that the Company has adequate resources to continue the operational activity for the foreseeable future and not less than 12 months from the date of approval of financial statements.

The current existing regulations on climate changes does not have a direct impact on the activities of the Company. However, the Company considered the global requirements to reduce the level of CO2 emissions, and incorporated this requirements in the investments program. Thus, equipment acquired comply with the latest standards regarding CO2 emissions. The thermal engines used by machines in daily operations are in accordance with the European legislation regarding emissions.

Despite the constantly changing market conditions, the Company has managed to secure its leading position in the specific market segment through diversity and flexibility in offering specialized services tailored for each individual client. It provides a wide range of services for oil and natural gas wells (cementing, stimulation, well casing operations, etc.). From an operational point of view, during 2023, the Company carried out a number of 95 primary cementing operations, 319 secondary cementing operations and 389 stimulation operations, a total number higher than the one recorded in the previous year. Thus, the volume of operations performed for Company's clients increased by 18% compared to the level of 2022. From a commercial point of view, the Company participated in all publicly announced tenders in order to ensure the activity for the next period. It is estimated that during the year 2024 the Company will register a level of sales similar to 2023.

The impact from the change in the macroeconomic environment (i.e. interest rate increase, increased inflation rate) was considered in the approved business plan which shows a constant level of profitability.

The military conflict between Russia and Ukraine as well as the conflict in Middle East, created the base for an inherent risk of supply chain disturbances for the Company and a continuous impact on the European and global economies through financial markets volatility, inflation and exchange rate depreciation pressure. The Company does not have direct exposure to the impacted areas since its operations and its main customers activate only on the local market. However, the impact on the general economic situation may require revisions of certain assumptions and estimates.
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.

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

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.

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 2023 were, for RON:

	31 December 2023	31 December 2022
1 EUR	4.9746	4.9474
1 USD	4.4958	4.6346

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, if applicable.

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.

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

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. The company measures financial assets at amortized cost, except for fair value of equity instruments in relation to investments in Rompetrol Rafinare SA and Rompetrol Logistics SRL which are measure at fair value through other comprehensive income.

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.

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.

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

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

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.

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

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

The Company considers a financial asset in default when contractual payments are 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.

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

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been 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.

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

	Years
Buildings and other constructions	5 - 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.

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

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.

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 assets 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.

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

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.

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 current existing legislation on climate changes does not have a direct impact on the activities of the Company. However, the Company considered the global requirements to reduce the level of CO_2 emissions, and incorporate these requirements in the investments programs. Thus, equipment acquired comply with the latest standards regarding CO_2 emissions. The thermal engines used by machines in daily operations are in accordance with the European legislation regarding emissions.

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.

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

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.

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:

► Machinery	10 years
► 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.

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

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.

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) 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.

n) 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).

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, this being the moment for the performed obligation.

In case of contracts for well services, the performance obligation is fulfilled when the job ticket is approved by the customer's representative, this being the moment of the well work finalization.

In case of contracts concluded for other revenue segments (ie. space rental, ITP services), performance obligation is fulfilled when the service is provided.

o) 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.

p) 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.

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.

- *Value added tax related to revenue*

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 value added tax recoverable from, or payable to, the tax authority is included in the receivables or payables in the balance sheet.

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

q) Dividends

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

r) 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.

(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 (including right of use of assets) and investment properties. If any indication exists, or when annual impairment testing for assets is required, the Company estimates the assets recoverable amount. In the current year, local industry of oilfield services has recorded a slight resumption and a high level of secondary type of operations (e.g. cementing for abandoned wells) in the upstream segment was performed. This aspect had a significant positive effect on the Company's results recorded. However, the upstream segment continued to record low investment and work levels from customers in the area of new well's projects, taking into account the overall evolution of oil and gas industry over the past few years,the volatility of the crude oil price, current macroeconomic and geopolitical context and market environment (which have an impact on evolution of interest rates, payroll costs, general increase of prices

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

etc.) that have led to uncertainties in the market. These aspects might impact the Company's performance and therefore impairment indicators were identified by Management for 31 December 2023 and an impairment assessment was performed. 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.

The current existing legislation on climate changes does not have a direct impact on the activities of the Company. However, the Company considered the global requirements to reduce the level of CO_2 emissions, and incorporate these requirements in the investments programs. Thus, equipment acquired comply with the latest standards regarding CO_2 emissions. The thermal engines used by machines in daily operations are in accordance with the European legislation regarding emissions.

At the end of financial year 2023, the Company has performed the impairment test for all its tangible assets (including right of use of 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 47.02 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 did not identifiy the necessity of increasing the impairment for the CGU.

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:

	2024	2025	2026	2027	2028	2029	2030
Operating profit margin*	10.06%	10.79%	12.17%	12.45%	10.40%	10.36%	10.72%

** as included in the impairment test*

Operating profit margins are estimated based on the average historical operational results recorded for 2018 – 2023, further revised to reflect the current appetite for CAPEX investments of the Company's main customers.

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

The discount rate applied in the model was 11.22% (2022: 14.07%) 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.

Sensitivity of estimates

The recoverable amount determined based on value of in use would equal the carrying amount of the property, plant and equipment and right of use of assets if operating profits would decrease by 44.97% obtaining the following operating profit margin.

	2024	2025	2026	2027	2028	2029	2030
Operating profit margin*	5.54%	5.94%	6.70%	6.85%	5.72%	5.70%	5.90%

** as per sensitivity analysis assuming no changes in budgeted revenues*

The break-even point for the current model is obtained by increasing the discount rate from 11.22% to 25.21%.

(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 business plans and forecast cash flows of the investees approved by the KMGI Group, 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 2023 and as at 31 December 2022:

	Fair Value	
	2023	2022
Rompetrol Rafinare SA*	1,846,345	1,747,434
Rompetrol Logistics SRL	7,120,147	8,456,518

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

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

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.

