

**ANNUAL REPORT
OF THE BOARD OF DIRECTORS
FOR THE 2023 FINANCIAL YEAR**

drawn up in accordance with Law no. 24/2017 regarding issuers of financial instruments and market operations and FSA Regulation no. 5/2018 regarding issuers of financial instruments and market operations

Company

ROMPETROL WELL SERVICES S.A.

Headoffice:	Ploiesti - str. Clopotei nr. 2 bis
Phone no.:	0244/544321, 0244/544101
Fax:	0244/522913
Fiscal Identification Code:	RO 1346607
No. in the Trade Register:	J29/110/05.03.1991
Transaction market:	BUCHAREST STOCK EXCHANGE
The subscribed and paid-up capital:	27.819.090 lei

The main characteristics of securities issued by the company

No. of shares:	278.190.900
Nominal value (lei/share):	0,10 lei
Grade and type of securities:	"A" nominative

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1. Analysis of the company's activity

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

In 2023, the upstream market continued to see low investment and work levels from customers. Purchase prices for the goods and services contracted by the company, for the performance of current activities, continued their upward trend, and delivery times recorded fluctuations, as a result of the regional context.

Rompetro Well Services (RWS) managed to secure its leading position in the specific market segment through the diversity and flexibility demonstrated in offering specialized services aligned to the requirements of each individual client. RWS provides a wide range of services for oil and natural gas wells (cementation, stimulation, well casing operations, etc.).

	-RON		
	2021	2022	2023
Operational income, out of which:	45.961.135	53.228.897	73.487.511
Rendered services	44.185.085	52.295.150	72.067.998
Operational expenses, out of which:	(46.227.637)	(53.825.976)	(62.682.833)
Depreciation and Amortization	(3.996.830)	(4.895.557)	(5.921.961)
Adjustments on provisions, net	(545.161)	717.751	(47.250)
Net financial income	2.040.690	3.474.405	3.050.169
EBIT	1.774.188	2.877.328	13.854.847
Net result	1.629.634	2.449.517	11.767.863
Availability in the cash-pooling system	55.022.238	46.117.041	50.730.823
Payroll – Number of employees	149	133	135

1.1. a) Description of the core activity of the company

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

The object of the Company's activity consists in: provision of services for oil and gas wells, rental of well tools and equipment and other services. The services offered: cementing, stimulations, tubular running services, that are performed in the oil fields in Romania and abroad.

b) Specifying the date of establishment of the company

Company Rompetrol Well Services S.A. was established in 1951 and in the more than 70 years of activity, although it operated with different structures and under different names, the main profile was the execution of special operations at oil and gas wells in Romania.

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

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

During 2023 and 2022, respectively, there were no mergers or reorganizations of the company.

d) Description of acquisitions and/or disposals of assets

The Company's purchases were mainly represented by equipment necessary for the current activity. Thus, the equipment modernization program continued in 2023, focusing on updating technologies for cementing and well stimulation services. The company has not disposed of assets with significant accounting value.

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

1.1.1. Elements of general assessment:

a) profit:

At the end of 2023, Rompetrol Well Services records a positive result (profit) of 11,767,863 lei, 380% higher than the level of profit recorded in the previous year.

b) turnover:

In 2023, the turnover was 72,563,673 lei, 38% higher than the one recorded at the end of 2022, respectively 14% higher than the budgeted one. The impact was generated by an increase recorded in the area of secondary cementing services, as well as by an alignment of tariffs with current market conditions.

c) export:

In 2023, the Company provided services in Denmark, based on specific contract. The turnover obtained from these activities was in the amount of 404,263 RON.

d) costs:

In 2023, the operating expenses adjusted with elements of the nature of provisions were in the amount of 62,635,583 lei, 15% higher than those registered in the previous year, their evolution being influenced both by the direct costs related to the basic activity (cement, additives, equipment maintenance and repairs).

e) own market share %;

In Romania, the company holds market shares up to 70% for different types of special services provided.

f) liquidity (available in the account, etc.).

From the point of view of liquidity, the Company maintained the ability to cover current liabilities from current assets, the current liquidity indicator reaching a level of 4.85 on December 31, 2023.

1.1.2. Evaluation of the technical level of the company

Description of the main rendered services

The main works performed by the company ROMPETROL WELL SERVICES are the following:

- **Cementing and pumping services of various kinds:**
casing cementing, primary cementing, secondary cementing (plug cementing and squeeze cementing), well kills, circulations, milling and replacement of fluids, interventions in damaged wells, various pumping, etc.
- **Stimulation services:**
acid pumping, transport of fluids (acid solutions, emulsions and enzymes, etc.), water shut-off.
- **Special operations with liquid nitrogen:**
lift-off operation, foam acidizing, pressure integrity testing;
- **Operations with mechanical tongs for well casing;**
- **Rental of tools and equipment for various drilling-extraction works;**
- **Analyzes in our own laboratory for cements and well fluids;**
- **Preparation of cement slurry according to the recipes;**
- **Operations with cement retainers.**

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

The company ROMPETROL WELL SERVICES has maintained its position on the domestic market, being constantly concerned with improving the quality of the services provided. Having production capacities throughout the country as well as a qualified and well-trained workforce in the field of providing special services to oil and gas wells, ROMPETROL WELL SERVICES promptly provides the services required by their beneficiaries, regardless of the location. The main markets for Rompetrol Well Services are in Central and Eastern Europe.

b) the share of each category of products or services in the revenues and in the total turnover of the company for the last three years;

The share of each category of services in the turnover for the years 2021, 2022, 2023 is presented as follows:

Type of service	2021		2022		2023	
	Actual value (RON)	%	Actual value (RON)	%	Actual value (RON)	%
1	2	3	4	5	6	7
Cementing-Pumping services	24.543.531	55.0%	34.845.343	66.0%	57.540.957	79.3%
Stimulation services	14.872.756	33.3%	13.930.332	26.4%	10.661.775	14.7%
Nitrogen services	2.305.249	5.2%	1.533.679	2.9%	2.537.335	3.5%
Casing Running services	563.528	1.3%	704.998	1.3%	742.348	1.0%
Tools Rental services	38.831	0.1%	130.603	0.2%	75.642	0.1%
Other services	2.273.261	5.1%	1.623.091	3.1%	1.005.617	1.4%
TOTAL	44.597.157	100%	52.768.046	100%	72.563.673	100%

c) the new products considered for which a substantial volume of assets will be affected in the future financial year as well as the stage of development of these products.

The equipment modernization program of recent years focused on updating technologies for cementing and well stimulation services, respectively tubular running and acidizing services. The high-pressure pumping equipment is in accordance with the current safety requirements of the industry. The company continues to implement effective cementing and well stimulation technologies, meeting the operational requirements of customers.

1.1.3. Evaluation of the technical-material supply activity (indigenous sources, import sources)

Information on security of supply sources, prices of raw materials and stock sizes of raw materials and supplies.

The main types of materials needed to carry out the activity are: class G cement and specific additives, fuels and lubricants, auto spare parts and technological equipment, secured on the basis of firm contracts concluded annually, which ensures stability and safety of the company's operation in optimal conditions. The levels of stocks of raw materials and spare parts vary

depending on the volume of activity expected for the next period. The purchase prices are the prices applied on the market.

1.1.4. Evaluation of the selling activity

a) Description of sequential sales evolution on the domestic and/or foreign market and medium- and long-term sales prospects;

The evolution of revenues is presented in the following table:

	2021	2022	- RON 2023
Sales by activities, out of which:	44.597.157	52.768.046	72.563.673
Income from services provided	44.450.951	52.295.150	72.067.998
Income from sale of goods	146.206	472.896	495.675

Despite the constantly changing market conditions, the Company has managed to secure its leading position on the specific market segment through diversity and flexibility in offering specialized services tailored for each individual client. From an operational point of view, the Company implemented measures to ensure the availability of labor in order to fulfill all orders. 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. As before, the Company's flexibility in terms of the type of services provided, together with a strong financial position, including cash availability, will allow it to maintain a high level of activity.

b) Description of the competitive situation in the field of activity of the company, of the market share of the products or services of the commercial company and of the main competitors;

In the conditions of an increasingly competitive environment and a cautious level of activity in the oil and gas industry, the Company managed to maintain the market share for most of the services provided in Romania, while at the same time increasing the complexity of the services provided. The company has a market share up to 70% of the specific services market.

The main competitors of the Company in terms of primary cementing activity are: Schlumberger, Halliburton, Baker Hughes.

c) description of any significant dependence of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's revenues.

It can be stated that ROMPETROL WELL SERVICES depends on the position of OMV - PETROM BUCUREȘTI S.A., a customer that represents over 65% of the company's sales. To reduce this risk of dependence, the company aims to increase the share of special well services provided to other E&P players on the local market and expand the activity on the foreign market.

1.1.5. Evaluation of aspects related to the company's employees/staff

a) Specifying the number and level of training of the company's employees as well as the degree of unionization of the workforce;

The company carried out training of employees, mainly through internal training programs, to ensure obtaining the maximum benefits from the exploitation of existing equipment, the continuous raising of the level of competence of employees and to create a safe work environment.

The staff structure as of December 31, 2023 is as follows:

Total number of staff, of which:	145
- high education	63
- with secondary education	10
- skilled workers	72

The degree of labor unionization is 90.34%.

b) Description of the relations between the manager and the employees, as well as any conflicting elements that characterize these relations.

The relations between the manager and employees are based on collaboration and are carried out on the basis of the "Collective Labor Agreement", existing at the company level, without identifying conflicting elements.

c) Assessment of issues related to the impact of the issuer's core activity on the health and safety of workers

The QHSE (Quality, Health, Safety, and Environment) management system of Rompetrol Well Services reflects the provisions of a comprehensive set of current legal requirements, based on detailed internal procedures and risk assessments. All company employees are covered by the current QHSE management system.

To enhance the company's health and safety performance, specific measures were implemented during the 2023 reporting period:

- Quarterly meetings of the Health and Safety Committee
- Safety audits, BBS (Behavior-Based Safety) audits, and the annual Safety Audit plan involving management
- Internal audit plan for 2023
- Investigation of incidents according to Romanian legislation
- Job Safety Analysis (JSA) and risk assessment for all operations
- Mandatory training, professional training through the Annual Training Plan

As part of its QHSE management system, the company provides awareness campaigns for road safety, GPS monitoring of the fleet, and defensive driving programs to ensure transportation safety (indicators are reported in weekly management meetings).

Risk assessments are conducted in accordance with Romanian legislation and undergo periodic review and updates whenever there is a process change or new risks are identified. The risk register is updated quarterly, and employees are encouraged to report risks during regular training sessions, either directly or anonymously through the SSM mailbox in each unit. In case of incidents, the company applies the QHSE responsibility policy, which involves a "stop work" practice without blaming any employees.

Health and safety training is regularly provided in compliance with current legislation:

- Training on legal requirements (monthly)
- Professional training matrices
- Other professional training for skill development (forklift drivers, professional drivers, IWCF, Bosiet, etc.) included in the Annual Training Plan
- Road safety training

HSE hazards of products and risk control for employees and contractors are communicated through training on safety data sheets. Furthermore, to monitor, track, evaluate, and manage product-related incidents, the company uses procedures, simulations, and training such as:

- Policy on hazardous substances;
- Communication of chemical hazards;
- Handling of chemical products;
- Storage and disposal of chemical substances;
- Chemical exposure.

