

ANNOUNCEMENT concerning the availability of third quarter of 2023 Report

Rompetrol Well Services S.A. (PTR) is one of the most important well services companies in Romania. It provides a wide range of services for oil and gas wells in Romania and Eastern Europe (cementing, stimulation, miscellaneous pumping, pressure testing, equipment rental, tubular casing, etc.).

In the first nine months of this year, the Company managed to successfully adapt to the conditions of a volatile upstream market, maintaining its position on the specific market of well-related services. Through these elements, the volume of operations performed for our clients recorded an increase by 18% compared to the level recorded in the similar period of 2022.

Although the specific predictions for 2023 showed that the market will be still volatile, with a low level of new investments from main clients, the Company estimates that its flexibility in terms of the type of services provided, together with a strong financial position, including cash and cash equivalents, will allow the operational activity to register a profitability level similar to one estimated in the approved budget.

The Company continued to manage all its commitments in conditions of financial equilibrium, ensuring all cash availabilities for full and timely payment of commercial commitments, salaries and state budget obligations.

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	Q3 2023	Q3 2022	Q2 2023	9 Months 2023	9 Months 2022
Operating income, of which:	19,900,459	14,963,523	19,035,698	57,236,476	38,254,905
Rendered services	19,900,459	14,920,897	18,907,790	57,100,439	38,125,889
Operating expenses	(16,478,221)	(14,052,388)	(15,129,568)	(47,643,714)	(38,847,136)
Operating result	3,422,238	911,135	3,906,130	9,592,763	(592,231)
EBITDA *)	4,904,583	2,373,269	5,539,815	14,406,821	2,719,308
Net financial income	762,611	1,288,250	722,320	2,282,036	2,226,909
NET RESULT	3,539,835	1,976,528	3,932,771	9,987,679	1,411,821

*) EBITDA = Operating result – value adjustments on fixed assets and current assets – adjustments on provisions

Rompetrol Well Services S.A. informs the investors in respect to the availability of Q3 2023. The report prepared in accordance with the applicable legislation will be made available starting with November 15, 2023, 18.00 hours, in written form, by request, as well as in electronic format on the Company's website [rompetrolwellservices.kmginternational.com/Investor relations / Financial results and reports / Quarterly Interim Reports](http://rompetrolwellservices.kmginternational.com/Investor%20relations%20-%20Financial%20results%20and%20reports%20-%20Quarterly%20Interim%20Reports).

S.C. Rompetrol Well Services S.A.

#2 bis Clopotei Street, 100189, Ploiesti, Prahova County, ROMANIA
phone: + (40) 244 544321; fax: + (40) 244 522913; email: office.rws@rompetrol.com; www.rompetrol.com

Rompetrol Well Services S.A was established in 1951 as a state owned company, subordinated to the Ministry of Oil and Chemistry, under the name "ICOTS" (*Întreprinderea de Cimentări, Operațiuni și Transporturi Speciale – Enterprise for cementing, Operations and Special Transports*). Since 1990, the Company became Petros Ploiesti and in 1998 it was listed at the Bucharest Stock Exchange. In 2000 "The Rompetrol Group" (now KMG International) has taken over the majority stake, now holding a participation share of 73%.

GENERAL MANAGER,

Georgian Stefan Florea

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Georgian Florea

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#2 bis Clopotei Street, 100189, Ploiesti, Prahova County, ROMANIA

phone: + (40) 244 544321; fax: + (40) 244 522913; email: office.rws@rompetrol.com; www.rompetrol.com

ROMPETROL WELL SERVICES SA

STANDALONE FINANCIAL STATEMENTS UNAUDITED

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

30 September 2023

ROMPETROL WELL SERVICES SA
Stand-alone Interim Financial Statements Unaudited
Prepared in accordance with
Order of the Minister of Public Finance no. 2844/2016
30 September 2023

Contents	Page
Statement of profit or loss and other comprehensive income	3
Statement of the financial position	4
Statement of changes in equity	5 - 6
Statement of cash flow	7
Notes to the standalone financial statements	8 - 43