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 2023, 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 of KMGI Group covering a five-year period. The discount rate applied to cash flow projections for Rompetrol Gas is 11.6% (2022: 12.1%) and 10.94% (2022: 10.62%) for Rompetrol Logistics. Cash flows beyond the 5-year period are extrapolated using a 0.4% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 10.5% (2022: 8.5%).

The fair value of the investment in Rompetrol Rafinare SA is classified as Level 1, while the investment in Rompetrol Logistics SRL is classified as Level 3.

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
- New taxes applicable for Rompetrol Gas.

After performing the fair value assessment of the investment in Rompetrol Logistics as of 31 December 2023, the Company considered necessary to record a loss through other comprehensive income amounting RON 1,122,551, 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.

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

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	10.94% (2022:10.62%)	1% increase (decrease) in the WACC would result in an increase (decrease) in fair value by RON 9,179
Rompetrol Logistics	DCF method	Discount for lack of marketability	20% (2022: 20%)	5% increase (decrease) in the marketability discounts would result in a decrease (increase) in fair value by RON 109,541
Rompetrol Logistics	DCF method	Minority interest discount rate	15% (2022: 15%)	5% increase (decrease) in the minority interest discount would result in a decrease (increase) in fair value by RON 82,156
Rompetrol Gas	DCF method	Discount rate	11.6% (2022:12.1%)	1% increase (decrease) in the WACC would result in a decrease (increase) in fair value by RON 75,934 - decrease and respectively RON 77,541 - increase
Rompetrol Gas	DCF method	New taxes*	0%/100%	No (0%) recovery of the tax would result in a decrease in fair value by RON 1,559 thousand, while full (100%) recovery of the tax would result in an increase in fair value by RON 610 thousand
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 2,373 thousand
Rompetrol Gas	DCF method	Operating expenses	n/a.	5% increase (decrease) in the Operating Expenses would result in a decrease (increase) in fair value by RON 1,906 thousand

* As per Law no 296/2023, the companies in the oil & gas sector with turnover of more than EUR 50 million will have to pay an additional 0.5% turnover tax to the corporate income tax for 2024-2025 and the maximum value between 1% turnover tax and corporate income tax from 2026 onwards. The impact of the new revenue tax over the forecast period was considered in the analysis for Rompetrol Gas and the 5-year business plan cash-flows were adjusted considering the current fiscal environment. However, considering the early stage of the current legislation and the market uncertainty, management assumed in the fair value assessment that no recovery for the first two years, followed by partial recovery (50% of the tax) starting 2026 through prices from final clients, while in perpetuity 100% of the new tax would be recovered through prices from final clients in case of Rompetrol Gas.

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

	Rompetrol Rafinare SA	Rompetrol Logistics SRL	Total
1 January 2023	**1,747,434**	**8,456,518**	**10,203,952**
Remeasurement recognized in OCI	98,911	(1,336,371)	(1,237,459)
31 December 2023:	**1,846,345**	**7,120,147**	**8,966,492**

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

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 IFRS and amendments to IFRS which have been adopted by the Company as of 1 January 2023:

- **IFRS 17 insurance contracts,**
- **IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (Amendments),**
- **IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (Amendments),**
- **IAS 12 Income taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments),**
- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The newly adopted IFRS and amendments to IFRS did not have a material impact on the Company's accounting policies and on the financial statements.

- **IFRS 17: Insurance Contracts**

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

- **IAS 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. 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 Company assessed its accounting policies disclosure and concluded that the updates included in this standard did not impact the financial statements of the Company.

- **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 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, if they do not result from a correction of prior period error. Also, the amendments clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. Management has assessed and concluded that the updates included in this standard does not impact the financial statements of the Company.

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

The amendments are effective for annual periods beginning on or after January 1, 2023. The amendments narrow the scope of and provide further clarity on the initial recognition exception under IAS 12 and specify how companies should account for deferred tax related to assets and liabilities arising from a single transaction, such as leases and decommissioning obligations. The amendments clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement, having considered the applicable tax law, whether such deductions are attributable for tax purposes to the

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

liability or to the related asset component. Under the amendments, the initial recognition exception does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. It only applies if the recognition of a lease asset and lease liability (or decommissioning liability and decommissioning asset component) give rise to taxable and deductible temporary differences that are not equal. Management has assessed and concluded that the updates included in this standard does not impact the financial statements of the Company.

- **IAS 12 Income taxes: International Tax Reform - Pillar Two Model Rules (Amendments)**

The amendments are effective immediately upon issuance, but certain disclosure requirements are effective later. The Organisation for Economic Co-operation and Development's (OECD) published the Pillar Two model rules in December 2021 to ensure that large multinational companies would be subject to a minimum 15% tax rate. On 23 May 2023, the IASB issued International Tax Reform—Pillar Two Model Rules – Amendments to IAS 12. The amendments introduce a mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules and disclosure requirements for affected entities on the potential exposure to Pillar Two income taxes. The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period. The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2024, but are not required for any interim period ending on or before 31 December 2023.

The Pillar Two Global anti-Base Erosion rules (GloBE Rules) represent the first substantial overhaul of the international tax rules in almost a century. The GloBE Rules propose four new taxing mechanisms under which multinational enterprises (MNEs) would pay a minimum effective tax rate of 15% per jurisdiction if annual turnover exceeds 750 million euros for two consecutive years.

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which KMG International NV Group (KMGI Group), major shareholder of Rompetrol Well Services S.A. operates. The legislation will be effective for the KMGI Group's financial year beginning 1 January 2024 considering that Pillar Two is effective for Netherlands and Switzerland starting with 1st of January 2024. These are jurisdictions in which KMGI Group is established or has subsidiaries incorporated. The Dutch Minimum Taxation Act 2024 and Swiss BEPS 2.0 Pillar Two provide for a minimum effective tax rate of 15% per jurisdiction for large international enterprises (annual turnover exceeding 750 million euros).