All training expenses are covered by the company. Communications and audits are also extended to contractors, along with communications on various HSE topics.

With 236,867 hours worked in 2023, Rompetrol Well Services did not record any loss time injuries or workplace accidents.

1.1.6. Evaluation of aspects related to the impact of the issuer's core activity on the environment

The synthetic description of the impact of the issuer's core activities on the environment as well as any existing or anticipated litigation regarding the violation of environmental protection legislation.

The company's activities, both at the headquarters in Ploiești and at all branches and workplaces nationwide, strictly adhere to current environmental legislation, thus avoiding any potential litigation resulting from non-compliance with current laws.

The company conducts periodic checks to ensure compliance with environmental requirements according to the environmental permits for its workplaces nationwide to avoid penalties or fines that could be imposed for not meeting obligations in this field. Additionally, the company has observed an increasing focus from suppliers and customers on environmental aspects, prompting a commitment to identifying sustainable solutions to reduce ecological footprints.

Ensuring compliance with current environmental regulations is a complex process through which the company conducts a detailed assessment of activities impacting the environment, both for on-site technological processes and documentation, identifying any non-conformities and proposing solutions for compliance, prevention, or reduction of environmental impact.

In July 2023, an audit of the Integrated Management System (environment, quality, safety, and health at work) was carried out by DNV Business Assurance, confirming Rompetrol Well Services S.A.'s full compliance with ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 standards. The company conducts annual internal audits of environmental, quality, and health and safety management at all its bases, as well as inspections at client locations. In 2023, the company underwent a QHSE (Environment, Emergency Situations, Health and Safety at Work) audit by the KMG Group, achieving a score of 90.5% (a 2.15% increase from 2022), corresponding to the rating "Excellent."

In December 2023, Rompetrol Well Services S.A. revised his Environmental Permit No. PH-66 for the Ploiești headquarters. Annual endorsements for environmental permits were also obtained for the company's other workplaces.

Rompetro Well Services has set several environmental objectives, including:

- Monitoring and reporting environmental indicators required for the Sustainability Report
- Eliminating all types of waste identified within the company through authorized firms
- Optimizing electricity and gas consumption by using LED lamps and new low-consumption heating systems
- Reducing paper consumption through electronic archiving
- Periodic monitoring of waste collection areas and safe storage
- Training personnel working for and on behalf of the organization in environmental protection
- Preventing any accidental pollution
- Continuing the process of renewing the fleet with new-generation vehicles equipped with Euro 6 engines, contributing to the reduction of emissions into the atmosphere
- Training all staff on waste sorting, reducing specific consumption, and particularly implementing the company's environmental policy and objectives

The management of ROMPETROL WELL SERVICES ensures the necessary resources and framework for implementing established environmental objectives, actively involving itself in all projects aimed at continuous improvement of environmental protection through the services provided.

According to Law No. 105/2006 and Emergency Ordinance No. 196/2005 regarding obligations to the Environmental Fund, Rompetrol Well Services S.A. pays monthly fees for pollutant emissions into the atmosphere from fixed sources and an annual fee for packaging introduced into the market, following declarations of obligations to the Environmental Fund.

1.1.7. Evaluation of the research and development activity

Specifying the expenses in the financial year as well as those anticipated in the next financial year for the research and development activity.

In 2023, the Company did not record research and development expenses.

1.1.8. Evaluation of the company's activity regarding risk management

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

The activity carried out by the Company implies its exposure to the following risks:

- *price risk*: the Company has a flexible pricing policy, which allows it to react and adapt to any price fluctuations that may appear in the market;
- *credit risk*: the Company's activity is financed from its own sources, but the impact of commercial credit could not be completely eliminated. The company manages customer credit in a procedural, flexible manner, through the contracting strategy established as an essential risk distribution mechanism. The Company's management constantly monitors receivables and their collection;
- *interest rate risk*: the company has not contracted bank loans, thus not being influenced by interest rate volatility. For the availabilities placed in the cash pooling system, the interest income is variable in relation to the ROBOR evolution;
- *liquidity risk*: until now the liquidity risk has been estimated as low, as the Company has managed to achieve a stable balance between the maturity of receivables generated by sales and the enforceability of debts for operational and investment activity.
- *the risk of exchange rate variations*: most of the Company's revenues are reported in RON and EUR. The gap between the registration of amounts in foreign currency and their settlement cannot generate significant patrimonial effects as a result of the exchange rate variation.

More details regarding risks faced by the Company are presented in the Financial Statements for the year 2023, in Note 23.

1.1.9. Elements of perspective regarding the company's activity

a) Presentation and analysis of trends, elements, events or uncertainty factors that affect or could affect the liquidity of the commercial company compared to the same period of the previous year.

The activity carried out by the Company did not cause dysfunctional cash flows, being compensated by the efficiency of the management of existing liquidity. Commitments to suppliers were paid rhythmically. The registered arrears do not present the risk of significant penalties. As of December 31, 2023, the Company is not involved in litigation regarding the payment of outstanding debts. The company ensured permanent efficiency in honoring contracts throughout the country.

The prospects of expanding service activities on foreign markets, however, require rational decisions in the careful use of liquidity when concluding new contracts.

The main objectives for 2024

Continuation of offering high quality services in all the main activities carried out by the Company. Taking into account the current market context, the Company is analyzing the possibility of expansion on the service market in the Middle East region, as well as the expansion of the activity in Central and Western Europe. In this sense, the Company continued discussions with possible local partners, including considering the opening of an operational base in the area.

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

The operation of the Company's activity was financed from its own sources, without requiring the contracting of loans from banking institutions or other legal entities.

In the category of debts, there are no outstanding debts of interest or other loans committed from banking institutions, but only the effect of the application of the new leasing standard.

The permanent trend for the constructive and functional improvement of the drilling installations, imposed by the need to obtain a technical-economic efficiency of the extraction wells, led to the need to make investments in order to be able to respond to the market requirements.

A share of 79% of the increase recorded in tangible assets, in the amount of 2.2 million RON, is represented by the purchase and/or modernization of the installations and equipment used in the operations carried out at the drilling wells and other ancillary operations, as well as laboratory equipment.

Approximately 21% of the total investments made by the Company in 2023 concerned works carried out in order to rehabilitate and modernize operational bases and replace IT equipment.

The company secured its own financial resources for the full implementation of the investment budget for 2023.

c) Presentation and analysis of events, transactions, economic changes that significantly affect the income from the core activity.

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.).

During the past year, Rompetrol Well Services 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 the company's clients increased by 18% compared to the level of 2022.

2. The tangible assets of the company

2.1. Specifying the location and characteristics of the main production capacities owned by the commercial company.

The patrimonial assets of tangible type allow a flexible organization in the territory to promptly fulfill the orders of the beneficiaries.

The place of service provision is identified at the beneficiaries, not in the organizational perimeter of the Company, the use of the production capacities being dependent on the orders received from the beneficiaries.

The location of the land and buildings on the geographical area is identified in the following localities: Ploiesti (Prahova County), Campina (Prahova County), Razvad (Dâmbovița County), Leordeni (Arges County), Mihaesti – Stuparei (Valcea County), Potcoava (Olt County), Craiova (Dolj County), Tg. Carbunesti (Gorj County), Slobozia - Conachi (Galati County), Ianca (Braila County), Timișoara (Timis County), Medias (Sibiu County), Moinesti (Bacau County), Videle (Teleorman County).

The main production capacities are represented by: cementing aggregates, containers, tanks, cementing laboratory equipment and other types of vans and drilling tools.

2.2. Description and analysis of the degree of wear and tear of the Company's assets.

Working outdoors at wells, traveling on hard-to-reach roads and using corrosive materials implies a high degree of wear and tear, compensated by the investments of recent years. The automotive specifics of the production capacities imply, the recognition of some maintenance costs resulting from the adaptation and implementation of the imperative normative acts specific to European integration and environmental protection issues: ADR transport licenses, rovignetes, tachographs, environmental taxes, taxes for first registration, local taxes, etc.

2.3. Specifying the potential issues related to the right of ownership of the tangible assets of the company.

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

3. The market of securities issued by the company "ROMPETROL WELL SERVICES" S.A.

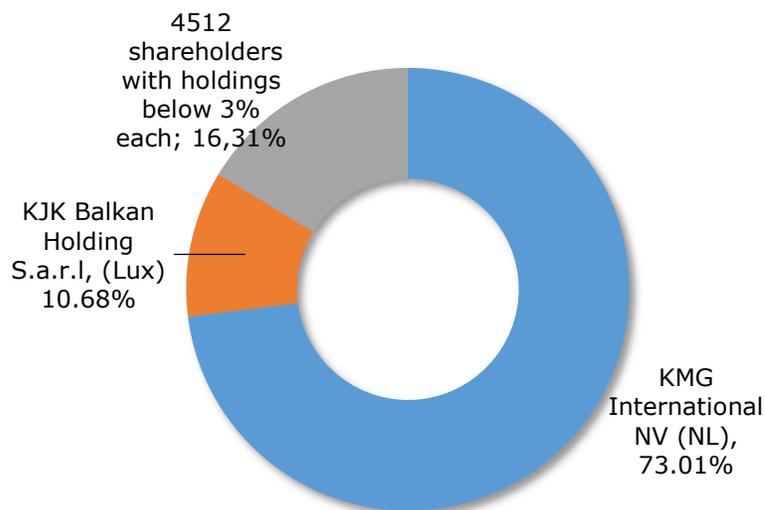
3.1. Specifying the markets in Romania and other countries where the securities issued by the company are traded.

Securities issued by ROMPETROL WELL SERVICES S.A. are admitted to the rate of the Bucharest Stock Exchange by decision no. 133/ 26.03.1998 and are traded on this market in the STANDARD category in the sector of securities issued by Romanian legal entities, from 18.06.1998, under the symbol PTR. The securities issued by the company are category A - registered shares.

As of 31.12.2023 the share capital is 27,819,090 lei, equivalent to 278,190,900 shares with a nominal value of 0.10 lei/share and is distributed among the holders as follows:

1. KMG INTERNATIONAL N.V. Netherlands	20.311.015 lei (73,0111 %)
2. KJK BALKAN HOLDING S.a.r.l Luxembourg	2.970.995 lei (10,6797 %)
3. Other shareholders (4512 shareholders)	4.537.080 lei (16,3092 %)

Shareholder structure



3.2. Description of the company's policy regarding dividends. Specifying the dividends due/paid/accumulated in the last 3 years and, if applicable, the reasons for the eventual reduction of dividends during the last 3 years.

The decision to declare and pay dividends is taken during the Ordinary Annual General Meeting of Shareholders upon the recommendation of the Board of Directors. The recommendations regarding the amount of the dividend and the method of payment are adopted during the meeting of the Board of Directors to propose the distribution of the profit based on the year-end results.

The policy provides a differentiated approach to determining the volume of dividends with regard to the Company, depending on:

- The nature and profitability of the commercial activity carried out by the Company and its capital needs;
- Anticipated equity capital needs for the fulfillment of activity plans and investment projects;
- The effective volume of dividends will take into account the financing needs with equity capital for:
 - Financing capital investments in existing assets;
 - Financing of investment projects regarding the part that requires the allocation of own funds according to the agreed project financing structure;
 - Debt repayment;
 - Other relevant factors influencing the company's cash flows.