ROMPETROL WELL SERVICES SA
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	9 months of 2023	9 months of 2022	Quarter 3 2023	Quarter 3 2022
Turnover		57,100,439	38,125,889	19,900,459	14,920,897
Revenues from contracts with customers	2	56,725,028	37,773,667	19,781,814	14,805,963
Rental revenues	2.1	375,411	352,222	118,645	114,934
Other operating income	3.1	136,037	129,016	-	42,626
OPERATING INCOME - TOTAL		57,236,476	38,254,905	19,900,459	14,963,523
Expenses with consumables		(16,020,317)	(11,262,854)	(5,819,731)	(4,199,053)
Power and water expenses		(413,283)	(407,774)	(45,935)	(45,146)
Merchandise expenses		(9,083)	(10,974)	(8,907)	-
Payroll costs, out of which:	5	(15,022,095)	(13,265,019)	(5,267,996)	(4,693,184)
- Salaries		(14,353,772)	(12,625,330)	(5,008,842)	(4,480,171)
- Social security contributions		(476,840)	(393,203)	(175,447)	(139,621)
Fixed assets' value adjustments, of which	7,8,9,17	(4,712,809)	(3,428,837)	(1,492,041)	(1,378,867)
- Depreciation		(4,712,809)	(3,428,837)	(1,492,041)	(1,378,867)
Allowance for expected credit losses		(101,249)	117,298	9,696	(83,267)
Expenses with third-party services	3.2	(10,780,233)	(10,074,199)	(3,616,089)	(3,475,176)
Taxes, duties and similar expenses		(521,908)	(509,099)	(177,729)	(176,482)
Other operating expenses	3.3	(62,737)	(5,678)	(59,489)	(1,213)
OPERATING EXPENSES - TOTAL		(47,643,714)	(38,847,136)	(16,478,221)	(14,052,388)
OPERATING RESULT		9,592,763	(592,231)	3,422,238	911,135
Interest income		2,825,734	2,978,927	954,272	1,421,278
- of which, revenues from related parties		2,815,300	2,975,370	950,256	1,419,275
Other financial income		31,807	390,965	13,324	157,722
FINANCIAL INCOME - TOTAL	4.1	2,857,541	3,369,892	967,596	1,579,000
Other financial expenses		(575,505)	(1,142,983)	(204,985)	(290,750)
FINANCIAL EXPENSES - TOTAL	4.2	(575,505)	(1,142,983)	(204,985)	(290,750)
FINANCIAL RESULT		2,282,036	2,226,909	762,611	1,288,250
RESULT BEFORE TAX		11,874,799	1,634,678	4,184,849	2,199,385
Income tax expense		(1,887,120)	(222,857)	(645,014)	(222,857)
RESULT FOR THE YEAR		9,987,679	1,411,821	3,539,835	1,976,528
Earnings per share	6	0.0359	0.0051	0.0127	0.0071
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods (net of tax):		-	-	-	-
Actuarial gain / (losses) relating to retirement benefits		-	-	-	-
Remeasurement of fair value of equity instruments measured at fair value through other comprehensive income		-	-	-	-
TOTAL COMPREHENSIVE INCOME, net of tax		9,987,679	1,411,821	3,539,835	1,976,528

Administrator,
FLOREA Georgian Stefan

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Georgian Florea
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Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

DocuSigned by:
Luiza Moise
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ROMPETROL WELL SERVICES SA
STATEMENT OF FINANCIAL POSITION UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

	Notes	30 September 2023	31 December 2022
Assets			
Non-current assets			
Property, Plant & Equipment	7	21,665,094	24,696,706
Right of use assets	17.1	12,157,841	13,313,521
Investment property	8	418,847	432,799
Intangible assets	9	71,293	60,619
Equity instruments at FVOCI	10	10,203,952	10,204,052
Other financial assets	11	3,910,027	2,539,595
Total non-current assets		48,427,054	51,247,292
Current assets			
Inventories, net	12	4,901,924	5,951,473
Trade and other receivables	13	25,744,740	16,943,438
Availabilities in cash pooling system	19	47,286,290	46,117,041
Other current assets	14	921,529	1,099,439
Collateral cash for guarantee letters	15.1	962,064	1,404,000
Cash and deposits	15	606,682	491,717
Total current assets		80,423,229	72,007,108
Total assets		128,850,283	123,254,400
Capital and reserves			
Capital			
Share capital, of which:		28,557,446	28,557,446
Subscribed and paid in share capital	16.1	27,819,090	27,819,090
Share capital adjustments	16.2	738,356	738,356
Legal reserves		5,563,818	5,563,818
Other reserves		25,832,165	25,832,165
Retained earnings		12,854,944	12,854,944
Retained earnings IFRS transition		18,041,378	18,041,378
Current result		9,987,678	2,449,517
Total equity		100,837,429	93,299,268
Long-term liabilities			
Employee benefits liabilities		1,032,717	1,032,717
Deferred tax liabilities		1,088,141	1,088,141
Lease liabilities	17.2	6,826,757	8,645,653
Other liabilities		70,606	93,449
Total long-term liabilities		9,018,221	10,859,960
Current liabilities			
Trade and other payables	18	15,506,241	16,118,478
Income tax payable		852,163	354,898
Lease liabilities	17.2	2,636,229	2,621,796
Total current liabilities		18,994,633	19,095,172
Total liabilities		28,012,854	29,955,132
Total equity and liabilities		128,850,283	123,254,400