KMGI Group is in process of assessing the potential exposure arising from Pillar Two legislation, however the quantitative information to indicate the potential exposure to Pillar Two income taxes is currently not known or cannot be reasonably estimated. KMGI Group continues to progress on the assessment and expects to complete the assessment in the first half of financial year 2024.

Given the status of the assessment for the impact at KMGI Group level, Rompetrol Well Services S.A. has applied the mandatory exception for recognizing and disclosing information about deferred tax assets and liabilities arising from Pillar Two income taxes as of 31 December 2023.

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

1.5 STANDARDS ISSUED BUT NOT YET EFFECTIVE AND NOT EARLY ADOPTED

The Company has not early adopted any of the following standard, interpretation or amendment that have been issued but are not yet effective. In addition, the Company is in the process of assessing the impact of all standards, interpretations and amendments issued but not yet effective, on the financial statements.

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

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

- **IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments Disclosure - Supplier Finance Arrangements (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. The amendments supplement requirements already in IFRS and require an entity to disclose the terms and conditions of supplier finance arrangements. Additionally, entities are required to disclose at the beginning and end of reporting period the carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented as well as the carrying amounts of financial liabilities and line items, for which the finance providers have already settled the corresponding trade payables. Entities should also disclose the type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable. Furthermore, the amendments require an entity to disclose at the beginning and end of the reporting period the range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements. The amendments have not yet been endorsed by the EU.

- **IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (Amendments)**
  The amendments are effective for annual reporting periods beginning on or after January 1, 2025, with earlier application permitted. The amendments specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking.

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

A currency is considered to be exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations. If a currency is not exchangeable into another currency, an entity is required to estimate the spot exchange rate at the measurement date. An entity's objective in estimating the spot exchange rate is to reflect the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments note that an entity can use an observable exchange rate without adjustment or another estimation technique. The amendments have not yet been endorsed by the EU.

- **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**
  The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. In December 2015 the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. The amendments have not yet been endorsed by the EU.

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	2023	**2022**
Revenue from well services	71,908,951	52,122,555
Revenue from other services	96,728	77,012
Revenue from goods sold	62,318	95,582
Total	**72,067,998**	**52,295,150**

	2023	**2022**
Europe	404,263	727,488
Export	**404,263**	**727,488**
Internal market sales	71,663,735	51,567,662
Total sales	**72,067,998**	**52,295,150**

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:

	2023	**2022**
Rental revenue from office space	495,675	466,936
Rental revenue from equipment's	-	5,960
Total	**495,675**	**472,896**

The Company obtains revenues from renting office spaces and equipment. The respective contracts have 12 months term.

Contracts concluded for rental of office space and equipment include only fixed leases.

3. OTHER OPERATING INCOME AND OTHER EXPENSES

3.1. Other operating income

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

	2023	**2022**
Other operating income:		
- income from debts write-off	787,549	331,392
- gain from disposal of fixed assets	135,461	128,979
- earnings from compensations and penalties	828	-
- other revenues	-	480
Total	**923,838**	**460,851**

Income from the debts write-off in amount of RON 787,549 (2022: RON 331,392) 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 20 December 2023.

3.2. Expenses with third-party services

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

	2023	**2022**
Travel expenses	1,754,189	1,001,499
Maintenance and repair expenses	1,684,862	1,298,390
Royalties and rental expenses	1,117,051	980,047
Insurance premiums	795,793	707,060
Postage and telecommunications	14,774	14,372
Bank commissions and similar charges	19,299	16,849
Entertaining, promotion and advertising	73,955	37,923
Goods transportation services	3,558,208	3,963,162
Well services rendered –by subcontractors	360,888	681,622
Outsourced activities services (*)	2,020,722	1,722,809
Dedicated management assistance and specialized technical consulting services (*)	886,664	1,326,039
Others	1,070,029	783,377
Security services	778,533	694,354
Consultancy and audit	161,926	254,968
Total	**14,296,893**	**13,482,471**

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 2023, 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 360,888 for the financial year ended (2022: RON 681,622).

Considering the new legal requirement from 2023, to analyse the substance of contracts and distinctly record services received / consulting services, the Company has revised the presentation of the highlighted lines (*) also for prior period, by reclassifying between the two lines the amount of RON 246,926.

3. OTHER OPERATING INCOME AND OTHER EXPENSES (continued)

3.3. Other operating expenses

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

	2023	2022
Compensations, fines, penalties	4,236	3,470
Amounts or goods granted as sponsorship	212,378	2,584
Write-off trade receivables and sundry debtors	27,337	175,937
Destroyed / improper stocks	-	881
Other operating expenses	9	6
Total	**243,960**	**182,878**

4. FINANCIAL EXPENSES AND REVENUES

4.1. Financial revenues

	2023	2022
Interest income, from which:	**3,839,712**	**3,849,094**
Income obtained from the entities within the group	3,825,036	3,843,126
Income from exchange rate differences	**41,705**	**798,768**
Other financial income	**799**	**2,522**
Total financial income	**3,882,216**	**4,650,384**

The line "Income obtained from the entities within the group" in amount of RON 3,825,036 (2022: RON 3,843,126) represents interest revenue from cash-pooling. For more details, including EIR please refer to Note 21.

4.2. Financial expenses

	2023	2022
Expenses from exchange rate differences	**131,608**	**338,773**
Other financial expenses, out of which	**700,439**	**837,206**
Interest expense on the lease liability	611,509	807,496
Total financial expenses	**832,047**	**1,175,979**

5. PAYROLL COSTS

The expenses with salaries and taxes, recorded during 2023 and 2022 are as follows:

	2023	**2022**
Expenses related to salaries and allowances	20,295,367	18,527,453
Other expenses with employees benefits	245,748	362,276
Contributions to special funds	197,148	145,990
Expenses related to the social insurances	474,298	391,597
Total	**21,212,561**	**19,427,316**

The increase in salaries costs, with 1.8 million RON compared with previous year, was the result of a mixed actions taken by the management in order to stimulate the employees and to prevent and minimize its fluctuation. Approximately 1,3 million RON is the effect of the collective labor negotiation that took place in July 2022 with trade union, based on which an addendum to the collective labor agreement was concluded, for the increases in wages and other rights.