The Board of Directors prepares proposals regarding the effective volume of dividends distributed for the reporting period.

The dividend distribution rate, subject to the other provisions of this Policy, is set at a minimum of 30%, as long as there are sufficient cash availability, calculated as follows:

Cash balance N + Net cash pooling balance N + Cash from operations N + 1 + Cash from investments N + 1 + Financial costs N + 1 + Mandatory loan repayments N + 1

where N is represented by the year for which the distribution is made, while N+1 represents the following year. For N+1, the calculation is prepared based on the budget.

Dividends are distributed to the Company's shareholders in proportion to their holdings in the Company.

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

The value of the dividends is identified when the decision to declare and pay the Dividends is taken.

The GMS decision regarding the declaration and payment of dividends reflects the following:

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

For the financial year ended on December 31, 2021, EGMS from 27.04.2022 approved the distribution as dividends of the net profit in the amount of 1,629,634 lei, as a dividend, respectively 0.005857970 gross lei/share and at the same time approved the change in the destination of the reserves constituted by the company's net profit obtained in previous years in the amount of 15,977,937 RON and the distribution of this amount as dividends to shareholders, respectively 0.057435153 RON gross/share, as well as the change in the destination of the amount of 29,935,254 RON from other reserves and the distribution of this amount as dividends to shareholders, respectively 0.107606877 RON gross/action. Thus, for the year 2021, the total value of the dividend was 0.1709 lei gross/share.

For the financial year ended on December 31, 2022, EGMS from 26.04.2023 approved the distribution as dividends of the net profit in the amount of 2,449,517 lei, as a dividend, respectively 0.008805 gross lei/share.

For the financial year ended on December 31, 2023, EGMS from 25(26).04.2024 is to decide on the way to distribute the profit. The proposal of the Board of Directors is to distribute the net profit as dividends in the amount of 11,767,863 RON, respectively 0.042301 gross lei/share.

Until December 31, 2023, the Company paid the following dividends:

- 94% of the gross dividend approved for the 2020 financial year;
- 93% of the gross dividend approved for the 2021 financial year;
- 93% of the gross dividend approved for the 2022 financial year

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

The company did not carry out activities for the purchase of its own shares.

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

Not applicable.

3.5. If the company has issued bonds and/or other debt securities, the presentation of how the commercial company pays its obligations to the holders of such securities.

Not applicable.

4. Management of ROMPETROL WELL SERVICES S.A.

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

At the beginning of 2023, the Board of Directors had the following members: Yedil Utekov, Stefan Georgian Florea, Vasile Gabriel Manole, Olga Turcanu, Eugeniu Moby Henke, elected by the General Meeting of Shareholder on 27.04.2022 for a 4-year term starting with 30.04.2022.

Through the Decision of the Board of Directors no. 1 from 02.05.2022, Yedil Utekov was elected as the Chairman of the Board of Directors starting on 30.04.2022.

Through the Decision of the Board of Administration no. 1 from 02.05.2022 starting from 30.04.2022 Georgian Stefan Florea was appointed General Manager and Roxana Luiza Moise was appointed Financial Manager, for a mandate equal to that of the administrators who appointed them.

On 20.03.2023, Mr. Yedil Utekov resigned from the mandates of President and member of the Board of Directors and member of the Audit Committee starting on 01.05.2023 (last day of mandate being 30.04.2023).

In the General Meeting of Shareholders dated 26.04.2023, Mr. Batyrzhan Tergeussizov was elected a member of the Company's Board of Directors for a term that begins on 01.05.2023 and expires on 30.04.2026 (the date of the expiration of the mandate of the other members of the Board of Administration).

Through the Decision of the Board of Administration no. 1 of 02.05.2023, Mr. Batyrzhan Tergeussizov was elected President of the Board of Directors starting from 01.05.2023.

Thus, as of the end of 2023, the composition of the Board of Directors is as follows:

Batyrzhan Tergeussizov – the Chairman of the Board of Directors

Georgian Stefan Florea – Member / General Manager

Olga Turcanu – Member

Vasile Gabriel Manole – Member

Eugeniu – Moby Henke – Member

4.1. Presentation of the list of company administrators and the following information for each administrator:

a) CV (name, surname, age, qualification, professional experience, position and length of service;

• Yedil Utekov - Kazakh citizen, born in 1976

Chairman of the Board of Directors for the period 30.04.2022 - 30.04.2023.

Term of office: 30.04.2022 – 30.04.2023.

Yedil Utekov graduated from the Faculty of Chemical Engineering of Natural Resources and Hydrocarbons from the Astrakhan State Technical University in Russia and started his career in the oil and gas industry in 2001 as a process operator at the Akasaraisky Gas Processing Plant from Russia, following that between September 2001 and June 2002 he became an operator for

ZAO Intergaz Central Asia, Kazakhstan. Later, starting from June 2002, his career growth started from the position of engineer at the Atyrau Refinery and went to Manager for Ecology, Health and Safety Technology. Between April 2005 and April 2010, he worked at Agip KCO, in Atyrau, Kazakhstan, the last position he held within this company was that of Group Coordinator for Technical Control and Inspection, between August 2008 and April 2010.

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

- Batyrzhan Tergeussizov - Kazakh citizen, born in 1984
Chairman of the Board of Directors for the period 01.05.2023 - 31.12.2023.
Term of office: starting with 01.05.2023 until 30.04.2026.

Mr. Batyrzhan Tergeussizov has graduated from Almaty University of Power Engineering and Telecommunication, Electrical Engineering faculty and holds a master's degree in Business Administration (MBA) from Maastricht School of Management / Almaty Management University. Before joining the Group, Mr. Tergeussizov held the position of General Manager of Linde Gas Kazakhstan TOO for more than seven years and had successfully managed the entity's business activities in Kazakhstan and Central Asia. Before this position, Mr. Batyrzhan Tergeussizov had several management roles within Siemens TOO, such as Country Division Lead - Energy Service Division, Business Unit Lead - Services for Oil & Gas and Industrial Application, and Head of Service Group.

- Georgian Stefan Florea- Romanian citizen, born in 1982
Member of the Board of Directors during the period 30.04.2022 – 31.12.2023
Term of office: 4 years starting on 30.04.2022

He graduated from the Ploiesti University of Oil and Gas. Mr. Florea holds a Master's degree in reservoir engineering obtained at the Ploiesti University of Petroleum and Gas.

Georgian Stefan Florea has been with Rompetrol Well Services since 2007, successfully fulfilling his duties in such roles as - initially at the operational level, holding the positions of petroleum engineer DST division, field engineer at the cementing division, petroleum engineer technical department, representative of Rompetrol Well Services & Rompetrol SA in Kurdistan, Sales Coordinator and up to management level, Deputy General Manager of Rompetrol Well Services since March 2018.

- Olga Turcanu - Romanian citizen, born in 1979
Member of the Board of Directors between 30.04.2022 - 31.12.2023.
Term of office: 4 years starting on 30.04.2022.

Olga Turcanu studied international economic relations and economic law at the Academy of Economic Sciences of Moldova having the bachelor and master levels. In 2013, Olga Turcanu was accepted as a Member of the Association of Chartered Certified Accountants (ACCA), and starting from 2018 she has the status of an Fellow ACCA.

She gained professional experience in tax consultancy, financial audit in the oil and gas industry, economic analysis, budgeting, business planning, taxation, investment project analysis, corporate finance.

She worked in various companies such as: PriceWaterhouseCoopers, Mechel Trade House, Bluehouse Capital Group, Rominserv.

- Vasile Gabriel Manole - Romanian citizen, born in 1980
Member of the Board of Directors between 30.04.2022 – 31.12.2023.
Term of office: 4 years starting on 30.04.2022.

Mr. Vasile Gabriel Manole graduated from the Faculty of Economic Sciences, Transilvania University Brasov, majoring in Finance, Banks, Insurance. He also holds a diploma of in-depth postgraduate studies - strategies and financial accounting techniques - at Transilvania University Brasov.

He joined the KMG International Group in 2005, occupying managerial positions in the financial area in several entities within the KMG International Group, including the position of economic director of Rompetrol Rafinare SA between November 2010 - May 2013 and 2016 - 2018.

Vasile Gabriel Manole holds the position of Financial Manager of Rominserv SRL and his main duties are the representation of the company and the financial management of the company. Also, Vasile Gabriel Manole holds the position of the Chairman of the Investment Initiation committee within the Kazakh-Romanian Energy Investment Fund, an entity within the KMG International Group.

• Eugeniu – Moby Henke - Romanian citizen, born in 1973;
Member of the Board of Directors in the period 30.04.2022- 31.12.2023.
Term of office: 4 years starting on 30.04.2022.

He is a lawyer, a graduate of the Faculty of Law of the University of Bucharest (1992-1996) and has a Master's degree in Administrative Sciences (1997-1999) from the National School of Political and Administrative Studies in Bucharest.

He has professional experience in the following fields:

- consultancy for public and private companies (organizations), government agencies and individuals;
- development and elaboration of corporate systems, legal analysis of transactions, projects;
- protection of clients' rights in the general courts of jurisdiction at all levels
- elaboration, negotiation and legal support in the execution of contracts, agreements and other legal documents;
- experience as Director of the legal department of the KMG International Group, in the teams for a series of projects (commercial, legislative, etc.);

b) any agreement, understanding or family relationship between the respective Administrator and another person due to which the respective person was appointed as Administrator;

To the knowledge of the administrators, there was no agreement, understanding or family connection between the administrators of the Company and another person due to which they were appointed administrators.

c) the Administrator's participation in the Company's capital;

According to the Register of shareholders of the company, consolidated on 31.12.2023, issued by the Central Depository, none of the Administrators participates in the share capital of the Company.

d) the list of people affiliated with the company.

None of the members of the Company's Board of Directors is affiliated with Rompetrol Well Services S.A. in the sense of ASF Regulation no. 5/2018.

4.2. Presentation of the list of members of the company's executive management.

For each, the presentation of the following information:

a) the term for which the person is part of the Executive Management;

During 2023, the management of the Company was delegated to the following Managers:

Role	Name and surname	Period
<i>General Manager</i>	<i>FLOREA GEORGIAN STEFAN</i>	<i>01.01.2023 - 31.12.2023</i>
<i>Financial Manager</i>	<i>MOISE LUIZA ROXANA</i>	<i>01.01.2023 - 31.12.2023</i>

b) any agreement, understanding or family relationship between that person and another person due to which that person was appointed as a member of the Executive Management;

We are not aware of any cases of agreements, agreements or family ties between the members of the executive management and other persons due to which they were appointed to the position.

c) the respective person's participation in the capital of the commercial company.

According to the Register of shareholders of the company, consolidated on 31.12.2023, issued by the Central Depository, no member of the Executive Management participates in the share capital of the Company.

4.3. For all persons presented in 4.1. and 4.2. specify any disputes or administrative procedures in which they have been involved, in the last 5 years, related to their activity at the issuer, as well as those regarding the capacity of the respective person to fulfill their duties within the issuer.

None of the people in the management of the Company has been involved in litigation or administrative procedures in the last 5 years.