Administrator,
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Signature

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Georgian Florea
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Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

DocuSigned by:
Luiza Moise
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ROMPETROL WELL SERVICES SA
STATEMENT OF CHANGES IN EQUITY UNAUDITATED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

For the period ended as at 30 September 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	-	-	-	-	-	1,411,821	1,411,821
Other comprehensive income	-	-	-	-	-	-	-
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Actuarial gain / (losses) relating to retirement benefits	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Profit distribution	-	-	-	1,629,634	-	(1,629,634)	-
Dividends	-	-	-	(47,542,826)	-	-	(47,542,826)
Change of the destination of other reserves	-	-	(29,935,254)	29,935,254	-	-	-
Balance at 30 September 2022	28,557,446	5,563,818	26,259,057	12,854,943	18,041,378	1,411,821	92,688,463

For the period ended as at 30 September 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	-	-	-	-	-	9,987,679	9,987,679
Other comprehensive income	-	-	-	-	-	-	-
Remeasurement of fair value of financial assets measured at fair value through other comprehensive income	-	-	-	-	-	-	-
Actuarial gain / (losses) relating to retirement benefits	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	-	-
Profit distribution	-	-	-	2,449,517	-	(2,449,517)	-
Dividends	-	-	-	(2,449,517)	-	-	(2,449,517)
Transfer from other reserve to retain earnings	-	-	-	-	-	-	-
Balance at 30 September 2023	28,557,446	5,563,818	25,832,165	12,854,944	18,041,378	9,987,679	100,837,430

Administrator,
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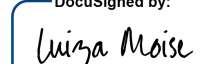
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Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

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ROMPETROL WELL SERVICES SA
STATEMENT OF CHANGES IN EQUITY UNAUDITED
For the period ended as at 30 September 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:

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.

The Ordinary General Meeting of Shareholders decided on April 26, 2023 the distribution of the net profit of the year 2022, with the only distribution being the granting of gross dividends in the amount of 0.008805 lei/gross/share, respectively 2.449.517 RON.

Administrator,
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Signature

DocuSigned by:
Georgian Florea
C4F17BF6781D416...

Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

DocuSigned by:
Luiza Moise
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ROMPETROL WELL SERVICES SA
STATEMENT OF CASH FLOW UNAUDITED
For the half year ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

Indirect method

Name of item	Note	30 September 2023	30 September 2022
<i>Cash flows from operating activities:</i>			
Net profit before tax		11,874,799	1,634,678
<i>Adjustments for:</i>			
Depreciation related to tangible assets and investment properties	7	3,436,828	2,684,102
Depreciation related to right of use assets	17.1	1,249,349	687,063
Amortization related to intangible assets		26,631	57,672
Provisions for post-employment benefits plans and other provisions		-	(144,237)
Allowance for trade and other receivables	13	101,249	(117,298)
Interest income		(2,825,734)	(2,978,927)
Interest expense	17	460,456	687,397
Gain / (loss) from disposal of property, plant and equipment		(135,209)	(128,536)
Net foreign exchange differences		68,742	323,554
Operating profit before working capital changes		14,257,111	2,705,468
(Increase) / Decrease of performance guarantees		(928,496)	2,639,280
(Increase) / Decrease of trade and other receivables		(8,721,297)	13,858,300
Decrease / (Increase) of inventories		1,049,549	(338,456)
Decrease of trade and other payables		(621,052)	(518,311)
Paid income tax		(1,389,855)	(175,112)
Leasing interest paid	17.2	(457,542)	(685,189)
Net cash flow from operating activities		3,188,418	17,485,980
<i>Cash flows from investing activities:</i>			
Proceeds from sale of financial investments		100	-
Purchase of tangible and intangible assets		(442,721)	(1,092,716)
Proceeds from sale of tangible and intangible assets		149,362	131,064
Decrease / (Increase) of cash pooling balance		(1,114,432)	(17,755,535)
Interest received		2,770,917	2,693,430
Net cash from investing activities		1,363,226	(16,023,758)
<i>Cash flows from financing activities:</i>			
Payments of principal portion of lease liabilities		(1,965,379)	(1,172,930)
Dividends paid to equity holders		(2,471,300)	(57,837)
Net cash flows from financing activities		(4,436,679)	(1,230,766)
Net increase of cash and cash equivalents		114,502	229,768
Loss from net foreign exchange differences		463	1,689
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		606,682	458,687