The average number of employees increased from 133 at 31 December 2022 to 135 employees at 31 December 2023.

The average number of employees has evolved as follows:

	2023	**2022**
Management personnel	2	2
Administrative personnel	16	19
Production personnel	117	112

The Administrators and Managers

During 2023 and 2022, the Company has paid the following remuneration to the members of the Board of Directors and salaries to the executive directors:

	2023	**2022**
The Members of the Board of Directors	462,889	237,450
Executive directors	1,205,982	836,548
Total	**1,668,871**	**1,073,998**

The presentation of average number of management personnel (executive directors), as well as level of the remuneration paid to the executive directors, are disclosed according to the principles included in the Remuneration Policy and Remuneration Report.

5. PAYROLL COSTS (continued)

As at 31 December 2023, the Company had no obligations with regards to post-employment benefits to former Board of Directors members and former executive management members.

The amount of remuneration and salaries for key management personnel and Board of Directors for 2023 was of RON 1,668,871 (2022: RON 1,073,998), including short-term benefits and bonuses.

At the end of 2023, 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.

6. INCOME TAX

Main components of income tax expenses for fiscal years ended as of 31 December 2023 and 2022 are:

Statement of profit and loss

	2023	**2022**
Current income tax:		
Expenses regarding the current income tax	2,099,386	370,606
Deferred income tax		
For the initial registration and continuation of the temporary differences	(12,402)	57,205
Expenses regarding the income tax reported in statement of total comprehensive income	**2,086,984**	**427,811**

Reconciliation between the expenses regarding the current income tax and the deferred income tax and the accounting profit is as follows for fiscal years 2023 and 2022:

Current income tax

	2023	**2022**
Accounting profit before tax	13,854,847	2,877,328
At Company's statutory income tax rate of 16% (2022: 16%)	2,216,776	460,372
Effect of value adjustments from non-taxable incomes	(20,432)	(47,860)
Non-deductible expenses for tax computation:		
Allowance for trade receivables and inventories	(27,992)	(66,980)
Depreciation of tangible assets	14,439	14,271
Other non-deductible expenses	128,974	82,440
Fiscal credit	(212,378)	(71,637)
Expenses with current income tax at effective rate 16% (2022: 16%)	**2,099,386**	**370,606**

6. INCOME TAX (continued)

Deferred income tax

The deferred income tax refers to the following:

	Statement of the financial position		Profit and Loss Statement		Other Comprehensive Income	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Revaluation of assets (fair value as deemed cost) with reserve transfer to retained earnings (at transition to IFRS)	(933,673)	(936,673)	-	-	-	-
Recognition of right of use assets	(142,120)	(142,119)	-	(61,142)	-	-
Recognition of estimates for retirement benefits	188,154	165,235	(10,142)	(25,599)	33,061	81,393
Recognition of lease liability	143,693	143,693	-	62,946	-	-
Fair value valuation of financial assets	(390,678)	(588,671)	-	-	197,993	(80)
Recognition of estimate for untaken holiday	122,280	107,628	14,652	39,160	-	-
Temporary differences for inventory provisions	54,254	64,783	(10,528)	(14,080)	-	-
Temporary differences for expected credit losses	116,405	97,984	18,421	(58,489)	-	-
(Expenses regarding) /income from the deferred tax			**12,402**	**(57,205)**	**231,055**	**81,313**
Assets regarding the deferred tax	**624,787**	**579,324**				
Liabilities regarding the deferred tax	**(1,469,472)**	**(1,667,464)**				
Assets / (Liabilities) regarding the deferred tax, net	**(844,685)**	**(1,088,141)**				

The reconciliation of deferred tax payable is as follows:

	2023	2022
Beginning of balance	**1,088,141**	**1,112,249**
Deferred tax expense recognized in profit and loss	(12,402)	57,205
Deferred tax expense recognized in other comprehensive income	(231,055)	(81,313)
Ending Balance	**844,685**	**1,088,141**

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:

	31 December 2023	31 December 2022
Net result attributable to shareholders	11,767,863	2,449,517
Weighted average number of shares	278,190,900	278,190,900
Basic earnings per share (RON / share)	**0.0423**	**0.0088**

Diluted earnings per share equal basic earnings per share.

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

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Advances and Tangible assets in progress	Total
Cost					
On 1 January 2022	**5,440,229**	**8,061,799**	**85,471,802**	**3,678,596**	**102,652,424**
Additions	-	4,376	390,214	2,953,672	3,348,262
Disposals	-	(27,172)	(1,410,482)	-	(1,437,654)
Transfers	-	8,111	4,365,989	(4,374,100)	-
On 31 December 2022	**5,440,229**	**8,047,114**	**88,817,523**	**2,258,168**	**104,563,032**
Additions	-	-	61,506	831,130	892,636
Disposals	(1,674)	(21,086)	(36,548)	-	(59,308)
Transfers	-	398,872	2,286,807	(2,685,679)	-
On 31 December 2023	**5,438,555**	**8,424,900**	**91,129,288**	**403,619**	**105,396,360**
Depreciation and Impairment					
On 1 January 2022	-	**3,420,808**	**74,178,610**	-	**77,599,419**
Depreciation charge for the year	-	318,947	3,380,770	-	3,699,717
Disposals	-	(22,441)	(1,410,369)	-	(1,432,810)
On 31 December 2022	**-**	**3,717,314**	**76,149,011**	-	**79,866,326**
Depreciation charge for the year	-	329,968	3,874,173	-	4,204,142
Disposals	-	(8,607)	(36,548)	-	(45,155)
Impairment	-	-	-	-	-
On 31 December 2023	**-**	**4,038,675**	**79,986,636**	-	**84,025,312**
Net book value					
On 31 December 2023	**5,438,555**	**4,386,224**	**11,142,653**	**403,619**	**21,371,048**
On 31 December 2022	**5,440,229**	**4,329,800**	**12,668,512**	**2,258,168**	**24,696,706**
On 1 January 2022	**5,440,229**	**4,640,991**	**11,293,192**	**3,678,596**	**25,053,005**

8. PROPERTY, PLANT & EQUIPMENT (continued)

A percentage of 79% from the increase recorded during 2023 for plant and equipment, in amount of RON 2.2 million, is represented by the acquisition and / or the upgrade of machinery and equipment used for well services operations and other preliminary operations, as well as laboratory equipment, which were in progress and completed during the year.