5. The financial-accounting situation

Presentation of an analysis of the current economic-financial situation compared to the last 3 years, with reference at least to:

a) balance sheet elements: assets that represent at least 10% of total assets; cash and others liquid assets; reinvested profits; total current assets; total current liabilities;

Starting with the year ended on December 31, 2012, the individual financial statements of the Company were drawn up in accordance with the provisions of the Order of the Minister of Public Finance no. 1286/2012 for the approval of the accounting regulations in accordance with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, Order of the Minister of Public Finance no. 2844/2016 with all subsequent amendments and additions.

For the purpose of preparing these financial statements, in accordance with Romanian legislative requirements, the functional currency of the company is considered to be the Romanian leu (RON).

Summary of the patrimonial elements:

	2021	2022	- RON 2023
Total Assets, out of which:	153.439.577	123.254.400	125.397.777
Fixed assets	39.255.033	51.247.292	49.138.507
Current assets	114.184.544	72.007.108	76.259.270
Total Liabilities, out of which:	153.439.577	123.254.400	125.397.777
Share capital, out of which:	28.557.446	28.557.446	28.557.446
Paid-up subscribed capital	27.819.090	27.819.090	27.819.090
Legal reserves	5.563.818	5.563.818	5.563.818
Other equity	103.068.569	56.728.487	55.515.450
Current result	1.629.634	2.449.517	11.767.863
Debts due under one year	12.531.044	19.095.172	15.722.168
Debts due above one year	2.089.065	10.859.960	8.271.032

b) profit and loss account

Summary of income and expenditure elements:

	2021	2022	- RON 2023
Total income, out of which:	48.700.607	57.879.281	77.369.727
Operational income	45.961.136	53.228.897	73.487.511
Financial income	2.739.471	4.650.384	3.882.216
Total expenditure	46.926.418	55.001.954	63.514.880
Operational expenditures, out of which:	46.227.637	53.825.975	62.682.833
- expendable supply	11.406.887	15.250.181	19.654.780
- staff expenses	16.573.739	19.427.316	21.212.561
- assets depreciation expenses	3.996.830	4.895.557	5.921.961
- other expenses	14.250.811	14.252.922	15.893.531
Financial expenses	698.781	1.175.979	832.047
Gross result - profit	1.774.188	2.877.328	13.854.847
Current and deferred profit tax	144.554	427.811	2.086.984
Net result - profit	1.629.634	2.449.517	11.767.863

Summary of the achievement of budget indicators:

	Achieved – previous year	2023	
		Budget provisions	Achieved
Total income, out of which:	57,879,281	67,416,065	77.369.727
Operational income	53,228,897	64,358,549	73.487.511
Financial income	4,650,384	3,057,516	3.882.216
Total expenditure, out of which:	55,001,954	57,218,065	63.514.880
Operational expenditures	53,825,975	56,900,828	62.682.833
Financial expenditures	1,175,979	317,237	832.047
Gross profit	2,877,328	10,198,001	13.854.847
Current and deferred profit tax	427,811	1,369,196	2.086.984
Net profit	2,449,517	8,828,805	11.767.863

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

Treasury cash flow situation, synthesis - indirect method

	- RON		
	2021	2022	2023
Net result before taxation and extraordinary items	1.774.189	2.877.328	13.854.847
Operational profit before changes in working capital	2.987.443	3.350.624	15.707.518
Net cash from operational activities	3.951.124	37.284.325	7.642.050
Net cash from investing activities	27.765.571	9.524.158	(1.554.398)
Net cash from financing activities	(31.640.781)	(46.543.997)	(5.930.827)
Net variation in cash and cash equivalents	74.975	263.829	157.075
Unrealized exchange rate differences	1.139	657	(251)
Cash and cash equivalents at the beginning of the financial year	151.117	227.231	491.717
Cash and cash equivalents at the end of the financial year	227.231	491.717	648.542

In 2023, both the performance of contracts with customers and suppliers was managed in conditions of financial balance, as well as the provision of all liquidity for the full and timely payment of salary rights, budget debts and dividends. All investment projects were financed from own sources, except for the two twin pump cementing units, that were acquired through a finance lease. In addition to the cash highlighted at the end of the financial year, the availability from the main account, from the cash-pooling system, in the amount of 50,730,823 RON, can be used without restrictions.

Name of the indicator	2021	2022	2023
Current liquidity indicator	9,11	3,77	4,85
The speed of rotation of debits-customers	120	102	86
The speed of rotation of fixed assets	1,14	1,03	1,48
The indicator of the degree of indebtedness	0.4%	12.1%	8.7%

The debt level indicator includes only the effect of lease contracts.

6. Corporate Governance

ROMPETROL WELL SERVICES S.A. is a company listed on the Bucharest Stock Exchange - main segment, Standard share category, under the symbol << PTR >>, since **18.06.1998**, according to the decision of the Quota Registration Commission no. 133/26 March 1998.

The company complies with the current legislation applicable to companies and the capital market: Law no. 31 /1990 of commercial companies - with subsequent amendments, Law no. 82/1991 of accounting - with subsequent amendments, Law no. 297 /2004 on the capital market - with subsequent amendments, Law no. 24/2017 regarding issuers of financial instruments and market operations, FSA Regulation no. 5/2018 regarding issuers of financial instruments and market operations.

The Company's management adopted voluntarily, self-imposed part of the provisions of the Corporate Governance Code of the Bucharest Stock Exchange (CGC-BVB).

The Corporate Governance Code of the Bucharest Stock Exchange is a set of principles and recommendations for companies whose shares are admitted to trading on the regulated market in order to create an internationally attractive capital market in Romania, based on the best practices, of transparency and trust. The Code encourages companies to build a strong relationship with their shareholders and other stakeholders, to communicate effectively and transparently and to be open to all potential investors.

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

Good corporate governance is a powerful tool for strengthening market competitiveness. The central elements of this Code are investors' access to information and the protection of shareholders' rights. Each listed company must follow the provisions of the Code. The role of good governance is to facilitate effective entrepreneurial leadership, which can ensure the long-term success of the company.

Details of compliance Rompetrol Well Services S.A. with the new Corporate Governance Code is presented in Annex no. 1.

In accordance with the Articles of Association, **Rompertrol Well Services S.A. is administered in a unitary system**, so that the administration rests with a board of directors composed of 5 members, elected by the ordinary general meeting of shareholders, for a 4-year term. The Board of Directors has full powers to take any administrative and management decisions other than those that the law expressly gives to the General Meeting of Shareholders. By way of exception, the Board of Directors will exercise the powers of the General Meeting of Shareholders provided for by art. 113 letter b, c and f of law 31/1990, republished. The decisions of the Board of Directors are valid if they are taken by the majority of the members present. In case of equality of votes, the Chairman has the decisive vote.

The duties and powers of the Board of Directors and of the Chairman of the Board of Directors

The Board of Directors has the powers established by Law no. 31/1990 updated, the Articles of Incorporation, as well as other duties established by the general meetings of shareholders in its charge, respectively, mainly, the following:

- a) establishes the main directions of activity and development of the Company;
- b) appoints and dismisses the Managers of the Company and supervises their activity;
- c) prepares the annual activity report;
- d) implements the decisions of the general meetings;
- e) with the exception of legal acts for the adoption/conclusion of which is necessary, according to the mandatory provisions of the law, the approval of the general meeting of shareholders, approves the adoption/conclusion on behalf of the Company of legal acts whose object has a value between 500,001 – 10,000,000 USD; approval is required if it is a single commercial transaction carried out through one and/or several separate contracts if the cumulative value of these contracts exceeds the respective amount;
- f) approves the organizational structure of the company;

- g) designates and/or revokes the persons who act as representatives of the Company in relations with the banks, with the right of first signature, respectively with the right of second signature; the joint signature rules shall apply accordingly to the making of any payment made for and on behalf of the Company;
- h) approves the conditions for contracting any type of loans from a bank and/or financial institution, as well as from any other legal entity;
- i) approves the interim financial statements of the company, drawn up according to the law;
- j) approves the company's marketing strategy and investment plan, as well as the annual budget (investment expenses and operational expenses), upon the joint proposal formulated by the General Manager and the Financial Manager;
- k) submits the application for the opening of the company's insolvency procedure, according to law no. 85/2014 regarding the insolvency procedure;

During 2023 the Board of Directors had the following composition:

- Yedil UTEKOV - Chairman during 01.01.2023 – 30.04.2023
- Batyrzhan TERGEUSSIZOV - Chairman during 01.05.2023 – 31.12.2023
- Eugeniu Moby HENKE - Member during 01.01.2023 – 31.12.2023;
- Georgian Stefan FLOREA - Member during 01.01.2023 – 31.12.2023;
- Olga TURCANU - Member during 01.01.2023 – 31.12.2023;
- Vasile Gabriel MANOLE - Member during 01.01.2023 – 31.12.2023

6.1. Information about the members of the Board of Directors

The CVs of the members of the Board of Directors of Rompetrol Well Services SA are available on the company's website at <https://rompetrolwellservices.kmginternational.com/en/investor-relations/corporate-governance/board-of-directors>. Additional information can be found in section 4.1 of this report.

According to the criteria for evaluating the independence of the non-executive members of the Board of Directors, on 31.12.2023, none of the Administrators meets the independence criteria provided by the principles and recommendations of the Code.

During 2023, a number of 14 meetings of the Board of Directors took place and 23 decisions were adopted, the participation of Administrators in these meetings being as follows: Yedil Utekov – 5 meetings, Batyrzhan Tergeussizov – 8 meetings, Eugeniu-Moby Henke - 14 meetings, Olga Turcanu – 14 meetings, Georgian Stefan Florea – 14 meetings, Vasile Gabriel Manole - 14 meetings.

The President chaired 13 of the meetings of the Board of Directors, and 1 was chaired by the General Director as a member of the Board of Directors. Decisions were adopted, taking into account legal provisions, regulations, constitutive acts and incident internal procedures. The decisions were taken with the "for" vote of the majority of those present, according to the provisions of the Articles of Association.

For the financial year ended on December 31, 2023, in accordance with the legal provisions, the administrators' remuneration was approved by the Ordinary General Meeting of Shareholders on 26.04.2023.

The information regarding the expenses with the remuneration of Administrators and Managers are presented in the annual financial statements, respectively in the Remuneration Report.

The company has a Financial Auditor who carried out his activity in accordance with the applicable legal provisions and the contracts concluded in this regard. Since 2008, the financial auditor is "Ernst & Young Assurance Services SRL". The financial auditor audited the annual financial statements.

The general meeting of shareholders dated 27.04.2022 appointed the audit firm Ernst & Young Assurance Services SRL as financial auditor for the financial years 2022 and 2023, the duration of the audit contract being 2 (two) years, starting from the date of the GMS.