Administrator,
FLOREA Georgian Stefan

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Georgian Florea
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Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

DocuSigned by:
Luiza Moise
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ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

1. INFORMATION ON THE ENTITY, ACCOUNTING POLICIES

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 Strawinskyiaan 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 FVLCOD. The stand-alone financial statements are presented in RON and all amounts are rounded up in RON unless otherwise specified.

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

1.2. ACCOUNTING PRINCIPLES, POLICIES AND METHODS

a) The going concern principle

The interim 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.

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.

In the context of the military conflict between Russia and Ukraine, started on February 2022, different sets of economic and non-economic sanctions were imposed by the European Union, the US and other countries to Russia and Belarus. Considering the geopolitical tensions, there is 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 Ukraine, Russia or Belarus 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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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 30 September 2023 were, for RON:

	30 September 2023	31 December 2022
1 EUR	4.9746	4.9474
1 USD	4.6864	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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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 the 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:

- Level 1 - prices quotations (unadjusted) on active markets for identical assets and liabilities, to which the entity has access to at the valuation date;
- Level 2 - entry data, other than the price quotations included in level one, which are observed for assets or liabilities, either directly or indirectly;
- 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 10.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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 this requirements in the investments programmes. Thus, equipments 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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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).

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

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

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

- *Deferred tax*

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

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

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

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

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

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

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

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

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

- *Value added tax*

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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.

1.4 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year. The amendments with an application date starting with January 1, 2023 do not have a material impact on the interim financial statements.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

2. REVENUE FROM CONTRACTS WITH CUSTOMERS

Below there is an analysis of Company's revenues:

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Revenue from well services	56,628,096	37,649,938
Revenue from other services	70,447	59,747
Revenue from goods sold	26,486	63,982
Total	56,725,028	37,773,667
	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Europe	7,421	-
Export	7,421	-
Internal market sales	56,717,607	37,773,667
Total sales	56,725,028	37,773,667

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:

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Rental revenue from office space	375,411	346,262
Rental revenue from equipment's	-	5,960
Total	375,411	352,222

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

Contracts conclude for rental of office space and equipments include only fixed leases.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

3. OTHER INCOME AND OTHER EXPENSES

3.1. Other operating income

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

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Other operating income:		
- gain from disposal of fixed assets	135,209	128,536
- earnings from compensations and penalties	828	-
- other revenues	-	480
Total	136,037	129,016

3.2. Expenses with third-party services

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

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Travel expenses	1,224,373	715,714
Maintenance and repair expenses	1,266,963	803,447
Royalties and rental expenses	900,572	790,158
Insurance premiums	595,529	518,637
Postage and telecommunications	10,947	9,681
Bank commissions and similar charges	14,762	12,284
Entertaining, promotion and advertising	32,892	7,867
Goods transportation services	2,591,368	2,829,806
Well services rendered –by subcontractors	205,246	561,194
Outsourced activities services	1,778,957	1,533,229
Dedicated management assistance and specialized technical consulting services	596,833	1,095,567
Others	779,057	513,128
Security services	591,515	516,130
Consultancy and audit	191,219	167,357
Total	10,780,233	10,074,199

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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

3. OTHER REVENUES AND OTHER EXPENSES (continued)

3.3. Other operating expenses

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

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Compensations, fines, penalties	3,741	2,208
Amounts or goods granted as sponsorship	58,990	2,584
Destroyed / improper stocks	-	881
Other operating expenses	6	5
Total	62,737	5,678

4. FINANCIAL EXPENSES AND REVENUES

4.1. Financial revenues

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Interest income, from which:	2,825,734	2,978,927
Income obtained from the entities within the group	2,815,300	2,975,370
Income from exchange rate differences	31,019	390,361
Other financial income	788	604
Total financial income	2,857,541	3,369,892

The line "Income obtained from the entities within the group" in amount of RON 2,815,300 (2022: RON 2,975,370) represents interest revenue from cash-pooling. For more details, including EIR please refer to Note 19.