Approximately 21% from total investments conducted by the company in 2023 were related to rehabilitation and modernization of the operational buildings and replacement of IT equipment.

The Company used own funds in order to finance the budgeted capital expenditure for 2023.

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 2023, which aimed to determine the recoverable amount of the equipment and the production capacities, and concluded that no impairment adjustment is required in addition to the impairment of RON 509 thousand recognized as of 31 December 2021. The recoverable amount of this equipment was determined based on discounted cash flows estimated to be generated by the assets (Note 1.3 ii)).

All presented tangible assets are the property of the Company.
As of 31 December 2023 and 31 December 2022, the Company has not pledged assets and interest rated capitalized.

As of 31 December 2023 total gross book value of property, plant and equipment items that are fully depreciated is RON 64,184,377 (2022: RON 63,696,881).

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.

	2023	2022
Initial balance on 1 January	**432,799**	**451,402**
Depreciation expenses	(18,603)	(18,603)
Ending balance on 31 December	**414,197**	**432,799**

	2023	2022
Income from rents obtained from real estate investments	13,127	12,433
Direct operational expenses (including repairs and maintenance) which generate income from rents	(37,872)	(37,872)
Net result from investment property recorded at cost	**(24,744)**	**(25,439)**

At 31 December 2023, the fair values of the properties determined by S.C. FairValue Consulting SRL, a recognised independent evaluator, were in amount of RON 1,800,627.

10. INTANGIBLE ASSETS

	Patents and licenses	Total
Costs		
On 1 January 2022	**765,916**	**765,916**
Additions	15,697	15,697
Disposals	-	-
Transfers	-	-
On 31 December 2022	**781,613**	**781,613**
Additions	37,305	37,305
Disposals	-	-
Transfers	-	-
On 31 December 2023	**818,918**	**818,918**
Amortisation and impairment		
On 1 January 2022	**647,663**	**647,663**
Depreciation charge for the year	73,332	73,332
Disposal	-	-
On 31 December 2022	**720,995**	**720,995**
Depreciation charge for the year	38,273	38,273
Disposal	-	-
On 31 December 2023	**759,267**	**759,267**
Net book value		
On 31 December 2023	**59,651**	**59,651**
On 31 December 2022	**60,618**	**60,618**
On 1 January 2022	**118,252**	**118,252**

11. EQUITY INSTRUMENTS AT FVOCI

			Percent held on		Fair value of the investment on	
Name of the company	**Nature of the relationship**	**Year of investment**	**31 January 2022**	**31 December 2023**	**31 December 2022**	**31 December 2023**
Rompetrol Logistics SRL	Long term investment	2002/2003/2007	6.98%	6.98%	8,456,518	7,120,147
Rompetrol Rafinare SA*	Long term investment	2003/2004	0.05%	0.05%	1,747,434	1,846,345
Rompetrol Drilling SRL	Long term investment	2014	1%	-	100	-
Total					**10,204,052**	**8,966,492**

**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 2023	**31 December 2022**
Collateral account for guarantee letters with maturity over one year	5,611,881	1,264,214
Specific account for dividends	941,937	1,255,210
Specific accounts for other guarantee	27,054	20,171
Other financial assets	**6,580,872**	**2,539,595**

The presentation of collaterals as non-current assets is made considering the initial maturity of the collateral accounts in accordance with IAS 7.

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

Number	**Beneficiary**	**Currency**	**Amount equivalent RON**	**Start date**	**Maturity date**	**Currency collateral deposit**	**Collateral deposit equivalent RON**
LG99007664*	OMV PETROM S.A.	RON	883,580	18-Jan-22	31-Dec-24	RON	883,580
LG99007665*	OMV PETROM S.A.	RON	2,439,493	18-Jan-22	31-Dec-24	RON	2,439,493
LG9000004272*	OMV PETROM S.A.	RON	82,751	6-Jul-22	30-Jun-26	RON	82,751
LG99008693*	OMV PETROM S.A.	RON	1,157,059	23-Nov-22	13-Dec-24	RON	1,157,059
LG99008060*	OMV PETROM S.A.	RON	290,700	7-Dec-22	31-Dec-24	RON	290,700
LG9000007786	OMV PETROM S.A.	RON	349,242	2-Feb-23	31-Mar-28	RON	349,242
LG00888-02-0938985	OMV PETROM S.A.	RON	246,465	28-Apr-23	18-Jun-24	RON	246,465
43840	S.N.G.N. ROMGAZ S.A.	RON	162,591	23-Nov-23	4-Dec-26	RON	162,591
Total collateral accounts with maturity over one year as of 31 December 2023							**5,611,881**

** The first five guarantee letters were presented in previous year as short term (see note 16.1). During 2023, the validity of the frame contracts and/or existing addendums was revised, and the respective maturity and values of these, were updated as such.*

No collateral account was closed subsequent to 31 December 2023.

Number	**Beneficiary**	**Currency**	**Amount equivalent RON**	**Start date**	**Maturity date**	**Currency collateral deposit**	**Collateral deposit equivalent RON**
28471	SNGN ROMGAZ SA	RON	1,264,214	02-Sep-20	22-Sep-22	RON	1,264,214
Total collateral accounts with maturity over one year as of 31 December 2022							**1,264,214**

Subsequently to 31 December 2022 the above collateral account was closed.