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

Name	Company	Job position	Period
Yedil Utekov	Rompetrol Rafinare SA *	Chairman BoD	01.05.2018-30.04.2023
	Rominserv S.R.L.*	Member BoD	15.09.2020-30.04.2023
	Rompetrol Energy S.A. *	Chairman BoD	01.10.2020 – 30.04.2023
Batyrgyzan Tergeussizov	Rompetrol Rafinare SA *	Chairman BoD	01.05.2023-31.12.2023
	Rompetrol Rafinare SA *	Membru of Strategy Committee	03.05.2023-30.04.2026
	Rompetrol Downstream SRL*	Member BoD	08.05.2023-09.09.2024
	Rominserv SRL*	Chairman BoD	01.02.2023 – 01.02.2027
	Rompetrol Energy SA*	Chairman BoD	01.03.2023 – 31.01.2026
	Rompetrol Georgia*	Member BoD	11.05.2023 - indefinite
Olga Turcanu	KMG Rompetrol SRL*	Financial Manager	07.07.2019 - indefinite
Vasile Gabriel Manole	Rominserv SRL*	Financial Manager	01.07.2019 – indefinite
	Rompetrol Renewable SRL*	Financial Manager	01.02.2023-28.10.2026
	Oilfield Exploration Business Solutions (former Rompetrol SA)*	Financial Manager	01.06.2013 - indefinite
	Fondul de Investitii in Energie Kazah-Roman SA	Member Committee of initiating investments	17.01.2023 – 17.01.2027

* Company member of KMG International Group

Advisory Committees

In its activity, the Board of Directors is supported by an Advisory Committee, namely the Audit Committee, which task is to carry out analyzes and to develop recommendations for the Board of Directors, in specific areas, having the obligation to periodically submit activity reports to the members to the Board of Directors.

The Audit Advisory Committee composition was approved by Decision no. 2 of the Board of Directors from May 2, 2023.

The general meeting of shareholders dated 27.04.2022 approved the appointment of Dan Alexandru Iancu, Financial Auditor registered with the chamber of financial auditors in Romania, as an independent member of the Audit Committee, for a mandate equal to that of the Board of Directors.

The detailed presentation of the duties and responsibilities of the Advisory Committee can be found in the Organization and Operation Regulation approved by the Board of Directors, regulation published on the Company's website rompetrolwellservices.kmginternational.com, section "Investor Relations - Corporate Governance - Corporate Governance Documents".

The Audit Committee fulfills the legal duties provided in art. 65 of Law no. 162/2017 which mainly consist in monitoring the process of financial reporting, internal audit, risk management within the Company and ensuring compliance, as well as in the supervision of the statutory audit activity of the annual financial statements and in the management of the relationship with the external auditor.

During 2023 the Audit Committee had the following composition:

- Dan Alexandru Iancu - Chairman during 01.01.2023-31.12.2023
- Yedil Utekov - Member during 01.01.2023 - 30.04.2023
- Batyrzhan Tergeussizov - Member during 01.05.2023 - 31.12.2023
- Olga Turcanu - Member during 01.01.2023 – 31.12.2023

Information on the meetings of the Audit Committee during 2023

In 2023, there were 7 meetings of the Audit Committee and 7 decisions were adopted, the actual participation in these meetings being as follows: Dan Alexandru Iancu - 7 meetings, Olga Turcanu - 6 meetings, Yedil Utekov - 1 meeting and Batyrzhan Tergeussizov – 4 meetings.

6.2. Executive Management

The management prerogatives of the Company are delegated by the shareholders through the Articles of Associations to the General Manager and the Financial Manager.

In 2023, the Executive Management of the Company was carried out by the following Managers:

- Stefan Georgian FLOREA – General Manager during 01.01.2023 - 31.12.2023;
- Luiza Roxana MOISE - Financial Manager during 01.01.2023 – 31.12.2023.

The term of office for the General Manager and the Financial Manager ends on January 30, 2026.

6.3. Shareholders' liabilities

ROMPETROL WELL SERVICES S.A. ensures a fair treatment of all shareholders, including minority and foreign shareholders, in accordance with the legal provisions and the Articles of Association of the Company.

The company makes every effort to facilitate the participation of shareholders in the work of general meetings of shareholders (GMS). ROMPETROL WELL SERVICES shareholders have the opportunity to participate in the GMS directly, through a representative on the basis of a special power of attorney, or they can vote by mail (by sending the voting form by mail by any form of courier or by e-mail with an extended electronic signature incorporated according to Law no. 455/2001 on electronic signature).

According to article 11 of the Articles of Association, in conjunction with the applicable legal provisions, the **Ordinary General Meeting** meets at least once a year, within the mandatory term provided by law, and has the following main duties:

- a) to discuss, approve or modify the annual financial statements, based on the reports presented by the board of directors and the financial auditor, and to fix the dividend;
- b) to elect and revoke the Company's administrators;
- c) appoint and fix the minimum duration of the financial audit contract, as well as revoke the financial auditor;
- d) to establish for each year in progress the remuneration due to Administrators;
- e) to express the opinion on the management activity of the Administrators;
- f) to analyze the activity of the Board of Directors and to decide on the prosecution of the Administrators for the damages caused to the Company, also designating the person entrusted to carry it out;
- g) to establish the income and expenditure budget and, if necessary, the activity program for the next financial year;
- h) to decide on the pledging, renting or liquidation of one or more units of the Company;
- i) to approve the maximum limits of the remuneration of persons occupying/exercising management positions according to the provisions of the law;

The Extraordinary General Meeting has the following duties:

- a) changing the legal form of the Company;
- b) moving the headquarters of the Company;
- c) changing the object of activity of the Company;
- d) the establishment or dissolution of secondary offices: branches, agencies, representative offices or other such units without legal personality, if the Articles of Association does not provide otherwise;
- e) extending the duration of the Company;
- f) increasing the social capital;
- g) reducing the social capital or reuniting it by issuing new shares;
- h) merger with other companies or division of the Company;
- i) early dissolution of the Company;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another category or into shares;
- l) issue of bonds;
- m) approval of the adoption/conclusion on behalf of the Company of legal documents whose object has a value greater than USD 10,000,000;

n) any other amendment to the Articles of Association or any other decision for which the approval of the Extraordinary General Meeting is required.

The Extraordinary General Meeting delegates to the Board of Directors the fulfillment of the powers provided for in letters b) and c) of the above paragraph.

The Extraordinary General Meeting can delegate to the Board of Directors the increase of the share capital in accordance with the provisions of Law no. 24/2017.

Conducting the General Meeting of Shareholders

The General Meeting of Shareholders is convened by the Administrators whenever necessary, by publishing an announcement in the Official Gazette of Romania, Part IV, and in one of the local or national newspapers of wide circulation in the locality where it is located company headquarters. The summons will include: the place, date and time of the meeting, the agenda with the explicit mention of all the issues that will be the subject of the meeting's debates, a clear and precise description of the procedures that must be followed by the shareholders in order to be able to participate and vote in the general meeting and any other mentions provided by the legislation specific to the capital market.

When the agenda includes proposals for amending the constitutive act, the convocation will have to include the full text of the proposals.

When the election of Administrators is included in the agenda, the summons will have to include the mention that the list of the names, the place of residence and the professional qualifications of the persons proposed for the position of administrator is available to the shareholders and can be consulted and completed by them.

The General Meeting can be held at the Company's headquarters or in other places determined by the Administrators by convener. The shareholders can be represented in the General Meeting by persons who do not have the status of a shareholder of the Company.

The General Meeting is chaired by the Chairman of the Board of Directors or a person appointed by him, who designates, from among the members of the general meeting or among the company's shareholders, one to three Secretaries, plus a Technical Secretary from among the employees. They will draw up the shareholders' attendance list, verifying the following:

- the identity documents of the persons who present themselves at the General Meeting as shareholders or their proxies;
- special/general power of attorney presented by shareholders' proxies;
- voting forms by mail.

The Secretary of the meeting also verifies the fulfillment of the legal conditions regarding the presence of the quorum of the shareholders for the validity of the General Meetings.

If the ordinary or extraordinary general meeting cannot work due to the failure to fulfill the legal conditions for attendance, the meeting that will meet at a second convocation can deliberate on the items on the agenda of the first meeting, regardless of the quorum met, taking decisions with the majority the votes cast.

After the presentation of the materials related to the agenda, the issues subject to the shareholders' debate are put to a vote by the Chairman of the meeting.

The decisions of the general meeting are taken by open vote, except in cases where the general meeting decides that the vote should be secret or the law requires secret voting.

Each share gives the right to one vote during the General Meetings. The person who represents several shareholders on the basis of special powers of attorney expresses the votes of the

persons represented by totaling the number of votes "for", "against" and "abstentions" without compensating them (e.g. "on item x on the agenda I represent " a" votes "for", "b" votes "against" and "c" "abstentions"). The votes expressed in this way are validated or, as the case may be, invalidated, based on the third copy of the special proxies, by the Secretary of the general meeting. The votes registered in the special power of attorney are exercised only in the manner desired by the shareholder.

The Secretary or Secretaries of the meeting, based on the free vote expressed by the shareholders, will draw up the minutes of the general assembly meeting.

Decisions adopted by the general meetings of shareholders during 2023:

Ordinary General Meeting of ROMPETROL WELL SERVICES S.A. Shareholders of **April 26, 2023** decided the following:

- approves of the annual individual financial accounts having as closing day the day of December 31,2022, prepared according to the International Financial Reporting Standards, based on the Report of administrators and the Report of financial auditor of the Company.
- approves of the allocation of the profits, determined according to the law, as well as the distribution of dividends for 2022 financial year, respective 0.008805 lei gross value/share;
- rejects of the change of the destination of the reserves constituted from the net profit of the company obtained in the previous years (retained earnings) in the amount of RON 12,854,939.98955, and the distribution of this amount as dividends to shareholders, respectively RON 0.0462091 gross / share;
- rejects of the change of the destination amount of RON 25,831,972.40130 from other reserves and the distribution of this amount as dividends to shareholders, respectively RON 0.0928570 gross / share;
- approves the Income and Expenditure Budget and the Investment plan for 2023;
- approves the monthly gross remuneration of the members of the Board of Directors for the financial year 2023, and the general limit of the additional remuneration of the Board of Directors members to whom specific positions within the Board of Directors, as follows:
 - a monthly gross remuneration of 2.564 USD for the Chairman of the Board of Directors;
 - a monthly gross remuneration of 1.709 USD for the Members of the Board of Directors;
 - a monthly net remuneration of 2.000 RON for the Chairman of the Audit Committee;
 - a monthly net remuneration of 1.000 RON for the Members of the Audit Committee.
- approves of the Remuneration Report for the Company's management structure, for 2022, submitted to the consultative vote of the OGMS;
- approves of the discharge of liability of the Company directors for their activity carried out during the financial year 2022, based on the presented reports;
- approves the termination of Mr. Yedil Utekov's mandate as a member of the Board of Directors following his request starting with the 01st of May 2023 (last day in office being April 30, 2023);
- approves the election of Mr. Batyrzhan Tergeussizov as a member of the Board of Directors of the Company for a mandate starting with 01.05.2023 and will expire on 30.04.2026 (the date of expiry of the mandate of the current members of the Board of Directors);
- approves 22.06.2023 as Registration Date, according to art. 87 (1) of the Law no. 24/2017;
- approves 21.06.2023 as Ex Date, according art. 2 para. 2 letter l from Regulation no. 5/2018;
- approves 12.07.2023 as Payment Date, according art. 87 para. 2 of the Law no. 24/2017;

- approves empowering Mr. Stefan Georgian Florea, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this OGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

Ordinary General Meeting of ROMPETROL WELL SERVICES S.A. Shareholders of **July 20, 2023** decided the following:

- rejects to hold the directors of the company liable for the damages in the estimated amount of 3,769,106 lei caused by them to the company through the conclusion by Rompetrol Well Services - S.A. of the contracts regarding the dedicated services of management assistance and specialized technical consultancy and the designation of the shareholder KJK Balkan Holding S.à.r.l. for the commencement of the legal action against de liable directors of the company.
- rejects the instruction to the management of Rompetrol Well Services - S.A. and to its employees with responsibilities related to the company's control and accounting to calculate the amounts paid by the company to KMG Rompetrol - S.R.L., as a result of the company's conclusion of the contracts regarding the dedicated services of management assistance and specialized technical consultancy, in order to calculate the damages caused to the company by concluding and performing the mentioned contracts;
- rejects the election of the directors of the company for a mandate of 2 years, which begins on the date of election of the directors and which ends at the end of the term of the 2 years from the date of their election, in order to replace the directors against whom the liability action for damages is initiated.
- rejects the remuneration of the newly elected administrators, which will have a value equal to the value previously approved by the general meeting of shareholders of the company
- approves the following dates:
- (i) 09.08.2023 as Registration Date, according art. 87 para. (1) from Law no. 24/2017
- (ii) 08.08.2023 as *Ex Date*, according art. 2 para. 2 letter. 1 from Regulation no. 5/2018.
- approves empowering Mr. Stefan Georgian Florea, General Manager and member of the Board of Directors, to conclude and/or sign for on behalf of the Company and/or of its shareholders the resolutions which are to be adopted within this OGMS and to carry out any and all requisite proceedings for such adopted resolutions to be registered, rendered enforceable, against third parties and published, the said proxy being entitled to subdelegate third parties to act for such purpose.