4.2. Financial expenses

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Expenses from exchange rate differences	117,175	457,485
Other financial expenses, out of which:	458,330	685,498
<i>Interest expense on the lease liability</i>	457,542	685,189
Total financial expenses	575,505	1,142,983

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

5. EXPENSES WITH EMPLOYEES

The expenses with salaries and taxes, recorded during the three quarters of the years 2023 and 2022 are as follows:

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Expenses related to salaries and allowances	14,353,772	12,625,330
Other expenses with employees benefits	191,483	246,486
Contributions to special funds	142,830	107,255
Expenses related to the social insurances	334,010	285,948
Total	15,022,095	13,265,019

6. 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:

	30 September 2023	30 September 2022
Net result attributable to shareholders	9,987,679	1,411,821
Weighted average number of shares	278,190,900	278,190,900
Earnings per share (RON / share)	0.0359	0.0051

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

7. PROPERTY, PLANT & EQUIPMENT

	Land	Buildings and special constructions	Technical equipment and machinery and other tangible assets	Advances and Tangible assets in progress	Total
Cost					
On 1 January 2022	5,440,229	8,061,799	85,471,802	3,678,596	102,652,424
Additions	-	4,376	390,214	2,953,672	3,348,262
Disposals	-	(27,172)	(1,410,482)	-	(1,437,654)
Transfers	-	8,111	4,365,989	(4,374,100)	-
On 31 December 2022	5,440,229	8,047,114	88,817,523	2,258,168	104,563,032
Additions	-	-	56,235	349,180	405,415
Disposals	(1,674)	(21,086)	(35,624)	-	(58,384)
Transfers	-	200,845	2,224,066	(2,424,911)	-
On 30 September 2023	5,438,555	8,226,873	91,062,200	182,438	104,910,064
Depreciation and Impairment					
On 1 January 2022	-	3,420,808	74,178,610	-	77,599,419
Depreciation charge for the year	-	318,947	3,380,770	-	3,699,717
Disposals	-	(22,441)	(1,410,369)	-	(1,432,810)
Impairment	-	-	-	-	-
On 31 December 2022	-	3,717,314	76,149,011	-	79,866,326
Depreciation charge for the year	-	243,579	3,179,297	-	3,422,876
Disposals	-	(8,607)	(35,625)	-	(44,232)
On 30 September 2023	-	3,952,285	79,292,683	-	83,244,970
Net book value					
On 30 September 2023	5,438,555	4,274,588	11,769,517	182,438	21,665,094
On 31 December 2022	5,440,229	4,329,800	12,668,512	2,258,168	24,696,706
On 1 January 2022	5,440,229	4,640,991	11,293,192	3,678,596	25,053,005

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

All presented tangible assets are the property of the Company.

As of 30 September 2023 and 31 December 2022, the Company has not pledged assets and interest rated capitalized.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

8. 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>30.09.2023</u>	<u>31.12.2022</u>
Initial balance on 1 January	432,799	451,402
Depreciation expenses	(13,952)	(18,603)
Ending balance	418,847	432,799

	<u>Reported period completed on September 30th 2023</u>	<u>Reported period completed on September 30th 2022</u>
Income from rents obtained from real estate investments	9,356	9,337
Direct operational expenses (including repairs and maintenance) which generate income from rents	(28,404)	(28,404)
Net result from investment property recorded at cost	(19,048)	(19,067)

9. INTANGIBLE ASSETS

	<u>Patents and licenses</u>	<u>Total</u>
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 30 September 2023	818,918	818,918
Amortisation and impairment		
On 1 January 2022	647,663	647,663
Depreciation charge for the year	78,693	78,693
Disposal	-	-
On 31 December 2022	720,995	720,995
Depreciation charge for the year	26,631	26,631
Disposal	-	-
On 30 September 2023	747,626	747,626
Net book value		
On 30 September 2023	71,293	71,293
On 31 December 2022	60,618	60,618
On 1 January 2022	118,252	118,252

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

10. 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	30 September 2023	31 December 2022	30 September 2023
Rompetrol Logistics SRL	Long term investment	2002/2003/2007	6.98%	6.98%	8,456,518	8,456,518
Rompetrol Rafinare SA*	Long term investment	2003/2004	0.05%	0.05%	1,747,434	1,747,434
Rompetrol Renewable SRL**	Long term investment	2014	1%	0%	100	-
Total					10,204,052	10,203,952

*Company listed on Bucharest Stock Exchange under RRC symbol.