13. INVENTORIES

	31 December 2023	**31 December 2022**
Cement and additives (at cost)	3,461,894	3,866,468
Spare parts equipment (at cost)	1,700,101	1,753,633
Other inventories (at cost)	280,048	331,372
Total inventories, net	**5,442,042**	**5,951,473**

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.

13. INVENTORIES (continued)

The presented allowance for inventories is related to obsolete and slow moving spare parts and other inventories.

	Allowance for inventories
On 1 January 2022	**492,894**
Additions	-
Used during the year	(88,003)
On 31 December 2022	**404,891**
Additions	1,641
Used during the year	(67,444)
On 31 December 2023	**339,089**

14. TRADE AND OTHER RECEIVABLES

	31 December 2023	**31 December 2022**
Trade receivables - third parties	18,614,285	17,897,272
Trade receivables with affiliated entities (Note 21)	31,152	51,930
Allowance for trade receivables – third parties	(1,276,054)	(1,153,866)
Allowance for trade receivables – affiliated entities (Note 21)	(8,110)	(8,391)
Total trade receivables, net	**17,361,272**	**16,786,945**
Other receivables – third parties	1,060,147	318,840
Other receivables with the affiliated entities (Note 21)	154,019	154,019
Other receivables with state budget	53,934	54,943
Allowance for other receivables – third parties	(213,790)	(218,730)
Allowance for other receivables – affiliated entities (Note 21)	(152,580)	(152,580)
Total other receivables, net	**901,729**	**156,492**
Total receivables, net	**18,263,002**	**16,943,438**

Other receivables – third parties includes the amount of RON 696,920 representing the counter value of a good performance guarantee related to an ongoing litigation (details in Note 22).

14. TRADE AND OTHER RECEIVABLES (continued)

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
On 1 January 2022	**1,321,536**	**841,868**	**2,163,404**
Charge for the year	49,195	61,387	110,582
Unused amounts, reversed	(527,878)	(1,328)	(529,206)
Amounts written-off	(211,124)	-	(211,124)
Exchange rate differences	-	(89)	(89)
On 31 December 2022	**631,729**	**901,838**	**1,533,567**
Charge for the year	36	160,074	160,110
Unused amounts, reversed	(9,699)	(4,345)	(14,044)
Amounts written-off	-	(32,589)	(32,589)
Exchange rate differences	-	3,491	3,491
On 31 December 2023	**622,066**	**1,028,468**	**1,650,534**

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:

		Total trade receivables						
At 31 December 2023	**Current**	**< 30 days**	**31 – 60 days**	**61- 90 days**	**91 - 180 days**	**181 - 360 days**	**> 360 days**	**Total**
Expected credit loss rate (%)	*0.38%*	*8.42%*	*49.40%*	*82.12%*	*82.12%*	*82.12%*	*100.00%*	
Estimated total gross carrying amount at default	15,338,880	1,921,260	70,387	1,464	18,665	12,929	1,281,851	**18,645,436**
Expected credit loss	(2,485)	(5,227)	(3,903)	(1,203)	(4,208)	(6,236)	(1,260,903)	**(1,284,164)**

		Total trade receivables						
At 31 December 2022	**Current**	**< 30 days**	**31 – 60 days**	**61- 90 days**	**91 - 180 days**	**181 - 360 days**	**> 360 days**	**Total**
Expected credit loss rate (%)	*0.63%*	*1.55%*	*54.48%*	*68.13%*	*58.58%*	*57.05%*	*100%*	
Estimated total gross carrying amount at default	13,302,769	3,379,500	88,992	1,489	10,765	56,731	1,108,957	**17,949,202**
Expected credit loss	(11,851)	(6,003)	(337)	(71)	(2,148)	(53,731)	(1,088,116)	**(1,162,257)**

15. OTHER CURRENT ASSETS

	31 December 2023	31 December 2022
Advance expenses for car insurance	375,692	483,275
Advance expenses for vignette	107,505	102,597
Advance expenses for business insurance	456,039	402,207
Advance expenses for authorizations, transportation licenses, subscriptions, others	114,510	111,360
Other current assets TOTAL	**1,053,746**	**1,099,439**

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

	31 December 2023	31 December 2022
Bank accounts in RON	1,287	701
Bank accounts in foreign currency	3,783	2,930
Short term deposits in RON	557,078	401,720
Short term deposits in foreign currency	56,210	50,167
Petty cash in RON	12,324	15,964
Petty cash in foreign currency	17,860	20,234
Total cash and short term deposits	**648,543**	**491,717**

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).

Note 21 presents the details regarding the company's participation for the year 2023 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 2023 was of RON 50,388,545 (2022: RON 45,860,051), being ready to use without restriction, depending on the necessity.

16. CASH AND DEPOSITS (continued)

16.1 COLLATERAL CASH FOR LETTERS OF GUARANTEE

The detail of the collateral deposits as at 31 December 2023 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
40140	S.N.G.N. ROMGAZ S.A.	RON	121,112	20-Jan-23	31-Jan-24	RON	121,112
Total collateral deposits							**121,112**

The collateral deposits as at 31 December 2022 had the following components:

Number	Beneficiary	Currency	Amount equivalent RON	Start Date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
99007664	OMV PETROM S.A.	RON	320,210	18-Jan-22	14-Jan-23	RON	320,210
99007665	OMV PETROM S.A.	RON	529,196	18-Jan-22	14-Jan-23	RON	529,196
9000004272	OMV PETROM S.A.	RON	216,108	6-Jul-22	15-Jul-23	RON	216,108
99008693	OMV PETROM S.A.	RON	221,670	23-Nov-22	29-Oct-23	RON	221,670
99008060	OMV PETROM S.A.	RON	57,821	7-Dec-22	1-Apr-23	RON	57,821
34741	S.N.G.N. ROMGAZ S.A.	RON	58,994	7-Oct-21	5-Nov-22	RON	58,994
Total collateral deposits							**1,404,000**

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 2023.