Shareholders' right to dividends

In the event that the General Meeting of Shareholders approves the distribution of dividends from the net profit made by the Company, all shareholders registered in the shareholders' register on the date of registration decided by the General Meeting, which also approves the amount of dividends and the date on which they are paid, are entitled to receive dividends.

6.4. Transparency, communication, financial reporting

Rompetro Well Services S.A. pays great importance to transparency in communication. Considering that public trust is essential for the operation of the company, the Company makes its communication policy an explicit and reciprocal commitment between the company and its interlocutors.

The company intends to ensure a continuous and periodic reporting in an objective and integral manner, which includes all important aspects of the company's activity, the financial situation, the applied accounting policies, the recorded performances.

During 2023, reports and press releases related to the financial results, the convocation and decision of the GMS, periodic reporting (monthly, quarterly, half-yearly, annual), etc., were prepared. The information that was the subject of the mandatory reports - the current and periodic reports were communicated to the market operator, the Bucharest Stock Exchange, the Financial Supervisory Authority and were available by posting on the Company's website, rompetrolwellservices.kmginternational.com in the Investor Relations Section.

In order to ensure equal access to information for investors, the reports and communications addressed to market participants are posted on the Company's website after they have been posted on the website of the market operator, the Bucharest Stock Exchange.

In accordance with the legal provisions, the financial and accounting statements and those regarding the operations of Rompetrol Well Services S.A. are audited by Ernst & Young Assurance Services SRL, independent financial auditor, appointed by the general meeting of shareholders on 27.04.2022 for a period of 2 years.

Contact for Investor Relations

The annual, half-year and quarterly reports are available in electronic format, on the Company's website, <https://rompetrolwellservices.kmginternational.com/en/investor-relations/financial-results-and-reports> and in written form, upon request, at Company headquarters, in Ploiesti, Clopoței str. no. 2 bis, Prahova county. Requests can also be made electronically, by e-mail to: investor.relations.rws@rompetrol.com.

Internal Control and Risk Management Systems in relation to financial reporting procedures

The Company has continuously adapted the internal control mechanism as a set of procedures and work methods with the aim of preventing facts contrary to the economic interests of the Company and the regulated framework for carrying out the activity, identifying deficiencies and establishing the necessary measures to restore the framework regulated. It mainly concerns financial relationships, phenomena and processes, with the aim of ensuring a good functioning of the economic activity. Also, the aspects of opportunity, necessity and efficiency of the operations carried out by the Company are analyzed. In terms of financial reporting procedures, both internal and external reporting procedures are developed at the level of the Company. The procedures are reviewed periodically by the functional departments of the Company. Financial reporting systems are based on principles, rules and legal regulations in force.

6.5. Social responsibility

KMG International is an important investor in the Romanian economy and, at the same time, a responsible corporate citizen. All companies within the Group have a holistic approach to sustainability, which is why efforts to improve the quality of life of local communities cover all aspects, from environmental protection or social involvement, to health and well-being, culture and education, the development of professional and leadership.

Social responsibility and sustainability are basic principles that guide us in strategic development and operational management. We are committed to becoming one of the most sustainable operators on the national and regional energy market, being at the same time actively involved in the life of the communities on which we operate.

Romp petrol Well Services S.A., a member company of the KMG International Group, considers social responsibility and sustainability as fundamental components in the development of business strategy and operations. The company's commitment to sustainability, environment, economic progress and social equity is firmly integrated into its operations, with the aim of making a concrete contribution to the United Nations Sustainable Development Goals (SDGs) included in the 2030 Agenda for Sustainable Development of United Nations.

Sustainability

Our organization is dedicated to conducting operations in a manner that emphasizes environmental stewardship and the preservation of natural resources such as air, soil, and water. Our decision-making process is guided by a commitment to adhere to industry-leading standards.

In terms of disclosing ESG performance, Rompetrol Well Services has shown its dedication to transparency in environmental, social, and governance (ESG) matters by releasing sustainability information. The disclosed indicators encompass a range of critical sustainability areas, including greenhouse gas emissions, occupational health and safety, environmental impact, waste management, water usage, energy consumption, fair labor practices, and community engagement. To uphold data precision and reliability, the company adhered to the Global Reporting Initiative (GRI) sustainability reporting standards. Stakeholders can view the comprehensive set of sustainability performance data on the company's webpage:

<https://rompetrolwellservices.kmginternational.com/en/sustainability/sustainability-approach>

In 2023 RWS obtained a rating from Sustainalytics, as a Low Risk company, positioned in the top 5% of all companies in the energy services industry.

Involvement in the communities

Over the years, Rompetrol Well Services S.A. has developed strong partnerships with representatives from academia and civil society, aiming to strengthen the social responsibility projects developed for the communities in which we operate. Through dialogue with various stakeholders, including NGOs, local authorities and communities, government or actors from academia and civil society, we believe we can identify the right opportunities for sustainable development.

In 2023, Rompetrol Well Services, in partnership with the Blejoi Commune City Hall, set up a learning space in the schoolyard, reading rooms, and donated books, textbooks, and chessboards for study. Through the "Chess in School" project, chess lessons were organized both physically and online, visits and open hours were held, chess competitions for children from the counties of Constanța, Prahova, as well as nationally and internationally. The company supported the development of a chess manual for the first, second, and third years of study, which were printed and distributed to children both in urban and rural areas nationwide.

In the fall of 2023, over 400 people, including Rompetrol employees and their families, participated in the tenth edition of the Rompetrol Run and Care event, which took place on Saturday, September 23rd in IOR Park in Bucharest, to support the M.A.M.E. Association and their mission. The approximately 3000 kilometers covered are converted into liters of fuel, which will be donated by Rompetrol to support the M.A.M.E. Association, an organization that has been providing support, counseling, and psycho-socio-medical recovery for sick children and those with limited material resources and their families since 2009.

In partnership with the Humanitarian Organization "CONCORDIA," Rompetrol Well Services continued to support the activities of children in foster care in Prahova County and young people in social housing or enrolled in vocational training courses.

Education is an important pillar for our social responsibility strategy. We collaborated with universities and high schools with a technical profile from all over the country (e.g. Petrol-Gaze University in Ploiesti, Lazar Edeleanu Highschool), which supported us in our various educational investment projects.

2023 marked the 23rd anniversary of our traditional career-ready internship program, where we have been training future industry professionals for the past 22 years. Trainees enrolled in the program were given introductory sessions through theoretical modules aimed at helping to better understand the oil and gas industry, the fundamentals of an upstream activity and its economic implications, followed by on-site training provided of mentors on the Rompetrol Well Services platform. The trainees assigned to Rompetrol Well Services received, at the end of the two-month program, two certifications: one as a graduate of the Rompetrol "Career Ready" program and one as a graduate of the personal development program, carried out together with partners from the Leaders Foundation.

We actively contribute to the development of the communities in which we operate by using local suppliers, employing local labor and, at the same time, implementing relevant social responsibility projects. Our engagement is based on consulting relevant stakeholders so that we can identify projects with the greatest added value for our communities.

7. Annexes

a) the constitutive documents of the company, if they were modified in the reporting year;

Not applicable.

b) documents of resignation/dismissal, if there were such situations among members of the management, executive management, censors;

On 20.03.2023, Mr. Yedil Utekov requested to take note of his resignation from the mandates of President and member of the Board of Directors and member of the Audit Committee, starting from 01.05.2023 (last day of mandate being 30.04. 2023).

c) the list of the commercial company's branches and the subsidiaries;
Rompetrol Well Services S.A. does not have branches nor subsidiaries.

d) list of affiliates of the company¹

Romp petrol Well Services S.A. is part of KMG International Group². KMG International NV is 100% owned by National Company "KazMunayGas" JSC.

The parent companies of Rompetrol Well Services S.A. (shareholders of National Company "KazMunayGas" JSC) are the national company JSC Sovereign Investment Fund of Kazakhstan "Samruk-Kazyna" (67.42%), the National Bank of the Republic of Kazakhstan (9.58%) and Ministry of Finance of the Republic of Kazakhstan (20%) - being companies based in Kazakhstan, wholly owned by the State of Kazakhstan and listed shareholders (3%).

The affiliated parties are indicated below:

1. Companies with the headquarter in Romania
 - Oilfield Exploration Business Solutions S.A.
 - Rompetrol Downstream S.R.L.
 - Rompetrol Rafinare S.A.
 - Rompetrol Logistics S.R.L.
 - Rominserv S.R.L.
 - Rom Oil S.A.
 - Global Security Sistem S.A.
 - Midia Green Energy S.A.³
 - Rompetrol Petrochemicals S.R.L.
 - Rompetrol Quality Control S.R.L.
 - Rompetrol Financial Group S.R.L.
 - Rompetrol Gas S.R.L.
 - Midia Marine Terminal S.R.L.
 - KMG Rompetrol S.R.L.
 - Byron Shipping S.R.L.
 - Rompetrol Energy S.A.
 - KMG ROMPETROL DEVELOPMENT S.R.L.
 - Fondul de Investitii in Energie Kazah-Roman S.A.
 - KMG Rompetrol Services Center SRL⁴
 - Rompetrol Renewables S.R.L.⁵

2. Companies with the headquarters abroad
 - KMG International N.V.⁶
 - Byron Shipping LTD
 - Intreprinderea Mixtă "Romp petrol Moldova" S.A.
 - Rompetrol Georgia LTD
 - Rompetrol France SAS
 - Dyneff SAS

¹ At this point are listed all the companies within the KMG International Group

² Named Rompetrol Group until March 2014

³ Named Uzina Termoelectrică Midia S.A. until December 2022

⁴ Previously named Rompetrol Exploration & Production S.R.L.

⁵ Named Rompetrol Drilling S.R.L. until 28.10.2022

⁶ Named The Rompetrol Group N.V. until March 2014

- TRG PETROL TICARET ANONIM ŞİRKETİ
- Rompetrol Bulgaria JSC
- KazMunayGaz Trading A.G.
- DPPLN SAS (Depot Petrolier de Port-la-Nouvelle SAS)
- Dyneff Retail SAS
- DYNEFF ESPAGNE SL;
- DYNEFF GAS STATIONS NETWORK SL;
- DYNEFF Trading SL;
- EPPLN SAS;
- NATGAS France SAS;
- BIO ADVANCED ENERGY SAS;
- DP FOS SA;
- SPR SA;
- ANEO SAS;
- BOISSONNADE COMBUSTIBLES SAS;
- "Paul ORRIOLS" COMBUSTIBLES DE CERDAGNE SAS;
- ETS ROSSIGNOL SAS;
- PLANTIER SAS;
- ORCEYRE SAS;
- AUBAC SAS;
- TPDT SARL;
- ABC CARBURANTSALLO BEZIAT CARBURANTS SAS;
- GERAUD-TAMPIER SAS;
- DAVID RECOULES SAS;
- ALEGRI SAS.
- BENON JV
- Neel Fraisse SAS
- Travaux Forestiers Zaplotny SAS;
- Bois Energie des Territoires D'auvergne SAS;
- France Habitat ENR SAS;
- Global'ethic Delta

Note: there are also established 7 branches and representative offices and joint ventures of the KMG International Group

Batyrzhan TERGEUSSIZOV

CHAIRMAN OF THE BOARD OF DIRECTORS

Georgian Stefan FLOREA

GENERAL MANAGER

Luiza Roxana MOISE

FINANCIAL MANAGER

**Status of compliance of the BSE Corporate Governance Code
as of December 31th, 2023**

Corporate Governance Code	Compliance	Not compliant or partial compliant	Reason for the non-compliance
A.1. All companies should have internal regulation of the Board which includes terms of reference/responsibilities for Board and key management functions of the company, applying, among others, the General Principles of Section A.	YES		
A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quotate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	YES		
A.3. The Board of Directors or the Supervisory Board should have at least five members.	YES		
A.4. The majority of the members of the Board of Directors should be non-executive. At least one member of the Board of Directors or Supervisory Board should be independent, in the case of Standard Tier companies. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Board of Directors or Supervisory Board, as the case may be, should submit a declaration that he/she is independent at the moment of his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgement in practice.		Partial compliance	The majority of the members of the Board are non-executive members. Currently there are no independent directors.
A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and nonexecutive Board positions in companies and not-for-profit institutions, should be	YES		

disclosed to shareholders and to potential investors before appointment and during his/her mandate.			
A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights. This obligation concerns any kind of relationship which may affect the position of the member on issues decided by the Board.	YES		
A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	YES		
A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.		NOT	The company is in process of developing a policy / guidance concerning the Board's evaluation, including the purpose, criteria and frequency of the evaluation process.
A.9. The corporate governance statement should contain information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.	YES		
A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board	YES		
A.11. The Board of Premium Tier companies should set up a nomination committee formed of nonexecutives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		N/A	The company is included in the Standard Category.
B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven and adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.	YES		
B.2. The audit committee should be chaired by an independent nonexecutive member.	YES		

B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.		Partial compliance	See comments presented at B.6.
B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.		Partial compliance	See comments presented at B.6.
B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.		Partial compliance	The Regulation of the Audit Committee approved contains provisions in relation to this obligation. The Regulation of the Audit Committee will be revised to include provisions on the evaluation of conflict of interest in connection with the Company's transactions with the affiliated parties.
B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.		Partial compliance	The responsibility to monitor the efficiency of internal control systems, internal audit and risk management of the company is stipulated in the Regulation of the Audit Committee. Audit Committee evaluates on a continuous bases components of the internal control system.
B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	YES		
B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by periodical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	YES		
B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	YES		
B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the Board's audit committee, and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.		Partial compliance	According to the Articles of Incorporation art. 15 alin. 1 letter k, all transactions that respect the mentioned criteria are approved by the Board and are included in current reports according art. 108 Law 24/2017 (R)

B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	YES		
B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.	YES		
C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.	YES		
D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all relevant information of interest for investors, including:	YES		
<ul style="list-style-type: none"> D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures; 	YES		
<ul style="list-style-type: none"> D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and nonexecutive Board positions in companies and not-for-profit institutions; 	YES		
<ul style="list-style-type: none"> D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports) – at least as provided at item D.8 – including current reports with detailed information related to non-compliance with the present Code 	YES		
<ul style="list-style-type: none"> D.1.4. Information related to general meetings of shareholders: the agenda and supporting materials; the procedure approved for the election of Board members; the rationale for the proposal of candidates for the election to the Board, together with their professional CVs; shareholders' questions related to the agenda and the company's answers, including the decisions taken; 	YES		

<ul style="list-style-type: none"> • D.1.5. Information on corporate events, such as payment of dividends and other distributions to shareholders, or other events leading to the acquisition or limitation of rights of a shareholder, including the deadlines and principles applied to such operations. Such information should be published within a timeframe that enables investors to make investment decisions; 	YES		
<ul style="list-style-type: none"> • D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request; 	YES		
<ul style="list-style-type: none"> • D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semiannual, annual), auditor reports and annual reports. 	YES		
D.2. A company should have an annual cash distribution or dividend policy, proposed by the CEO or the Management Board and adopted by the Board, as a set of directions the company intends to follow regarding the distribution of net profit. The annual cash distribution or dividend policy principles should be published on the corporate website.	YES		
D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.		NOT	The requirement will be implemented.
D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	YES		
D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	YES		
D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	YES		

<p>D.7. Any professional, consultant, expert or financial analyst may participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.</p>	<p>YES</p>		
<p>D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.</p>	<p>YES</p>		
<p>D.9. A company should organize at least two meetings /conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.</p>		<p>Partial Compliance</p>	<p>The regular reports prepared by the company to disclose its financial items are complete, highly transparent and relevant in terms of information necessary for making investment decisions. The organization of such events will be established depending on the requests from investors.</p>
<p>D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.</p>	<p>YES</p>		

CHAIRMAN OF THE BOARD OF DIRECTORS,

Mr. Batyrzhan Tergeussizov

GENERAL MANAGER,

Mr. Georgian Stefan Florea

FINANCE MANAGER,

Mrs. Luiza Roxana Moise

AFFIDAVIT

The undersigned, **Batyrzhan Tergeussizov**, in capacity of Chairman of the Board, **Georgian Stefan Florea**, in capacity of General Manager and **Roxana Luiza Moise** in capacity of Finance Manager, in consideration of the provision of art. 65 of Law no.24/2017 regarding issuers of financial instruments an market operations and of the provision republished of Regulation no. 5/2018 regarding on issuers of financial instruments and market operations, hereby declare that, to the best of our knowledge, the annual financial statements on December 31, 2023 prepared in compliance with the applicable accounting standards offer an accurate and true image of the assets, liabilities, financial standing, profit and loss account of the Company and, the Report of the Board of Directors comprise a correct analysis of the Company's development and performance, as well as a description of the main risks and uncertainties specific to the performed activity.

Chairman of the Board of Directors,
Batyrzhan Tergeussizov

General Manager
Georgian Stefan Florea

Finance Manager,
Roxana Luiza Moise

S.C. Rompetrol Well Services S.A.

2 bis Clopotei Street, 100189, Ploiesti, Prahova County, ROMANIA
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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Rompetrol Well Services S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Rompetrol Well Services S.A. (the Company) with official head office in Ploiesti, Clopotei Street, No. 2 bis, identified by sole fiscal registration number RO1346607, which comprise the statement of financial position as at December 31, 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policy.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 2844/2016, approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications.

Basis for opinion

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

Key audit matters

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

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

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

Description of each key audit matter and our procedures performed to address the matter

Key Audit Matter	How our audit addressed the key audit matter
<p>Fair value measurement of equity instruments designated at fair value through other comprehensive income (FVOCI)</p>	
<p>Disclosures on Fair value measurement for investment in equity instruments are included in Note 1.2 h), 1.3 (iii) and Note 11 respectively.</p>	
<p>Investments in equity instruments are presented under financial assets having a fair value of RON 8,966 thousand as at 31 December 2023.</p> <p>We considered this matter to be significant in our audit due to the magnitude of the amounts involved, the high level of subjectivity in respect of assumptions underlying the fair value assessment and the significant judgements and estimates that need to be made by management over the determination of the fair value of financial assets not quoted in an active market.</p> <p>The Company has participations below 10% in Rompetrol Rafinare S.A. (a listed entity) and Rompetrol Logistics S.R.L. (a non-listed entity), as presented in Note 11. Both investments are measured at fair value through other comprehensive income.</p> <p>The fair value of investment held in Rompetrol Rafinare S.A. was measured based on quoted prices in active markets.</p> <p>The investment held in Rompetrol Logistic S.R.L. is measured at fair value of RON 7,120 thousand as at 31 December 2023, representing Level 3 hierarchy for which quoted prices in an active market are unavailable and whose value is determined by internal valuation techniques that generally use non-observable data. Applied internal valuation techniques can be subjective in nature, involving various complex assumptions and estimates.</p>	<p>We audited management’s assessment of the fair value of financial assets not quoted in an active market, having a fair value of RON 7,120 thousand as of 31 December 2023. Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> • We analysed the key assumptions used for the future discounted cash flows and in the valuation report prepared by an external expert, by analysing their consistency with the industry - specific economic environment, relevant available market information and the business plans used; • We evaluated if the valuation assessment included all factors that influence the fair value of investment at the end of the reporting period and its compliance with International Financial Reporting Standards requirements; • We involved our valuation specialists to assist us in evaluating specific assumptions applied (i.e. the discount rate, marketability discount, minority discount) and modelling techniques used by the Company for the valuation assessment of the financial asset; • We checked the mathematical accuracy of management’s exercise for determining the fair value.

<p>As of 31 December 2023, the Company used in the fair value measurement information from discounted cash-flows for Rompetrol Logistic S.R.L. and information from a valuation report prepared by an external expert for Rompetrol Logistic S.R.L. ownership in Rompetrol Gas S.R.L., which was further adjusted to reflect the specific situation of the company as minority shareholder. The measurement involved significant judgement and estimates. For these reasons, we have considered this as a key audit matter.</p>	<p>Furthermore, we assessed the adequacy of the Company's disclosures about fair value measurement of equity investments.</p>
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Key Audit Matter	How our audit addressed the key audit matter
<p>Assessment for impairment of property, plant and equipment and right of use assets</p>	
<p>Disclosures on property, plant and equipment and right of use assets, including impairment, are presented in Note 1.2 e) and i), 1.3 (ii), Note 8 and Note 18 respectively.</p>	
<p>Property, plant and equipment of RON 21,371 thousand (out of which advances and tangible assets in progress of RON 404 thousand) and right of use assets of RON 11,746 thousand are significant to our audit because of the magnitude of the balance sheet position as at 31 December 2023. Also, we considered this matter to be one of most significance in the audit due the high level of subjectivity in respect of assumptions underlying impairment analysis and significant judgements and estimates made by the management.</p> <p>In the current year, local industry of oilfield services has recorded a slight resumption and a higher 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 etc.) that have led to ongoing uncertainties in the market. These aspects might impact the Company's</p>	<p>We audited management's assessment of the triggers for potential impairment as well as the related impairment test performed. Specifically, our work included, but was not limited to the following procedures:</p> <ul style="list-style-type: none"> • We analyzed the key assumptions used for the future cash flows, by analysing their consistency with the industry-specific economic environment, relevant available market information and the business plans of the Company, as well as the sensitivity analysis of the recoverable amounts to changes in the significant assumptions; • We evaluated if the impairment assessment included all assets for which impairment indicators existed at the end of the reporting period; • We assessed the historical accuracy of management's budgets and forecasts by comparing them to actual performance and to prior years; • We involved our valuation specialists to assist us in evaluating the discount rate applied and methodologies / models used by the Company for the impairment assessment of property, plant and equipment and rights of use assets; • We checked the mathematical accuracy of management's cash flow model for determining the value-in-use and its

<p>performance and therefore impairment indicators were identified.</p> <p>Under the International Financial Reporting Standards, an entity is required to assess whether triggers for potential impairment or reversal of impairment previously recorded exist. The assessment of whether there is an indication that an asset may be impaired, or an impairment may be reversed requires significant judgement, as it involves consideration of various sources of information, including factors related to the economic environment and industry specific factors.</p> <p>As at 31 December 2023, the management has performed a triggering events analysis followed by an impairment assessment in respect of the Company's property, plant and equipment and rights of use assets. It resulted that no impairment adjustment is required in addition to the impairment of RON 509 thousand already recognised in prior years.</p> <p>The impairment assessment process is complex, requires significant management judgments and is based on assumptions that are affected by expected future market conditions.</p> <p>For this reason, we have considered this as a key audit matter.</p>	<p>conformity with the requirements of the International Financial Reporting Standards.</p> <p>Furthermore, we assessed the adequacy of the Company's disclosures about Impairment testing of property, plant and equipment and rights of use assets.</p>
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Other information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

- a) in the Administrators' Report we have not identified information which is not consistent, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2023;
- b) the Administrators' Report identified above includes, in all material respects, the required information according to the provisions of the Ministry of Public Finance Order no. 2844/2016 approving the accounting regulations compliant with the International Financial Reporting Standards, with all subsequent modifications and clarifications, Annex 1 articles 15 - 19;
- c) based on our knowledge and understanding concerning the entity and its environment gained during our audit of the financial statements as at December 31, 2023, we have not identified information included in the Administrators' Report that contains a material misstatement of fact.
- d) the Remuneration Report identified above includes, in all material respects, the required information according to the provisions of article 107 (1) and (2) from Law 24/2017 on issuers of financial instruments and market operations.

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

Appointment and Approval of Auditor

We were appointed as auditors of the Company by the General Meeting of Shareholders on 27 April 2023 to audit the financial statements for the financial year end December 31, 2023. Total uninterrupted engagement period, including previous renewals (extension of the period for which we were originally appointed) and reappointments for the statutory auditor, has lasted for 16 years, covering the financial periods end December 31, 2008 till December 31, 2023.

Consistency with Additional Report to the Audit Committee

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the Audit Committee of the Company, which we issued on 20 March 2024.

Provision of Non-audit Services

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

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

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

We have performed a reasonable assurance engagement on the compliance of the financial statements presented in XHTML format of Rompetrol Well Services S.A. (the Company) for the year ended 31 December 2023, with the requirements of the Commission Delegated Regulation (EU) 2019 /815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format (the "ESEF Regulation).

These procedures refer to testing the format and whether the electronic format of the financial statements (XHTML) corresponds to the audited financial statements and expressing an opinion on the compliance of the electronic format of the financial statements of the Company for the year ended 31 December 2023 with the requirements of the ESEF Regulation. In accordance with these requirements, the electronic format of the financial statements, included in the annual report should be presented in XHTML format.

Responsibilities of the Management and Those Charged with Governance

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

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

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

Auditor's Responsibility

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

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

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

Our Independence and Quality Management

We apply International Standard on Quality Management 1, Quality Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, which requires that we design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Summary of procedures performed

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

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

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

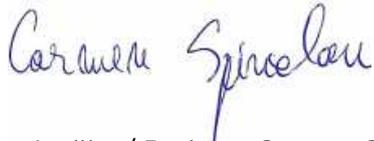
Opinion on the compliance of the electronic format of the financial statements with the requirements of the ESEF Regulation

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

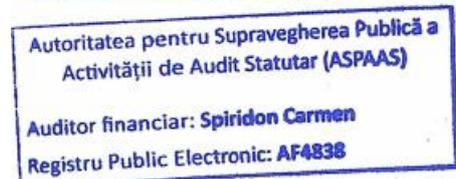
On behalf of,

Ernst & Young Assurance Services SRL
15-17, Ion Mihalache Blvd., floor 21, Bucharest, Romania

Registered in the electronic Public Register under No. FA77



Name of the Auditor/ Partner: Carmen Spiridon
Registered in the electronic Public Register under No. AF4838



Bucharest, Romania
25 March 2024

ROMPETROL WELL SERVICES SA

STANDALONE FINANCIAL STATEMENTS

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

31 December 2023

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

For the year ended as at 31 December 2023

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

	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

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

Signature

ROMPETROL WELL SERVICES SA
STATEMENT OF FINANCIAL POSITION
For the year ended as at 31 December 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	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

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 Georgiana Stefan

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

Signature

ROMPETROL WELL SERVICES SA
STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2023

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

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

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

ROMPETROL WELL SERVICES SA
STATEMENT OF CHANGES IN EQUITY
For the year ended as at 31 December 2023

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

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.

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

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

Signature

ROMPETROL WELL SERVICES SA
STATEMENT OF CASH FLOW
For the year ended as at 31 December 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

Indirect method

Name of item	Note	31 December 2023	31 December 2022
<i>Cash flows from operating activities:</i>			
Net profit before tax		13,854,847	2,877,328
<i>Adjustments for:</i>			
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
<i>Cash flows from investing activities:</i>			
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
<i>Cash flows from financing activities:</i>			
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

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

Prepared by,
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.

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

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

The Company is part of the KazMunayGas International Group. The annual consolidated financial statements are prepared at the level of the parent company, KMG International NV, with the head office located in 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:

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

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

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

f) Investment property

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

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

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

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

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

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 CO₂ emissions, and incorporate these requirements in the investments programs. 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.

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 CO2 emissions, and incorporate these requirements in the investments programs. 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.

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 identify 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%
<i>* as per sensitivity analysis assuming no changes in budgeted revenues</i>							

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 KMG 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.

ROMPETROL WELL SERVICES SA
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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 discretionary 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.

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2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	<u>2023</u>	<u>2022</u>
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	<u>72,067,998</u>	<u>52,295,150</u>

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

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

2.1 RENTAL REVENUES

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

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

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:

	<u>2023</u>	<u>2022</u>
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	<u>923,838</u>	<u>460,851</u>

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:

	<u>2023</u>	<u>2022</u>
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	<u>14,296,893</u>	<u>13,482,471</u>

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:

	<u>2023</u>	<u>2022</u>
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	<u>243,960</u>	<u>182,878</u>

4. FINANCIAL EXPENSES AND REVENUES

4.1. Financial revenues

	<u>2023</u>	<u>2022</u>
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	<u>3,882,216</u>	<u>4,650,384</u>

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

	<u>2023</u>	<u>2022</u>
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	<u>832,047</u>	<u>1,175,979</u>

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5. PAYROLL COSTS

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

	<u>2023</u>	<u>2022</u>
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	<u>21,212,561</u>	<u>19,427,316</u>

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:

	<u>2023</u>	<u>2022</u>
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:

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

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.

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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

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

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

	<u>2023</u>	<u>2022</u>
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%)	<u>2,099,386</u>	<u>370,606</u>

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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

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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	<u>278,190,900</u>	<u>278,190,900</u>
Basic earnings per share (RON / share)	<u>0.0423</u>	<u>0.0088</u>

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	<u>5,440,229</u>	<u>8,061,799</u>	<u>85,471,802</u>	<u>3,678,596</u>	<u>102,652,424</u>
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	<u>5,440,229</u>	<u>8,047,114</u>	<u>88,817,523</u>	<u>2,258,168</u>	<u>104,563,032</u>
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	<u>5,438,555</u>	<u>8,424,900</u>	<u>91,129,288</u>	<u>403,619</u>	<u>105,396,360</u>
Depreciation and Impairment					
On 1 January 2022	-	<u>3,420,808</u>	<u>74,178,610</u>	-	<u>77,599,419</u>
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	-	<u>3,717,314</u>	<u>76,149,011</u>	-	<u>79,866,326</u>
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	-	<u>4,038,675</u>	<u>79,986,636</u>	-	<u>84,025,312</u>
Net book value					
On 31 December 2023	<u>5,438,555</u>	<u>4,386,224</u>	<u>11,142,653</u>	<u>403,619</u>	<u>21,371,048</u>
On 31 December 2022	<u>5,440,229</u>	<u>4,329,800</u>	<u>12,668,512</u>	<u>2,258,168</u>	<u>24,696,706</u>
On 1 January 2022	<u>5,440,229</u>	<u>4,640,991</u>	<u>11,293,192</u>	<u>3,678,596</u>	<u>25,053,005</u>

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.

	<u>2023</u>	<u>2022</u>
Initial balance on 1 January	432,799	451,402
Depreciation expenses	(18,603)	(18,603)
Ending balance on 31 December	414,197	432,799
	<u>2023</u>	<u>2022</u>
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.

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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

Name of the company	Nature of the relationship	Year of investment	Percent held on		Fair value of the investment on	
			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.

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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	<u>6,580,872</u>	<u>2,539,595</u>

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							<u>5,611,881</u>

* 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							<u>1,264,214</u>

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	<u>5,442,042</u>	<u>5,951,473</u>

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.

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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).

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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:

At 31 December 2023	Current	Total trade receivables						Total
		< 30 days	31 – 60 days	61- 90 days	91 - 180 days	181 - 360 days	> 360 days	
<i>Expected credit loss rate (%)</i>	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)

At 31 December 2022	Current	Total trade receivables						Total
		< 30 days	31 – 60 days	61- 90 days	91 - 180 days	181 - 360 days	> 360 days	
<i>Expected credit loss rate (%)</i>	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)

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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.

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

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

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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.

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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:

	<u>2023</u>	<u>2022</u>
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:

	<u>2023</u>	<u>2022</u>
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

	<u>2023</u>	<u>2022</u>
Balance at 1 January	1,032,717	684,006
<i>Included in profit or loss</i>		
Interest expense	88,130	24,516
Service Cost	67,663	240,577
(Gain) / loss on settlement	(219,182)	(425,088)
<i>Included in other comprehensive income</i>		
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 an 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 below:

	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

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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, re-invoicing	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 rovinețe	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

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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

	<u>2023</u>	<u>2022</u>
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	<u>9,236,446</u>	<u>8,827,325</u>

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.

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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 CONTINGENCIES

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

The risk of the interest rate

- 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).

Risk of the exchange rate variations

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

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.

	<u>Total</u>	<u>5%</u>	<u>5%</u>
	<u>RON</u>	<u>USD</u>	<u>EUR</u>
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)

The credit risk

The company treats the crediting of its customers procedural, with flexibility through the stable contracting strategy as an essential mechanism for the risk repartition. The unfavorable conditions of the 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.

The market risk

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