** named Rompetrol Drilling SRL until 28.10.2022

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

11. OTHER FINANCIAL ASSETS

	30 September 2023	31 December 2022
Collateral account for guarantee letters with maturity over one year	2,914,778	1,264,214
Specific account for dividends	971,024	1,255,210
Specific accounts for other guarantee	24,226	20,171
Other financial assets	3,910,027	2,539,595

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

The details on the structure of collateral account for guarantee letters with maturity over one year can be found bellow (see details in Note 20):

Number	Beneficiary	Currency	Amount equivalent RON	Start date	Maturity date	Currency collateral deposit	Collateral deposit equivalent RON
99007664	OMV PETROM S.A.	RON	582,764	18-Jan-22	17-Dec-23	RON	582,764
99007665	OMV PETROM S.A.	RON	1,514,501	18-Jan-22	17-Dec-23	RON	1,514,501
9000004272	OMV PETROM S.A.	RON	52,098	6-Jul-22	31-Dec-23	RON	52,098
99008060	OMV PETROM S.A.	RON	266,759	7-Dec-22	31-Dec-24	RON	266,759
9000007786	OMV PETROM S.A.	RON	252,190	2-Feb-23	31-Mar-28	RON	252,190
00888-02-0938985	OMV PETROM S.A.	RON	246,465	28-Apr-23	18-Jun-24	RON	246,465
Total collateral accounts with maturity over one year as of 30 September 2023							2,914,778

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

12. INVENTORIES

	30 September 2023	31 December 2022
Cement and additives (at cost)	3,180,460	3,866,468
Spare parts equipment (at cost)	1,408,878	1,753,633
Other inventories (at cost)	312,586	331,372
Total inventories, net	4,901,924	5,951,473

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

13. TRADE AND OTHER RECEIVABLES

	30 September 2023	31 December 2022
Trade receivables - third parties	26,201,926	17,897,272
Trade receivables with affiliated entities (Note 19)	31,892	51,930
Allowance for trade receivables – third parties	(1,260,728)	(1,153,866)
Allowance for trade receivables – affiliated entities (Note 19)	(8,121)	(8,391)
Total trade receivables, net	24,964,969	16,786,945
Other receivables – third parties	960,405	318,840
Other receivables with the affiliated entities (Note 19)	154,019	154,019
Other receivables with state budget	35,228	54,943
Allowance for other receivables – third parties	(217,302)	(218,730)
Allowance for other receivables – affiliated entities (Note 19)	(152,580)	(152,580)
Total other receivables, net	779,770	156,492
Total receivables, net	25,744,740	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 20).

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	138	118,319	118,457
Unused amounts, reversed	(9,496)	(7,176)	(16,672)
Amounts written-off	-	-	-
Exchange rate differences	-	3,379	3,379
On 30 September 2023	622,371	1,016,359	1,638,731

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 remaining trade receivables, the impairment losses are estimated based on simplified approach, recognizing anticipated losses for their entire lifetime.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

13. TRADE AND OTHER RECEIVABLES (continued)

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

At 30 September 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>	0.63%	1.55%	54.48%	68.13%	58.58%	57.05%	100%	
Estimated total gross carrying amount at default	20,415,481	4,181,915	301,252	11,312	5,359	152,146	1,166,353	26,233,818
Expected credit loss	(6,338)	(26,649)	(1,900)	(1,671)	0	(86,887)	(1,145,404)	(1,268,849)

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)

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

14. OTHER CURRENT ASSETS

	30 September 2023	31 December 2022
Advance expenses for car insurance	431,577	483,275
Advance expenses for vignette	113,555	102,597
Advance expenses for business insurance	100,552	402,207
Advance expenses for authorizations, transportation licenses, subscriptions, others	275,845	111,360
TOTAL Other current assets	921,529	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.

15. CASH AND DEPOSITS

	30 September 2023	31 December 2022
Bank accounts in RON	14,122	701
Bank accounts in foreign currency	9,688	2,930
Short term deposits in RON	553,005	401,720
Short term deposits in foreign currency	-	50,167
Petty cash in RON	11,718	15,964
Petty cash in foreign currency	18,148	20,234
Total cash and short term deposits	606,682	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 11 and 15.1).