	31 December 2023	**31 December 2022**
	Number	*Number*
Subscribed capital, ordinary shares	278,190,900	278,190,900
	RON	*RON*
Nominal value, ordinary shares	0.1	0.1
	RON	*RON*
Value of the share capital	27,819,090	27,819,090

The share capital of the company is totally paid in on 31 December 2023.

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 2023, as well as on 31 December 2022 and is presented in the table below:

	31 December 2023	**31 December 2022**
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

18. LEASES

18.1 The right-of-use assets

The statement of the identified assets as of 31 December 2023 is presented in the table below:

Cost	**Technical equipment and machinery and other tangible assets**	**Advances**	**Total Right of use assets**
On 1 January 2022	**1,303,897**	**1,297,120**	**2,601,017**
Additions	12,602,570	-	**12,602,570**
Remeasurement	11,622	**-**	**11,622**
Transfers	1,297,120	(1,297,120)	**-**
On 31 December 2022	**15,215,209**	**-**	**15,215,209**
Additions	-	-	**-**
Remeasurement	93,670	**-**	**93,670**
Transfers	-	-	**-**
On 31 December 2023	**15,308,878**	**-**	**15,308,878**
Depreciation and impairment			
On 1 January 2022	**797,782**	**-**	**797,782**
Depreciation charge for the year	1,103,906	-	1,103,906
Transfers		-	-
On 31 December 2022	**1,901,688**	**-**	**1,901,688**
Depreciation charge for the year	1,660,944	-	1,660,944
Transfers		-	-
On 31 December 2023	**3,562,632**	**-**	**3,562,632**
Net book value			
On 31 December 2023	**11,746,246**	**-**	**11,746,246**
On 31 December 2022	**13,313,521**	**-**	**13,313,521**
On 1 January 2022	**506,116**	**1,297,120**	**1,803,236**

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 (equivalent of RON 12,061,957), the option to buy the goods being expressed at the moment the contract was signed. 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 in the amount of RON 12,061,957.

18. LEASES (continued)

18.2 Lease liability

The accounting value of the lease liability and the movements recorded in this category during financial year 2023:

	2023	**2022**
At 1 January	**11,267,449**	**504,674**
Additions during the period	-	12,602,570
Remeasurement of lease contract	93,669	11,361
Interest associated to lease liability	611,509	807,496
Lease instalments	(3,240,489)	(2,627,463)
Exchange rate difference for liability	73,497	(31,188)
Balance at 31 December	**8,805,636**	**11,267,449**
Current	2,632,998	2,621,796
Non-current	6,172,638	8,645,653

For details regarding undiscounted potential future lease payments, please refer to Note 23.

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

	2023	**2022**
Depreciation expense of right of use assets	1,660,944	1,103,906
Interest expense on lease liability	611,509	807,496
Expense relating to short-term leases	73,927	19,942
Variable lease payments	86,461	43,359
Total amounts recognised in profit or loss account	**2,432,841**	**1,974,703**

The maturity analysis of lease liabilities is disclosed in Note 23.

19. OTHER POST EMPLOYMENT BENEFITS

	2023	**2022**
Balance at 1 January	**1,032,717**	**684,006**
Included in profit or loss		
Interest expense	88,130	24,516
Service Cost	67,663	240,577
(Gain) / loss on settlement	(219,182)	(425,088)
Included in other comprehensive income		
Actuarial loss/(gain)	206,633	508,706
Balance at 31 December	**1,175,961**	**1,032,717**

19. OTHER POST EMPLOYMENT BENEFITS (continued)

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 2023, the amount of the provision for benefits to be granted at retirement is RON 1,175,961. The computation is based on a actuarial model, prepared by on independent party and took into consideration 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 bellow:

	31 December 2023	31 December 2022
	%	%
The turnover of the personnel in one year	3.7	4.8
The contribution of the company to the gross salary	2.50	2.50
The inflation rate of the salary	4.80	4.00
The nominal discounting rate (the interest rate for governmental bonds)	7.00	8.90

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

	Impact on defined benefit obligation 2023	Impact on defined benefit obligation 2022
Discount rate assumptions:		
1% increase	(87,318)	(67,436)
1% decrease	97,749	74,824
Salary sensitivity assumption:		
1% increase	101,147	79,855
1% decrease	(91,671)	(72,818)
Longevity sensitivity assumption:		
+ 1 year	3,166	1,414

20. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	31 December 2023	31 December 2022
Trade payables - third parties	3,584,531	5,718,634
Trade payables with affiliated entities	737,670	591,048
Salaries	1,774,011	2,392,381
Dividends to be paid	5,419,839	6,272,271
Other taxes	1,153,704	1,138,147
Other liabilities	-	6,000
Total	**12,669,755**	**16,118,481**

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 2023.

Name of the company	Transaction type	Country of origin	The nature of relationship
KMG International NV	Payments of dividends	Holland	Parent Company
Rompetrol Rafinare SA	ITP services	Romania	Minority investment of 0.05% of the Rompetrol Rafinare share capital
Rompetrol Logistics SRL	ITP services, reinvoicement security services	Romania	Minority investment of 6.98%, of the Rompetrol Logistics share capital
Oilfield Exploration Business Solutions SA	ITP services	Romania	Company member of KMG International Group
Rompetrol Downstream SRL	Procurement of fuel, procurement of rovignete	Romania	Company member of KMG International Group
KMG Rompetrol SRL	Management and IT services, cash pooling services	Romania	Company member of KMG International Group
Rominserv SRL	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, rental of premises	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

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Receivables

	31 December 2023	31 December 2022
KMG Rompetrol SRL	50,730,823	46,117,041
Rompetrol Logistics SRL	22,966	43,473
KMG Rompetrol Services Center SRL	1,515	1,506
Total	**50,755,304**	**46,162,020**

Liabilities

	31 December 2023	31 December 2022
KMG Rompetrol SRL	163,208	67,588
Rompetrol Downstream SRL	549,681	319,763
KMG Rompetrol Services Center SRL	23,239	200,470
Rompetrol Quality Control SRL	864	-
Global Security Sistem SA	678	3,226
Total	**737,670**	**591,048**