In note 19 it is presented the details regarding the company's participation for the first half of 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 30 September 2023 was of RON 46,974,483 (2022: RON 45,860,051), being ready to use without restriction, depending on the necessity.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

15. CASH AND DEPOSITS (continued)

15.1 COLLATERAL CASH FOR LETTERS OF GUARANTEE

The detail of the collateral deposits as at 30 September 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
LG99008693	OMV PETROM S.A.	RON	877,081	23-Nov-22	29-Oct-23	RON	877,081
40140	S.N.G.N. ROMGAZ S.A.	RON	84,983	20-Jan-23	31-Jan-24	RON	84,983
Total collateral deposits							962,064

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

16. SHARE CAPITAL

16.1. 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 30 September 2023.

	30 September 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 30 September 2023.

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

16.2. 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 30 September 2023, as well as on 31 December 2022 and is presented in the table below:

	30 September 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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

17. LEASES

17.1 The right-of-use assets

The statement of the identified assets as of 30 September 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 30 September 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	1,249,349	-	1,249,349
Transfers	-	-	-
On 30 September 2023	3,151,037	-	3,151,037
Net book value			
On 30 September 2023	12,157,841	-	12,157,841
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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

17. LEASES (continued)

17.2 Lease liability

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

	<u>30.09.2023</u>	<u>31.12.2022</u>
At 1 January	11,267,449	504,674
Additions during the period	-	12,602,570
Remeasurement of lease contract	93,670	11,361
Interest associated to lease liability	457,542	807,496
Lease instalments	(2,422,922)	(2,627,463)
Exchange rate difference for liability	67,247	(31,188)
Balance	9,462,986	11,267,449
Current	2,636,229	2,621,796
Non-current	6,826,758	8,645,653

For details regarding undiscounted potential future lease payments, please refer to Note 21.

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

	<u>Reported period completed on September 30th 2023</u>	<u>Reported period completed on September 30th 2022</u>
Depreciation expense of right of use assets	1,249,349	687,063
Interest expense on lease liability	457,542	685,189
Expense relating to short-term leases	62,313	14,018
Expense relating to leases of low-value assets	-	-
Variable lease payments	45,548	27,315
Total amounts recognised in profit or loss account	1,814,752	1,413,585

The maturity analysis of lease liabilities is disclosed in Note 21.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

18. TRADE PAYABLES AND SIMILAR LIABILITIES (CURRENT)

	30 September 2023	31 December 2022
Trade payables - third parties	4,633,363	5,718,634
Trade payables with affiliated entities	1,260,964	591,048
Salaries	1,816,958	2,392,381
Dividends to be paid	6,250,487	6,272,271
Taxes	1,538,468	1,138,147
Other liabilities	6,000	6,000
Total	15,506,241	16,118,481

19. PRESENTATION OF THE AFFILIATED PARTIES

The following tables present information on transactions with companies under common control of KazMunayGas Group as of 30 September 2023.

Name of the company	Transaction type	Country of origin	The nature of relationship
KMG International NV	Payments of dividends, transfer of the receivable from Oilfield Exploration Business Solutions SA	Holland	Parent Company
Rompetrol Rafinare SA	ITP services	Romania	Minority investment of 0.05% of the Rompetrol Rafinare share capital
Rompetrol Logistics SRL	Rental services, ITP services, reinforcement security services	Romania	Minority investment of 6.98%, of the Rompetrol Logistics share capital
Oilfield Exploration Business Solutions SA	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 Renewables 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, 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

* named Rompetrol Drilling SRL until 28.10.2022

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Receivables

	30 September 2023	31 December 2022
KMG Rompetrol SRL	47,286,290	46,117,041
Rompetrol Logistics SRL	24,452	43,473
KMG Rompetrol Services Center SRL	757	1,506
Total	47,311,499	46,162,020

Liabilities

	30 September 2023	31 December 2022
KMG Rompetrol SRL	744,269	67,588
Rompetrol Downstream SRL	402,816	319,763
KMG Rompetrol Services Center SRL	112,999	200,470
Global Security Sistem SA	881	3,226
Total	1,260,964	591,048

Sales

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
KMG Rompetrol SRL	2,815,300	2,975,370
Rompetrol Logistics SRL	186,864	163,341
KMG Rompetrol Services Center SRL	5,779	5,773
Oilfield Exploration Business Solutions SA	85	77
Global Security Sistem SA	-	77
Rompetrol Rafinare SA	488	232
Rompetrol Renewables SRL*	30	271
Rominserv SRL	119	108
Total	3,008,665	3,145,252

* named Rompetrol Drilling SRL until 28.10.2022

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

19. PRESENTATION OF THE AFFILIATED PARTIES (continued)

Acquisition of goods and services

	Reported period completed on September 30th 2023	Reported period completed on September 30th 2022
Rompetrol Downstream SRL	3,993,732	3,555,849
KMG Rompetrol SRL	2,493,459	2,770,599
KMG Rompetrol Services Center SRL	768,564	596,267
Global Security Sistem SA	12,073	13,497
Rompetrol Quality Control SRL	726	-
Total	7,268,554	6,936,212

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 46,847,705, generating interest in amount of RON 2,815,299. The value of these receivables as of 30 September 2023 was of RON 47,286,290.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

19. 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 30 September 2023	Balance existing as of 30 September 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	311,807	46,974,483
Total							256,990	45,860,051	311,807	46,974,483

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

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

20. COMMITMENTS AND CONTINGECIES

Guarantees to third parties

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

The detail of the collateral accounts on 30 September 2023 and 2022 for the Letters of Bank Guarantee is enclosed in Note 11 and Note 15.1.

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.

21. 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 19 (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 30 September 2023 would increase / decrease with RON 354,605 (2022: increase / decrease with RON 580,433).

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

Risk of the exchange rate variations

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

Foreign currency sensitivity

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

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

	<u>Total</u> <u>RON</u>	<u>5%</u> <u>USD</u>	<u>5%</u> <u>EUR</u>
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)
30 September 2023			
Balance	(145,212)	570	(145,782)
Monetary assets	5,733	570	5,163
Monetary liabilities	(150,945)	-	(150,945)

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 83% of the total turnover registered for the first three quarters of the financial year 2023.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

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 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 52% of the Company's debt will mature in less than one year at 30 September 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.

ROMPETROL WELL SERVICES SA
SELECTED NOTES TO INTERIM STAND ALONE FINANCIAL STATEMENTS UNAUDITED
For the period ended as at 30 September 2023
(all amounts expressed in Lei ("RON"), unless otherwise specified)

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

The table below details the profile of the payment terms of the financial liabilities of the Company, based on non-updated 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	61,064	4,223,581	127,368	221,350	-	4,633,363
Trade payables with affiliated entities	80	1,260,884	-	-	-	1,260,964
Lease liabilities	-	437,939	1,976,569	7,048,478	-	9,462,986
Dividends to be paid	839,755	178,085	2,153,205	3,079,442	-	6,250,487
Other liabilities	5,500	-	500	-	-	6,000
Total year 2023	906,399	6,100,489	4,257,642	10,349,270	-	21,613,801

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

Administrator,
FLOREA Georgian Stefan

Signature

DocuSigned by:
Georgian Florea
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Prepared by,
MOISE Luiza-Roxana
Finance Manager

Signature

DocuSigned by:
Luiza Moise
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FINANCIAL RATIOS FOR THE THIRD QUARTER 2023

Ratio	Calculation method	Value
Current liquidity ratio ¹⁾	Current assets/Current liabilities	4,23
Gearing ratio ²⁾	Borrowed capital/Total equity x 100	9,4
Receivable turnover ³⁾	Average receivables/Turnover x 270	98,71
Asset turnover ⁴⁾	Turnover/Non-current assets	1,18

1) Provides the guarantee to cover current debts from current assets. The recommended acceptable value is about 2.

2) Explains the effectiveness of credit risk management, indicating potential financing, liquidity issues, with influences in meeting the commitments. Borrowed Capital = Loans over 1 year, Employed Capital = Borrowed Capital + Equity

3) Expresses the company's effectiveness in collecting its receivables, i.e. the number of days until the debtors pay their debts to the company.

4) Explains the effectiveness of non-current asset management by examining turnover (for S.I.F. the amount of current activity revenue) generated by a certain amount of non-current assets.

Administrator,

Stefan Georgian Florea

DocuSigned by:
Georgian Florea
C4F17BF6781D416...

Prepared by

Finance Manager,
Luiza-Roxana Moise

DocuSigned by:
Luiza Moise
564191DA489F41E...

S.C. Rompetrol Well Services S.A.

#2 bis Clopotei Street, 100189, Ploiesti, Prahova County, ROMANIA

phone: + (40) 244 544321; fax: + (40) 244 522913; email: office.rws@rompetrol.com; www.rompetrol.com