Sales

	2023	2022
KMG Rompetrol SRL	3,825,036	3,843,126
Rompetrol Logistics SRL	245,157	218,506
KMG Rompetrol Services Center SRL	7,718	7,696
Oilfield Exploration Business Solutions SA	85	77
Global Security Sistem SA	-	77
Rompetrol Rafinare SA	488	232
Rompetrol Drilling SRL	30	362
Rominserv SRL	119	108
Total	**4,078,634**	**4,070,185**

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Acquisition of goods and services

	2023	2022
Rompetrol Downstream SRL	5,360,267	4,837,179
KMG Rompetrol SRL	2,901,536	3,107,244
KMG Rompetrol Services Center SRL	954,900	861,444
Global Security Sistem SA	17,202	21,458
Rompetrol Quality Control SRL	2,541	-
Total	**9,236,446**	**8,827,325**

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 47,476,902, generating interest in amount of RON 3,825,035. The value of these receivables as of 31 December 2023 was of RON 50,730,823.

21. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Description	Validity term	Contract Date	Maturity Date	Interest rate	Currency	Principal	Interest receivable as of 31 December 2022	Balance existing as of 31 December 2022	Interest receivable as of 31 December 2023	Balance existing as of 31 December 2023
Cash Optimization System implementation of The KMG Rompetrol Group companies (cash pooling)	12 months, with automatically extension	15-Sep-14	15-Sep-24	Based on ROBOR OVERNIGHT	RON	Depending on the working capital needs	256,990	45,860,051	342,278	50,388,545
Total							**256,990**	**45,860,051**	**342,278**	**50,388,545**

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.

22. COMMITMENTS AND CONTINGECIES

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 2023 and 2022 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.

Litigation

The Company is involved in a litigation file having as object a call for guarantee concerning a provision of services, the amount of the claims being approximately RON 697,000. The Company lawyer informed the management about the status of the litigation file, to the effect that based on the information/documents and the arguments of the parties, currently included in the file before the Court, there are no indications that could lead to a possible admission of the call for guarantee filed against the Company. For the same amount, the Company filed a request for its refund, case in which the court ordered the application to be granted and ordered to refund the amount. The case is under appeal. Therefore, no provision for litigation was recorded in these financial statements.

23. OBJECTIVES AND POLICIES FOR THE FINANCIAL RISK MANAGEMENT

<u>The risk of the interest rate</u>

- Loans received: the company is not 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.

Considering the cash availabilities of the Company which are managed through cash pooling system, the current increased interest rates have positive impact on the Company's financial result.

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 2023 would increase / decrease with RON 481,409 (2022: increase / decrease with RON 580,433).

<u>Risk of the exchange rate variations</u>

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.

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

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.

	Total RON	5% USD	5% EUR
31 December 2022			
Balance	**(128,633)**	**(53,591)**	**(75,042)**
Monetary assets	**21,547**	3,060	18,487
Monetary liabilities	**(150,180)**	(56,651)	(93,528)
31 December 2023			
Balance	**(63,333)**	(1,386)	(61,947)
Monetary assets	**31,468**	619	30,849
Monetary liabilities	**(94,802)**	(2,005)	(92,796)

<u>The credit risk</u>

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 current market environment might impact our existing customers of the company, but the Management permanently monitors the receivables, collections and potential impairments. Having a constant customers' structure ensures a level of overdue receivables which does not vary significantly from one period to another.

<u>The market risk</u>

The geopolitical context and the uncertainty faced by the region during this period triggered an increase in the purchase prices for the goods and services contracted by the company for the current activities, but also a fluctuation in delivery terms. However, Management is constantly looking to align to the current market condition the service tariffs as well as the type of services rendered.

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 85% of the total turnover registered for the financial year 2023.

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 2022, 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

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

continuously educates their employees and partners about cyber security risks and support them to act in a responsible way.

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.

These events continue to affect the activities in various sectors of the economy, resulting in 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 do not to have an direct impact on the Company's activity.

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.

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 48% of the Company's debt will mature in less than one year at 31 December 2023 (2022: 52%) 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 undiscounted contractual payments:

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables - third parties	42,473	2,914,858	428,638	198,562	-	**3,584,531**
Trade payables with affiliated entities	316,169	421,501	-	-	-	**737,670**
Lease liabilities	-	435,840	1,986,325	6,383,472	-	**8,805,636**
Dividends to be paid	9,107	178,085	2,153,205	3,079,442	-	**5,419,839**
Other liabilities	-	-	-	-	-	**-**
Total year 2023	**367,748**	**3,950,284**	**4,568,168**	**9,661,476**	**-**	**18,547,676**

Trade payables and similar liabilities	On demand	Under 3 months	Between 3 and 12 months	Between 1 and 5 years	Over 5 years	Total
Trade payables - third parties	21,245	4,840,398	563,472	293,519	-	**5,718,634**
Trade payables with affiliated entities	600	590,448	-	-	-	**591,048**
Lease liabilities	-	438,514	1,963,093	8,865,843	-	**11,267,449**
Dividends to be paid	3,238,025	-	802,463	2,231,782	-	**6,272,271**
Other liabilities	5,500	500	-	-	-	**6,000**
Total year 2022	**3,265,370**	**5,869,860**	**3,329,028**	**11,391,144**	**-**	**23,855,402**

24. AUDIT EXPENSES

Costs for audit services with the financial auditor recorded during the financial year ended 31 December 2023 were in amount of RON 99,289 (2022: 88,525 RON).

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

On 20 March 2024, the Board of Directors approved the proposal to distribute gross dividends in amount of RON 11,767,863 RON, respectively 0,042301 / share, proposal on which the General Ordinary Meeting of the Shareholders that will take place on 25 (26) April 2024 shall decide.

The Financial Statements from page 1 to page 54 were approved by the Board of Directors in 20 March 2024 and are signed in his name by:

Administrator,
FLOREA Georgian Stefan

Signature

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature