



ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2022

The figures for 2022 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare Group include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals S.R.L., Rom Oil S.A., Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare S.A., Member Company of the KMG International Group, operates Petromidia Refinery located in Navodari, Constanta County. Starting with December 1, 2007, the company also operates Vega Refinery, located in Ploiesti, Prahova County. Starting with January 1, 2014, Rompetrol Rafinare S.A. took over the operational facilities (polymer production and utilities) of Rompetrol Petrochemicals S.R.L.

Petromidia refinery processes a variety of crude oils with different content of sulphur. The crude oil feeding is carried out mainly through the marine terminal built by the KMG International Group, close to Petromidia Refinery, and the rest is carried out through Oil Terminal facilities in Constanta port. The products obtained can be delivered by railway, road and by sea. Vega refinery is a niche refinery specialized in the production of solvents, hexane and bitumen (being the only Romanian producer). Throughout its petrochemicals division the company is the sole polypropylene and polyethylene producer in Romania.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbor, by building two new loading and offloading berths, Berth 9B and Berth 9C. In 2012 Rompetrol Rafinare SA completed the extensive process of modernization that allowed expanding refining capacity to 5 million tonnes/year and efficient production and focus on the petroleum products required by the market.

Petromidia Refinery continued its production process optimization programs (i.e. increase of processing capacity alongside increased production performance of valuable products yields; reduce technological loss, crude diet optimization; constant supply of the crude, alternative and other feedstock; downstream Units operation optimization; mitigation of slowdown/shutdown/ unplanned events) and operating costs optimization (energy efficiency and processing cost reduction), programs successfully continued until present days.

The company employs best practices for attracting, retaining and motivating its employees, who are the principal contributors to the development of the Group. The company is fully committed to its responsibilities for their development and for the communities in which it operates.

In 2019, the Petromidia Refinery celebrated 40 years of activity, the period in which it grew up becoming the largest profile unit in Romania and one of the most modern in the Black Sea region. In 2020 Vega Refinery celebrated 115 years of activity, being an important landmark in the Romanian energy sector.

The number of employees of Rompetrol Rafinare S.A. and its subsidiaries at the end of 2022 was 1,882.

COMPANY SHARES AND LISTING

Since April 7, 2004, the Company's shares are traded on the regulated market administrated by the Bucharest Stock Exchange SA ("BVB") under the symbol "RRC" and ISIN code ROPTRMACNOR5.

The Company's shares are traded on BVB Standard category. On 31.12.2022, the total number of shares issued by the Issuer is 26,559,205,726, representing a total share capital of 2,655,920,572.60 lei. The Company's shares are common, nominative, dematerialized, and the shareholder's register is held by the DEPOZITARUL CENTRAL S.A. Bucuresti, as an independent register, authorized by the Financial Supervisory Authority.

The activity carried out by RRC in 2022, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2022, there were a total number of 1,563 transactions with RRC shares, with an average daily number of 7 transactions;
- the total volume of the RRC shares traded in 2022 was of 11,329,859 shares (approximately 40% less than in 2021, when the total volume of 18,775,685 shares was registered);
- the total value of transactions in 2022 with RRC amounted to RON 870,670 (approximately 42% less than in 2021, when the total value of transactions was RON 1,496,267);
- the price of 1 share during 2022 was between a maximum value of 0.085 RON (reached on 22nd of November 2022) and a minimum value of 0.063 RON (reached on 7th of March 2022);
- the RRC transactions in 2022 were concluded only on the REGS market;

The market capitalization¹ on the last trading day in 2020, 2021 and 2022 is shown in the table below:

The Rompetrol Rafinare shares	2020	2021	2022
Number of shares	44,109,205,726	26,559,205,726 ²	26,559,205,726 ³
Stock exchange capitalization, Lei mil. ⁴	1,940.81	2,177.85	2,124.74
Stock exchange capitalization, Euro mil. ⁵	398.16	440.06	429.60
Price at the end of the year, lei	0.044	0.082	0.080

¹ Capitalization represents the total market value of the Company (number of shares * market price of the share)

² On December 8, 2021, the Depozitarul Central București (Central Depository Bucharest) registered the reduction of the share capital from a number of 44,109,205,726 shares to 26,559,205,726 shares. We mention that the reduction of the share capital was made in the share of all shareholders registered in the Rompetrol Rafinare Register on December 7, 2021, proportionally to the shareholding of each shareholder in the share capital at that date

³ On December 30, 2022 (the last trading day of 2022), the total number of shares issued by Rompetrol Rafinare was identical to the one recorded on December 30, 2021 (the last trading day of 2021)

⁴ Calculated based on the share price on the last trading day of the year under consideration, respectively December 30, 2022

⁵ Calculated at the euro exchange rate (RON 4.9458) from the last trading session of the year under consideration, respectively December 30, 2022

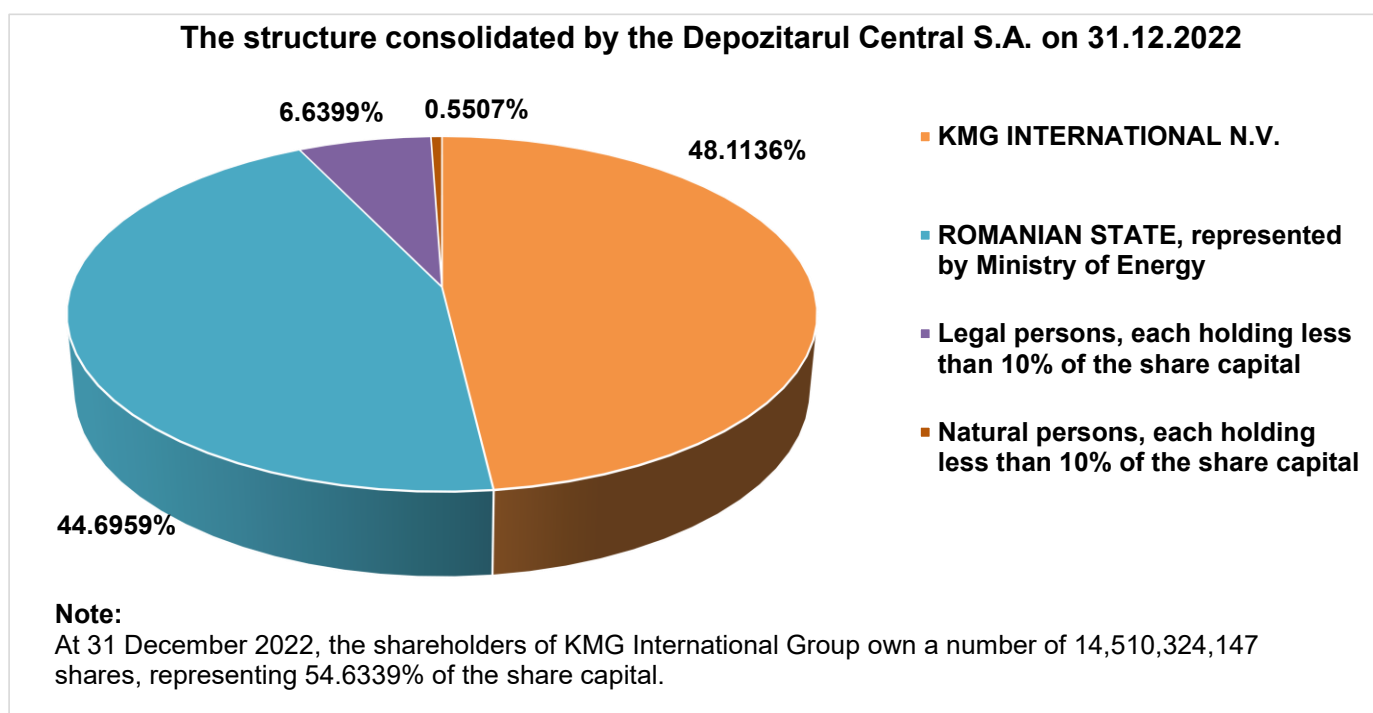


WEIGHTED AVERAGE PRICE

The weighted average price (WAP)⁶ of the RRC shares during 2022 = RON 0.0768 per share taking into account the transactions carried out on the Bucharest Stock Exchange on the main market of the regulated market (REGS).

ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

The structure of the Company's significant shareholders is presented in the following graph:



COMPANY'S OWN SHARES

At 31.12.2022, ROMPETROL RAFINARE S.A. held a number of own shares of 3,698,582 having a nominal value of RON 0.10 per share and a total value of RON 369,858.20, which represents 0.01393% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2022.

In 2022, Rompetrol Rafinare did not redeem or cancel its own shares.

⁶ Calculated as the ratio between Total Trading Value and Total Trading Volume.



THE NUMBER AND NOMINAL VALUE OF THE SHARES ISSUED BY THE PARENT COMPANY, OWNED BY SUBSIDIARIES

In 2022, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2023

Financial Calendar	Date
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2022 and fourth Quarter of 2022	Tuesday, February 28 th , 2023
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2022	Thursday, April 27 th , 2023 (first meeting) Friday, April 28 th , 2023 (second meeting)
Publication of the 2022 Annual Report	Friday, April 28 th , 2023
Presentation of the results recorded during the first quarter of 2023	Monday, May 15 th , 2023
Presentation of the results recorded during the first semester and second quarter of 2023	Monday, August 14 th , 2023
Presentation of the results recorded during the third quarter of 2023 and between January – September 2023	Wednesday, November 15 th , 2023
Telephone conferences and / or meetings with investors and financial analysts, as appropriate	On request

CORPORATE GOVERNANCE

Corporate Governance Report of Rompetrol Rafinare S.A. for the year 2022 it is drawn up on the basis of the Corporate Governance Code ("CGC" or "the Code"), of Law no. 24/2017 regarding the issuers of financial instruments and market operations, of the regulations and instructions issued by the Financial Supervisory Authority - "Autoritatea de Supraveghere Financiara ASF" and of the stock exchange regulations.

The statement "Apply or Explain" presents the stage of compliance of the Company with the new provisions of the CGC BVB. Rompetrol Rafinare will continue to evaluate the provisions of the Code and any subsequent progress that the Company will make in complying with it will be reported on the market. The "negative" aspects (from compliance to non-compliance) will also be reported.

In 2022, Rompetrol Rafinare continued the process of implementing good corporate governance practices so that the internal practices correspond qualitatively to the new requirements in respect of companies admitted to trading at BVB.

SUSTAINABILITY REPORT

The report of the Board of Directors does not include the sustainability report, which will be submitted at a later date than the date of approval of the Financial Statements by the Board of Directors.



PRESENTATION OF THE COMPANY'S ADMINISTRATORS

The Board of Directors is responsible for fulfilling all the measures necessary for the development of the Company's activity, as well as for supervising the activity. Its composition, organization, attributions and responsibilities are established by the Articles of Incorporation of the Company, available on our website (<https://rompetrol-rafinare.kmginternational.com/>, Investor Relations / Corporate Governance section, Corporate Governance Documents subsection).

Starting from May 1, 2022, according to Decision no. 6/2022 of the Extraordinary General Meeting of Shareholders dated April 28, 2022, it was approved the modification of the numerical composition of the Board of Directors, from a number of 5 (five) members to 7 (seven) members, and the modification and respectively the updating of corresponding art. 14.1 of the Articles of Incorporation of the Company regarding the number of Company's administrators. The 2 new Directors' positions created according to Resolution No. 6/2022 of the EGMS of April 28, 2022, remained vacant until December 31, 2022.

As of December 31, 2022, the structure of the Board of Directors was as follows:

- **Yedil Utekov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors;
- **Askar Abilov**, citizen of the state of Kazakhstan, member of the Board of Directors;
- **Felix Crudu-Tesloveanu**, Romanian citizen, executive member of the Board of Directors, also exercising the position of General Manager of the Company (starting with January 1, 2020);
- **Nicolae Bogdan Codrut Stanescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Catalin Steriopol**, Romanian citizen, member of the Board of Directors.

Advisory committees

In its activity, the Board of Directors is supported by two advisory committees, namely: the Audit Committee and the Strategy Committee, being responsible for conducting analyses and developing recommendations for the Board of Directors, in specific areas, having the obligation to submit periodically activity reports to the members of the Board of Directors.

Audit Advisory Committee

The Committee was set up on the basis of Decision no. 1 of the Board of Directors of April 13, 2018.

Strategy Advisory Committee

The Committee was set up on the basis of Decision no. 4 of the Board of Directors of April 20, 2019.

The detailed presentation of the attributions and responsibilities of the Advisory Committees can be found in the Organization and functioning Regulations approved by the Board of Directors, regulations published on the Company's website <https://rompetrol-rafinare.kmginternational.com/>, section Investor Relations - Corporate Governance - Corporate Governance Documents.

INFORMATION ON THE GENERAL MEETING OF SHAREHOLDERS AND THE SHAREHOLDERS' RIGHTS

The corporate bodies of RRC, company managed in unitary system, are structured as follows: The General Meeting of Shareholders, which is the highest decision-making body of the Company and the Board of Directors.

The General Meeting of the Shareholders ("GMS")



The General Meeting of Shareholders is the main corporate governing body of the Company, having decision making tasks on detailed activities within the Article of Incorporation of the Company.

In terms of structure, depending on the points on the agenda that the shareholders are required to approve, the General Meeting of the Shareholders can be ordinary or extraordinary.

The Ordinary General Meeting of the Shareholders ("OGMS")

According to article 11 of the Company's updated Articles of Incorporation, corroborated with the applicable legal provisions, the Ordinary General Meeting is summoned at least once a year, within the term required mandatory by the law, and includes the following main tasks:

- a) to discuss, to approve or to modify the annual financial statements, based on the reports presented by the board of directors and by the financial auditor and to establish the dividend;
- b) to appoint and to revoke Company directors;
- c) to appoint and to establish the minimum duration for the financial audit contract, and also to revoke the financial auditor;
- d) to establish for each current financial year the remuneration owed to the directors;
- e) to pass opinion on the directors' manner of administration;
- f) to establish the income and expenses budget, and, if such is the case, the activity schedule, for the following financial year;
- g) to decide the pledge, the lease or the cancellation of one or more units of the Company;
- h) to approve the maximum limits of the remuneration of the people handling/having managing positions according to the legal provisions in force.
- i) to approve the Remuneration Policy for administrators and executive directors.

The Extraordinary General Meeting of the Shareholders ("EGMS")

The Extraordinary General Meeting has the following tasks:

- a) to change the Company's legal form;
- b) to move the headquarters of the company;
- c) to change the company's object of activity;
- d) to set up or to dissolve secondary offices: branch offices, agencies, representations or any other such units without legal personality;
- e) to extend the company duration;
- f) to increase the share capital;
- g) to reduce the share capital or to replenish it by the issue of new shares;
- h) merger with other companies or the division of the company;
- i) the company's anticipated dissolution;
- j) conversion of shares from one category to another;
- k) conversion of one category of bonds into another one or into shares;
- l) issue of bonds;
- m) any other change of the Articles of Incorporation or any other decision for which the extraordinary general meeting consent is required;

The Extraordinary General Meeting delegates the Board of Directors to exercise the tasks mentioned at letters b) and c) of the paragraph above from the revised Articles of Incorporation.

Moreover, the Extraordinary General Meeting may delegate to directors the increase of the share capital, according to the provisions of art. 86 of Law 24/2017 on the issuers of financial instruments and market operations.



Summoning, operation, voting process as well as other provisions regarding the GMS are detailed in the Articles of Incorporation of Rompetrol Rafinare S.A. as well as in the “Regulations on the conduct of the General Meeting and the observance of the rights of the shareholders of Rompetrol Rafinare S.A.” published on the Company's website, in the section Investor Relations - Corporate Governance - Corporate Governance Documents.

SHARES AND THE SHAREHOLDERS RIGHTS

The rights of the shareholders of Rompetrol Rafinare are those conferred by Law no. 31/1990 on companies, Law no. 24/2017 on the issuers of financial instruments and market operations, F.S.A. Regulation no. 5/2018, other regulations and guidelines, issued by F.S.A., of the Stock Exchange Code and other legal regulations currently in force.

All holders of RRC shares are treated fairly. All issued shares confer equal rights to the holders.

Each share subscribed and paid-up by the shareholders, according to the law, gives them the right to vote within the general meeting of shareholders, the right to appoint and to be appointed by the management bodies, the right to participate in the distribution of profit, in compliance with the provisions of the Articles of Incorporation of the company and the legal dispositions respectively the rights stipulated in the Articles of Incorporation.

The acquisition by a person, directly or indirectly, as provided for by the law, of the ownership right on a share, has as an effect the acquisition of the status of shareholder of the company with all their rights and obligations derived therefrom, according to the law and to the Articles of Incorporation.

The shareholder who in certain operation has, either personally or as a representative of another person, an interest contrary to the interest of the Company, will have to refrain from any deliberations on that account.

The shares issued as dematerialized shares are traded on a regulated market in compliance with the legislation of the capital market. The rights and obligations related to the shares follow the shares in case there are transferred under the ownership of other persons. The shareholders have the right to be completely informed during the General Meeting of the Shareholders on the Company's situation. In case that new shares are issued, the shareholders existing have the pre-emption right for subscription, under the conditions of the law, in relation with the percent of shares held within the Company.

All holders of financial instruments issued by Rompetrol Rafinare of the same type and class of titles benefit of equal treatment, and the Company makes permanent efforts to ensure transparent communication for the exercise of rights in an equitable manner.

The company has created a special section called Investor Relation, on its own website, where relevant information on the procedures regarding the access and the participation at the General Meeting of Shareholders (GMS), GMS convocation, supplemented agenda of the GMS, the responses to shareholders' questions, Current Reports, Annual, semester and quarterly reports, financial statements, exercise of voting rights in GMS, GMS agenda materials, special mandate models, financial calendar, corporate governance etc. of the company is constantly updated and accessible, that contributing to transparency and equitable information for all persons interested.

The main shareholders' rights regarding GMS are:

- *The right to notice regarding a new GMS*

The Company's Shareholders are informed about an upcoming meeting of shareholders by convocation published in the Romanian Official Gazette and in a newspaper of national circulation at least 30 days before the meeting; also, the convocation is published on the website of the Company, in the Investor relation section and it is transmitted to the Financial Supervisory Authority and the Bucharest Stock Exchange.

- *The right of access to information*



Rompetrol Rafinare publishes the documents and informative materials on its website.

➤ *The right to supplement the agenda of the meeting*

One or several shareholders representing, severally or jointly, at least 5% of the share capital, has/have the right, under the legal conditions, to request to the company Board of Directors: a) to introduce new items in the agenda of the general meeting, provided that each item is accompanied by a justification or by a draft resolution proposed to be adopted by the general meeting and b) to submit the draft resolutions for the items included or proposed to be included in the agenda of the general meetings.

➤ *The right to participate at the GMS*

The shareholders registered in the list of shareholders on the reference date received from the Central Depository shall be entitled to attend in person or by representative the GMS.

➤ *Voting right*

Each share registered on the shareholder's name on the reference date confers a voting right in GMS.

The shareholders of Rompetrol Rafinare can exercise their vote right as follows:

1. Direct vote - in person, during the General Meeting of the Shareholders;
2. Vote by representative with a special or general proxy;
3. Vote by correspondence.

➤ *The right to ask questions*

Each shareholder, regardless of the participation to the share capital, has the right to ask questions referring to the agenda of the general meetings, and the Company may answer the questions asked by the shareholders by posting such answers on the Company website. Questions must be pertinent, be connected to the agenda and not harm the confidentiality and commercial interests of the Company and be in writing, either by mail or courier services, or by electronic means. Furthermore, the summons of the general meeting will comprise the deadline until which shareholders may exercise the above-mentioned rights.

Shareholders have the right to participate effectively and vote in the GMS and to be informed of the rules, including voting procedures that govern the GMS. Each share confers a voting right, a dividend. There are no preferential shares without the right to vote or shares that confer the right to more than one vote.

If the General Meeting of Shareholders approves the distribution of dividends from the net profit of the company, all shareholders registered in the Register of shareholders at the time of registration decided by the General Meeting which also approves the amount of dividends received and the time limit within which they shall be paid to the shareholders, shall be entitled to receive dividends.

INVESTOR RELATIONS CONTACT

The annual, semi-annual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at:

Investor.Relations.RRC@rompetrol.com.



STRATEGY

Following a detailed assessment there is a favorable economic outlook with a positive impact for road fuels demand on the mid-term driven by increasing motorization rate and small electrification rates in CEE. Accelerated extensive development of controllable channels in Romania remains an important direction for development until 2025, to ensure mitigation of oil and refinery margin fluctuations and increase profitability of system volumes.

On the long-term (2030+) road fuels demand will be negatively impacted by the population decline, higher electrification rate, as well as vehicle energy efficiency improvement. Decreasing demand for fuels putting pressure on refining volumes, utilization and margins.

Based on the market outlook and current position, KMG International has two main objectives:

- In the short to mid-term, increase vertical integration and start diversification of business;
- In the mid-long term, to continue further transition from diversified downstream player to energy provider.

To address these objectives, projects have been defined, corresponding to different time horizons, with highest priority for the short to mid-term projects run in the existing markets and current assets.

The KMG International Group's main business opportunities envisaged until 2030 and investment requirements are:

- E-mobility. The Group's first priority project relates to the electrical vehicle (EV) charging in KMG International's own network. Gradual expansion outside the network is envisaged by 2030). Several station clusters have been defined, e.g., highway cluster with higher installed power (up to 300 kW), main & secondary route cluster with up to 150 kW, while outside-the- network cluster is targeted to display medium charging powers of ~50 kW. With an early commitment strategy to e-mobility, Rompetrol can establish itself as an important player in a booming market in the long-term and capitalize on existing optimum locations.
- Biofuels & e-fuels. The Group expects to invest in bioethanol and biodiesel production. Co-processing of 1st & 2nd generation bio-feedstocks in and construction of a plant, based on second generation cellulosic feedstock (cereal straw, such as wheat, barley).
- Low-carbon energy. KMG International envisaged investments in renewable energy generation (onshore wind farms and solar PV farms with a total capacity of ~200 MW), as well as on-site PV energy generation. The project allows to cover part of the internal demand of the Petromidia refinery & of the retail network in a cost-efficient manner by developing on-site solar PV generation capacities.

The shortlisted projects of KMG International Group amount to over 600 million USD, the large part being attributed to first priority projects.

Diversification through investments in prioritized opportunities will improve the resilience and long-term sustainability of the Group, which in turn will lead to improved profitability and the ability to offer added-value products and services in the coming decades. However, a significant effort will be expected from the Group by 2026 in order to launch the first project wave.

One of the major projects currently under construction is the cogeneration plant on the Petromidia platform. The plant will have a major role in stabilizing the production and distribution of electricity in the region, by ensuring the energy needs of the platform, but also by injecting the surplus electricity into the national grid.

The project, worth over 140 million USD, is financed by the Kazakh-Romanian Energy Investment Fund (KRIEF).

The project is a brownfield investment and will integrate the assets of the Midia Thermal Power Plant, as well as its



staff, for the operation of the new plant's equipment. Construction began in May 2021 and expected to be completed in August 2023.

To successfully implement its decarbonization strategy and meet the changing context generated by the selected decarbonization projects, certain measures were put in place to ensure new capabilities and experience was attracted, processes and enough resources were allocated. Given the high ambitions and complexity of the strategy, as well as the need to accelerate and over deliver on operational programs to prove execution excellence, complex programs had to be run in parallel.

OUTLOOK FOR 2023

Group operations: The Group will continue to further improve its operational performance and carry on the operational initiatives which were identified and put in motion since several years ago, such as: Refining planning and production optimization, energy efficiency and organizational effectiveness, Retail gas stations network development, increase of non-fuel profitability, trading profitability increase, as follows:

- Petromidia 2023 Feedstock Target performance set at 5.68 million tons, corresponding to 16 ktons/day of operation, with +0.42 million tons above achieved level of 5.26 million tons in 2022 (340 days of operation in 2022 vs 355 scheduled in 2023);
- White products 2023 yield target of 85.1%, -0.5% below 2022 level;
- Downstream Romania sales target set at 2.35 million tons, +18% growth target versus 2022;
- Downstream Romania Non-Fuel Margin performance 2023 targeted at USD 43.1 million, +25% versus 2022.

Based on the Group's budget for 2023, it's Medium-Term Development Strategy and other matters mentioned above, Group Management considers that the preparation of the financial statements on a going concern basis is appropriate.



FINANCIAL HIGHLIGHTS – CONSOLIDATED

Financial	2022	2021	%	2022	2021	%
	USD	USD		RON	RON	
Gross Revenues	6,572,037,534	4,619,086,978	42%	30,458,765,153	21,407,620,508	42%
Net Revenues	5,361,328,254	3,348,256,153	60%	24,847,611,928	15,517,827,968	60%
EBITDA	464,457,570	106,794,756	335%	2,152,575,056	494,950,977	335%
EBITDA margin	8.7%	3.2%		8.7%	3.2%	
EBIT	264,315,488	(106,533,450)	N/A	1,224,996,560	(493,739,931)	N/A
Net profit / (loss)	90,343,782	(186,783,895)	N/A	418,707,293	(865,668,640)	N/A
Net profit / (loss) margin	1.7%	-5.6%		1.7%	-5.6%	

Rompetrol Rafinare consolidated gross revenues reached over USD 6.5 billion in 2022, higher by 42% as against 2021 as a result of higher market quotation vs. similar periods last year.

Regarding the market conditions in 2022, there were a series of factors that brought an impact on Rompetrol Rafinare's preliminary results. First of all, the EU Sanctions influencing the crude supply on the market. As early February 2022, the market started to react to the events in the region, and there has been a clear avoidance of trading and/or buying Russian oil from the market, even before any specific sanctions on Russian Urals crude was implemented. The Company took all measures to comply with the legislation in force and to ensure proper supply of crude to Petromidia Refinery and to operate the refinery at optimum capacity, thus ensuring the fuel needs of the Romanian market as a priority.

In regards with the energy market impacting Refining sector, starting 2021 Europe is facing an unprecedented energy crisis that cannot be easily overcome. An influence on the 2022 results was generated by utilities prices increases, specifically for natural gas and electricity. Nevertheless, in order to reduce the negative effects of the energy market on consumers, including industrial ones, such as the Company, the Romanian state managed to apply, throughout 2022, a series of measures and support schemes dedicated to the energy and natural gas market.

During 2022, the geopolitical situation at the international level determined a significant volatility of the prices in the oil industry, with implications on the result of hedging instruments operations. Crude price increased in 2022 to levels last seen in 2008 and the Urals heavy crudes grades spread over Dated Brent moved in a very wide range in the first quarter of the last year, some of them reaching the historical low levels. On the other hand, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential emerged to historical low of -34 USD/bbl., while its average level of the past 10 years is -1USD/bbl.

Considering that Rompetrol Rafinare is subject to the solidarity contribution regulated by Government Emergency Ordinance 186, issued December 28th, 2022 ("GEO 186"), a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution of USD 124.6 million, taking in account the present norms of the "GEO 186". In addition, its subsidiary, Rompetrol Quality Control SRL, recorded preliminary an amount of USD 0.29 million contribution. The actual level of the contribution is to be determined by June 25th, 2023, the legal deadline for declaration and payment of the contribution, in accordance with the provisions of the law which will approve the GEO 186.



ECONOMIC ENVIRONMENT

		2022	2021	%
Brent Dated	USD/bbl	101.3	70.9	43%
CPC Blend CIF	USD/bbl	94.2	68.8	37%
Brent-CPC Differential	USD/bbl	7.2	2.1	244%
Premium Unleaded 10 ppm FOB Med	USD/tonne	985	670	47%
Diesel ULSD 10 ppm FOB Med	USD/tonne	1,037	580	79%
RON/USD Average exchange rate		4.69	4.16	13%
RON/USD Closing exchange rate		4.63	4.37	6%
RON/EURO Average exchange rate		4.93	4.92	0%
RON/EURO Closing exchange rate		4.95	4.95	0%
USD/EURO Closing rate		1.07	1.13	-6%
Inflation in Romania*		16.37%	8.19%	100%

Source: Platts, *INSSE (Inflation in Romania is calculated based on CPI - i.e. Consumer Price Index)

Dated Brent increased by approximately +30.4 \$/bbl. (+42.9%) in 2022 vs. 2021 and settled to an average of 101.3\$/bbl.

EU economic sanctions concluded with a clear prohibition of trading and/or buying Russian crude oil from the market, amended by EU regulations (with the applied exemptions), and market reaction have led to a sudden increase in the Brent-Urals Differential, which has therefore ceased to be an appropriate indicator of the market price for Urals crude oil originating from other countries than Russian Federation, as is the case with Kazakhstan crude oil. Thus, starting July 2022, Rompetrol Rafinare changed the Platts quotation based on which the prices of heavy crude oil acquisitions are made for the Kazakh Exported Blend Crude Oil (KEBCO) with source from KMG NC, from Urals to CPC, following the market reaction to the events in the region.

The CPC quotation increased by +25.3 USD/bbl. (+36.8%) in 2022 vs. 2021 and settled to an average of 94.2 USD/bbl.

During January, the Dated Brent increased from 79 to 92.5 USD/bbl., the highest since 2014, and the best January performance in at least 30 years, on signs of sustained global demand together with decreasing US crude inventories to the lowest level since 2018.

The current regional context had an extremely volatile effect on markets and fueled fears of a supply crunch, driving prices to their highest since 2008. Dated Brent price reached even 137.6 USD/bbl. on 8th of March.

On 2nd of March, OPEC+ ratified the 400,000-bpd production increase that was scheduled for April and wrapped up in a record time of just 13 minutes.



During Q2 of 2022, in a very tight crude market, where the global crude inventories remain near multi-year lows, the European Union leaders agreed to implement a partial ban on imports of crude from the Russian Federation while China further eased anti-virus curbs, aiding demand.

Another factor that determined the increase for the crude price came after OPEC+ effectively failed to increase output at all during Q2 as members remained overwhelmed by capacity constraints.

Meanwhile, Russian crude continues to be distributed to other markets, so Indian, Chinese and Turkish refineries ramped up their Urals sourcing during Q2, roughly the amount by which European refineries cut their respective Urals supplies.

Dated Brent had a downward trend during Q3, falling below 90 USD/bbl. for the first time since January, as concerns that a global recession might hurt energy demand more than offset persistent supply-side issues.

During Q4, China's COVID Zero kept oil demand in check as travel diminished. China's stringent virus controls continued to suppress the economy, damaging hopes that demand for key commodities will rebound any time soon.

Bearish sentiment has filtered through commodities also due to the inflation that was looming in the US and the recession risk that raised concerns about the demand outlook. A rising dollar has also added pressure, making oil less attractive to investors.

Thus, Dated Brent crude oil had a downward trend in the fourth quarter as well, falling below the level of 80 USD/bbl. for the first time since December 2021, and due to the fact that the European Union has taken into account a higher price ceiling than expected in the market regarding Russian crude oil (60 USD/bbl.).

On 4th of December, OPEC agreed to maintain production at current levels, pausing to take stock of the global market.

As for the European refining margin, until February 2022 fluctuated within normal ranges, around the average of 23 USD/t. Starting with February 24, however, the margins increased to a record level of 252 USD/t, following the collapse of the Urals-Dated Brent differential. The margins increased by +113 USD/t in 2022 compared to 2021 and settled at an average level of +128 USD/t.

During 2022, refining margins in Europe were very strong against the backdrop of quotations increases for the main petroleum products, gasoline and diesel. The ongoing recovery of refined product demand compared to 2021, combined with lower imports of Russian crude and products and lower inventories in Europe, continued to boost cracks to record levels.

Margins were supported by strike actions at four of France's six refineries which added pressure to diesel and heating oil market. Also strike actions at refineries in Rotterdam, UK and Italy exacerbated European product market tightness once again before year-end.

Gasoline cracks increased in 2022, with support coming from U.S. bookings as demand there exceeded the five-year average. Also, the ARA (Amsterdam-Rotterdam-Antwerp) gasoline inventory level was below the 2021 average, helping the European cracks. However, during Q3 the cracks declined to the lowest level since February 2021 as the trans-Atlantic arbitrage remained closed and the domestic demand in Northwest Europe has not been strong enough to completely offset the weak exports. In Q4 gasoline cracks increased to levels last seen in July, where gasoline demand usually is seasonally the strongest, due to continue tightness in Amsterdam-Rotterdam-Antwerp (ARA) stocks. The stocks decreased to the lowest level since April due to high US imports as Florida was affected by Ian Hurricane.

During Q4, Diesel cracks reached historical high level of 746 USD/MT as supplies were so tight heading into winter. Stocks of middle distillates, which include diesel, at key global hubs were at the lowest level in five years and the demand for diesel, alongside gasoil, increased and could continue this trend in the winter as traders stock up due to fears over gas shortages later in the year. During December, the seasonal slowdown of industrial activity, combined



with recessionary fears pulled the cracks a little lower, but they remained elevated and will continue to be strong due gas to diesel switch during the winter.

In Q4, Jet cracks also reached the historical record value (814 USD/MT) because refiners have continued to minimize jet yields and maximize diesel. Air mobility recovered across the region, with European air traffic reaching 97% of 2019 levels at the end of October, which is the closest it has ever come to pre-pandemic levels, according to Eurocontrol.

Global risk aversion rose abruptly in the closing 10-day period of February, while investor sentiment vis-à-vis CEE markets worsened considerably during the year in the context of the geopolitical situation and with the imposition of international sanctions.

Against this background, the RON/USD exchange rate was at an average level of 4.6923 for the entire year of 2022. In terms of exchange rates, internally, the RON/EUR exchange rate remained relatively stable, on the higher level, fluctuating between 4.8215 and 4.9492 and having an average level of 4.9313 in 2022.

In Romania the inflation in 2022 reached 16.37%, calculated based on CPI - i.e. Consumer Price Index.



*The information is based on analysis provided by JBC Energy GmbH and National Bank of Romania

REFINING SEGMENT

		2022	2021	%	2022	2021	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	5,592,084,863	3,772,009,887	48%	25,917,076,508	17,481,757,021	48%
Net Revenues	USD/RON	4,673,930,182	2,725,659,137	71%	21,661,796,822	12,632,339,835	71%
EBITDA	USD/RON	467,592,027	31,598,260	N/A	2,167,102,006	146,445,295	N/A
EBITDA margin	%	10.0%	1.2%		10.0%	1.2%	
EBIT	USD/RON	322,216,590	(138,461,975)	N/A	1,493,345,010	(641,715,867)	N/A
Net profit / (loss)	USD/RON	155,227,307	(193,616,606)	N/A	719,416,479	(897,335,521)	N/A
Net profit / (loss) margin	%	3.3%	-7.1%		3.3%	-7.1%	
Gross cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	135.7	34.4	294%	628.9	159.6	294%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	18.7	4.7	294%	86.6	22.0	294%
Net cash refinery margin/tonne (Petromidia)	USD/(RON)/tonne	93.3	1.8	5208%	432.5	8.1	5208%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	12.8	0.2	5208%	59.5	1.1	5208%
Operational							
Feedstock processed in Petromidia refinery	thousand tonnes	5,258	4,586	15%			
Feedstock processed in Vega refinery	thousand tonnes	373	321	16%			
Gasoline produced	thousand tonnes	1,417	1,135	25%			
Diesel & jet fuel produced	thousand tonnes	2,674	2,480	8%			
Motor fuels sales - domestic	thousand tonnes	2,419	2,333	4%			
Motor fuels sales - export	thousand tonnes	1,445	1,167	24%			
Export	%	37%	33%				
Domestic	%	63%	67%				

Refining segment comprises the results of the company Rompetrol Rafinare related to Petromidia and Vega refineries. Rompetrol Rafinare computes Gross refinery margin as follows - (Oil Product Sales – Cost of Feedstock) / Quantity of sales. Net Refinery margin is the EBITDA divided by quantity of sales.

Gross revenues of refining segment reached approximatively USD 5.6 billion in 2022, showing a 48% increase as against last year, mainly as a result of higher market quotation last year.

Petromidia successful finalized the planned 2022 turnaround (11th of March 2022 – 4th of April 2022).

The operation in Petromidia refinery was optimized considering high refinery margin. Thus, in 2022, the total throughput for Petromidia refinery was 5.26 million tonnes, higher by 0.67 million tonnes as against 2021, meaning a 14.67% increase, correlated with number of operational days from 2022; in 2022 the refining capacity utilization in Petromidia refinery was 87% correlated also with number of operational days.

At the level of 2022, Petromidia refinery recorded the main technological and operational parameters, as follows:

- ✓ White finished products yield of 85.55%wt;
- ✓ Jet yield of 6.5% record level, 3.1% higher as against 2021 based on Crude diet and optimized Diesel recipe;



- ✓ Technological loss of 0.80 %wt, the lowest level in history after 'Package 2010' implementation, below previous year by 0.02%wt;
- ✓ Energy Intensity Index of 96.2%.

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 372,920 tonnes in 2022, higher by 16.16% as against last year.

In 2022 the refining capacity utilization for Vega refinery was higher by 15.72% as against last year.

Vega refinery developed a new product in 2022 (n-heptane), as part of the continuous development process, to be used for polymers production in Petrochemicals division.

Vega refinery recorded very good operational results in 2022, for the main technological and operational parameters, such as:

- ✓ Technological loss of 0.62%;
- ✓ Energy consumption of 2.34 GJ/t;
- ✓ Mechanical Availability of 98.69%.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 1.56 billion in 2022.



PETROCHEMICALS SEGMENT

		2022	2021	%	2022	2021	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	202,248,543	186,396,379	9%	937,341,096	863,872,658	9%
EBITDA	USD/RON	(66,597,392)	1,260,196	N/A	(308,652,274)	5,840,504	N/A
EBIT	USD/RON	(87,900,203)	(17,257,882)	-409%	(407,382,281)	(79,983,381)	-409%
Net profit / (loss)	USD/RON	(85,840,566)	(20,295,350)	-323%	(397,836,687)	(94,060,831)	-323%
Operational							
Propylene processed	thousand tonnes	126	110	14%			
Ethylene processed	thousand tonnes	44	37	18%			
Total polymers production	thousand tonnes	129	106	21%			
Sold from own production	thousand tonnes	138	111	24%			
Sold from trading	thousand tonnes	0.3	0.5	-49%			
Total sold	thousand tonnes	139	112	24%			
Export	%	42%	39%				
Domestic	%	58%	61%				

Petrochemicals segment comprises the petrochemicals activity from Rompetrol Rafinare and the activity of Rompetrol Petrochemicals SRL

The current petrochemicals activity is carried out through PP and LDPE units.

In terms of low density polyethylene unit (LDPE), the petrochemicals segment works 100% with ethylene from import, and for PP (polypropylene) unit is ensured through raw material produced and distributed entirely by Petromidia refinery.

In 2022, the total polymers production for Petrochemicals area was 129 thousand tonnes higher by 21.47% compared with 2021 when the total polymers production was 106.2 thousand tonnes.

The petrochemicals segment is the sole polypropylene and polyethylene producer in Romania and has constantly succeeded to increase its market share on secondary categories of products. Its dynamic development strategy has secured the company a competitive position on the domestic market and in the region – the Black Sea and Mediterranean region and the Eastern and Central Europe, aiming to keep the competitive advantage once the market stabilizes.


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MARKETING SEGMENT

		2022	2021	%	2022	2021	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	3,958,874,423	3,256,820,738	22%	18,347,799,402	15,094,061,394	22%
EBITDA	USD/RON	72,145,890	70,792,122	2%	334,367,341	328,093,169	2%
EBIT	USD/RON	41,470,803	46,658,284	-11%	192,200,583	216,242,482	-11%
Net profit / (loss)	USD/RON	32,433,700	24,604,050	32%	150,317,228	114,029,927	32%
Operational							
Fuels quantities sold in retail	thousand tonnes	994	935	6%			
Fuels quantities sold in wholesale	thousand tonnes	977	1,181	-17%			
LPG quantities sold	thousand tonnes	337	319	6%			

Marketing segment includes the results of Rompetrol Downstream, Rom Oil, Rompetrol Quality Control Rompetrol Logistics and Rompetrol Gas

In 2022 the marketing segment had a turnover of approximately USD 4 billion, higher by 22% as against last year.

In 2022, the average Platts quotations (FOB Med Italy) in USD (reference currency) increased by +78.8% for diesel and by +47% for gasoline compared with 2021. Due to the 12.7% depreciation of the RON against the US dollar (2022 vs. 2021, on average) the international diesel quotation increased in the national currency by +101.5%, in the same time the international gasoline quotation increased in the national currency by +65.8% compared to 2021.

In terms of retails sales to Romanian market, they increased with 6% for year 2022 compared with 2021; this is due to company strategy to address Romanian market needs with priority and thus company applied the reduction of 50 bani per liter at pump stations. For 2022 the sales in wholesale decreased compared with last year.

As of the end of 2022 Rompetrol Downstream operated a network of 1.257 stations for selling the fuel, which includes stations owned by Rompetrol, Partener Rompetrol, as well as mobile stations – Rompetrol Express and internal bases (9 and 20 cubic meter tanks located at the premises of companies from various fields of activity - transportation, construction, agriculture, etc.)

By expanding and diversifying the range of services and products offered, Rompetrol stations have evolved in the last 15 years, becoming service centers and energy suppliers for customers.

Rompetrol Downstream and KMG Rompetrol Development, retail structural subdivision of the KMG International Group in Romania, will continue the development of the Romanian gas station network, under the umbrella of the Kazakh-Romanian Energy Investment Fund.

During 2022, Rompetrol Downstream rented from KMG Rompetrol Development 8 stations newly opened, out of which 1 station was built on the A1 highway. At the end of 2022, another 9 stations are under construction or finalized, which will open during 2023.

The A1 highway new stations are developed on a new concept which ensures a natural development of the “hei” brand, by turning it into an umbrella brand and by creating three distinctive service lines – “hei&gourmet” for the assisted service for the restaurant food type, “hei&go” for the shop products and “hei&coffee” for coffee, pastry and sandwiches.

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Through this service lines, the portfolio of the offered products and services will be extended and diversified with new dishes.

In the next period 12 new stations situated on A1 highway will be rented by Rompetrol Downstream from KMG Rompetrol Development, once construction will be finalized; plans are to continue the development of the Romanian gas stations network by another 32 stations during 2023-2025.

Additionally, the company operates at the national level 6 fuel depots, over 200 LPG stations, and over 7.000 de LPG cylinders distribution points/Rompetrol for household use.

During 2022, Rompetrol Gas increased its retail sales volume performance by +15.5% compared to 2021, while LPG Auto, LPG domestic and Propane wholesale performance within Romania reached 166 ktons, +11% above 2021.

Rompetrol Quality Control is a competitive company on the laboratory analysis market, which grants its results as reliable proof for third parties and Group companies. In 2022, Rompetrol Quality Control (RQC) continued the good results from last year to consolidate its overall market share and to increase the turnover and profitability from third-party customers, reaching the highest level form non-group revenues in the last years.


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APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2022

	2022	2021	%	2022	2021	%
	USD	USD		RON	RON	
Gross Revenues	6,572,037,534	4,619,086,978	42%	30,458,765,153	21,407,620,508	42%
Sales taxes and discounts	(1,210,709,279)	(1,270,830,825)	-5%	(5,611,153,225)	(5,889,792,541)	-5%
Net revenues	5,361,328,254	3,348,256,153	60%	24,847,611,928	15,517,827,968	60%
Cost of sales	(4,810,274,622)	(3,141,182,174)	53%	(22,293,698,764)	(14,558,122,902)	53%
Gross margin	551,053,632	207,073,980	166%	2,553,913,164	959,705,065	166%
Selling, general and administration	(244,381,904)	(233,309,032)	5%	(1,132,612,374)	(1,081,294,041)	5%
Other operating income	231,511,855	23,918,589	868%	1,072,964,842	110,853,091	868%
Other operating expenses	(273,868,095)	(104,216,987)	163%	(1,269,269,071)	(483,004,046)	163%
EBIT	264,315,488	(106,533,450)	N/A	1,224,996,560	(493,739,931)	N/A
Finance, net	(64,531,435)	(52,052,049)	24%	(299,077,389)	(241,240,426)	24%
Unrealized net foreign exchange (losses)/gains	3,525,702	7,836,973	-55%	16,340,220	36,321,233	-55%
Realized net foreign exchange (losses)/gains	12,097,953	(1,754,279)	N/A	56,069,174	(8,130,381)	N/A
EBT	215,407,708	(152,502,806)	N/A	998,328,565	(706,789,505)	N/A
Income tax	(125,063,926)	(34,281,089)	265%	(579,621,271)	(158,879,135)	265%
Net result	90,343,782	(186,783,895)	N/A	418,707,293	(865,668,640)	N/A
EBITDA	464,457,570	106,794,756	335%	2,152,575,056	494,950,977	335%


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APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2022

	31 December 2022	31 December 2021	%	31 December 2022	31 December 2021	%
Assets						
Non-current assets						
Intangible assets	6,943,884	9,469,707	-27%	32,182,123	43,888,303	-27%
Goodwill	82,871,706	82,871,706	0%	384,077,209	384,077,209	0%
Property, plant and equipment	1,178,598,536	1,261,644,352	-7%	5,462,332,763	5,847,216,906	-7%
Right of use assets	124,769,238	109,604,968	14%	578,255,509	507,975,188	14%
Financial assets and other	3,811,865	3,139,455	21%	17,666,468	14,550,119	21%
Total Non Current Assets	1,396,995,228	1,466,730,188	-5%	6,474,514,071	6,797,707,725	-5%
Current assets						
Inventories	333,870,058	329,204,005	1%	1,547,354,168	1,525,728,880	1%
Trade and other receivables	642,376,936	690,550,529	-7%	2,977,160,147	3,200,425,481	-7%
Derivative financial Instruments	2,612,061	23,958,794	-89%	12,105,857	111,039,427	-89%
Cash and cash equivalents	16,973,215	50,091,261	-66%	78,664,063	232,152,957	-66%
Total current assets	995,832,269	1,093,804,589	-9%	4,615,284,235	5,069,346,746	-9%
Total assets	2,392,827,498	2,560,534,777	-7%	11,089,798,307	11,867,054,471	-7%
Equity and liabilities						
Total Equity	536,784,519	462,580,486	16%	2,487,781,528	2,143,875,516	16%
Non-current liabilities						
Long-term debt	-	191,729,052	-100%	-	888,587,464	-100%
Provisions	115,340,643	84,606,213	36%	534,557,744	392,115,954	36%
Obligations under lease agreements	120,283,737	108,237,081	11%	557,467,008	501,635,574	11%
Other	57,115,840	72,832,895	-22%	264,709,072	337,551,336	-22%
Total non-current liabilities	292,740,220	457,405,240	-36%	1,356,733,824	2,119,890,327	-36%
Current Liabilities						
Trade and other payables	1,295,310,569	1,543,053,293	-16%	6,003,246,356	7,151,434,789	-16%
Contract liabilities	41,914,153	44,880,252	-7%	194,255,332	208,002,015	-7%
Derivative financial instruments	4,592,619	3,478,830	32%	21,284,951	16,122,987	32%
Obligations under lease agreements	4,723,011	3,679,908	28%	21,889,266	17,054,902	28%
Short-term debt	86,210,918	42,421,794	103%	399,553,119	196,608,047	103%
Profit tax payable	130,551,489	3,034,974	4202%	605,053,931	14,065,889	4202%
Total current liabilities	1,563,302,759	1,640,549,051	-5%	7,245,282,955	7,603,288,629	-5%
Total equity and liabilities	2,392,827,498	2,560,534,777	-7%	11,089,798,307	11,867,054,471	-7%



RISK MANAGEMENT

The Group's activities expose it to a variety of risks including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimize the potential adverse effects on the financial performance of the Group companies and to develop a culture of risk awareness where all stakeholders proactively contribute to protect Group's financial results from market volatility, to minimize future losses and optimize returns to maximize shareholder value.

Crisis Scenarios have been developed and implemented at all levels and close monitoring of the situations have been performed. The primary focus was to ensure health and safety of all our employees, but also multiple measures were taken in order to ensure business continuity: cost optimization, adapting the production and sales to the new environment, proper cash management and balance of receivables and payables to ensure proper liquidity and business functioning.

INTEREST RATE RISK

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk.

FOREIGN EXCHANGE RISK

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

LIQUIDITY AND CASH FLOW RISKS

The liquidity risk consists in not having financial resources available in order to fulfil company obligations when they are due. Based on the forecasted cash flow, the management of the company checks daily the liquidity level and ensures the fulfilment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. Rompetrol Rafinare is part of the cash pooling facility of the KMG International Group and therefore can cover unexpected cash outflows by drawing from the facility.

The risk is managed through financial processes, cash-flow projections and stress tests, maintaining a sufficient cash buffer, regular reviews of market conditions and our planning and investment processes. Liquidity was put on the pressure this year due to initiation of the war in Ukraine which determined adverse market movements, but proper cash management measures were implemented both in operational and financial areas.



CREDIT RISK

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

- *Trade receivables*

The Group is exposed to credit risk. Overdue customer receivables are regularly monitored. The requirement for impairment is analysed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

- *Financial instruments and bank deposits*

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the raw materials and petroleum products side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical effective transactions (purchase of raw materials and sales of petroleum to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical effective transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased).

The Group sells or buys the equivalent number of future contracts based on the current position at that particular moment. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments.

At Group level, the net impact of the commodity hedges was positive, 84.2 million USD in 2022, mainly driven by the Urals-Dated Brent differential transactions (USD 78.3 million). The military action of Russian against Ukraine starting 24th of February 2022 lead to un-precedented collapse of the Urals differential to -34\$/bbl., triggered by the drop in demand for Russian crude oil. The Group succeed to close 75% of the Urals differential hedge positions on 18th of March 2022 at -5.9\$/bbl. After that, the Refinery managed to buy heavy crude oil at better discounts, between -15 and -25\$/bbl., resulting in a higher gain on Physical side vs. Paper loss from hedging transactions. The hedge program for 2022 includes: inventory hedge until March 2022, refinery margin hedge for 860KT, and 14.15mil bbl. Urals-Dated Brent differential hedge.



The Refining activity of the Group is exposed to the increase of the EUA certificates prices. Rompetrol Refinery CO2 emissions are offset with EUA certificates. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA market in order to hedge EUA deficit of the Refinery for the first part of phase IV (2021-2025). When the market price will be within the target level of the Group, hedge operations will be carried on.

OPERATIONAL RISK

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

The management system establishes clear rules and principles which govern key risk management activities such as inspections, maintenance, testing and trainings, business continuity and crisis response planning. Security risks affecting our people and operations are kept as well under close monitoring by specialized departments. The company took significant measures to strengthen existing security and safety controls on all layers.

Environmental risks are strictly monitored, and a special emphasis is given to environment protection activities. The Group is committed to comply with all environmental laws and regulations. Ensuring compliance with environmental obligations put a lot of pressure under the Group's risk profile. In order to mitigate this risk, the group made a series of investments to ensure integrity of our technical equipment and compliance with environmental limits and put in place complex projects.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group commitment to integrity, responsibility and ethical conduct is particularly important in the area of bribery and corruption prevention and detection.

The Group is committed to conducting its business fairly, honorably, with integrity and honesty and in compliance with all applicable laws. The Group adopts an approach of zero -tolerance to bribery and corruption in all its business dealings and relationships, wherever it operates. The Group has internal standards and guidelines on due diligence with third parties, conflicts of interest, gifts and hospitality, which focus on mitigating potential corruption risks.

Rompetrol's Code of Ethics and Conduct applies to all directors, executives and employees, whatever the nature of their contractual relationship with the Group. The Code creates a frame of reference for understanding and putting into practice the Group's expectations as to each person's behavior, in light of the Group's principles of action. Rompetrol's employees undergo regular professional trainings, trainings on ethical standards and anti-corruption conduct.

Whistleblowing incidents are taken very seriously by the Group and its directors. Any complaints or allegations received are investigated properly by the assigned departments. The Group has established and maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive enough attention. In line with Irregularity Reporting Policy, the internal investigations conducted during 2022 and up to the approval date of the financial statements did not reveal any cases of ethical misconduct and non-compliance with applicable laws and regulations. The results of all internal investigations were discussed with the Company's statutory bodies, which concluded that the warnings were not confirmed.



WAR AND CONFLICT RISK

In the context of the military conflict between Russia and Ukraine, started on 24 February 2022, the EU, USA, UK, Switzerland and other countries imposed various sanctions against Russia, including financing restrictions on certain Russian banks and state-owned companies, sectoral sanctions, import/export restrictions 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.

The war in the Ukraine and its related short- term consequences are creating increasing geopolitical risks and further challenges for global supply chains are to be expected which will impact the global economy. We anticipate that the global challenging conditions will persist for the following months.

Company is monitoring very closely the current situation and developments of sanctions and related restrictions applied to Russian environment by relevant international stakeholders and regularly conduct a risk assessment on this basis. Company is in constant dialogue with our customers and suppliers in the region and stay in connection with competent authorities in order to identify any potential impact of issued sanctions on its business and supply chains and act accordingly.

The hedge result booked in 2022 was a consequence of Russia's invasion over Ukraine and market volatility after invasion. Crude price increased to levels last seen in 2008 (Rompetrol Rafinare's hedge strategy for the inventory is protection against price decrease) and the Urals heavy crudes grades spread over Dated Brent moved in a very wide range after Russian invasion, some of them reaching the historical low levels. On the other hand, the Refinery margins increased to record levels due to very strong oil products cracks coming from tight supply and increasing mobility in European countries and due to the Urals-Dated Brent differential collapsed to historical low of -34\$/bbl., while its average level of the past 10 years is -1\$/bbl.

The Group has very low direct exposure to customers from Ukraine and does not have direct exposures to related parties or suppliers from those countries, with the exception of supply route for Kazakh origin crude oil which geographically transit Russian territory through pipelines and, further on, through Russian ports (CPC-R, Novorossiysk) before reaching Petromidia Refinery.

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 Group. The risks are not only technical but also business related and may lead to operational disruptions, fraud or theft of sensitive information.

The Group is heavily dependent on the information technology systems, including the network infrastructure for the safe and effective operation of the business. The Group rely on such systems to process, transmit and store electronic information, including financial records and personally identifiable information and to manage or support a variety of business processes, including the supply chain, pipeline operations, gathering and processing operations, retail sales, financial transactions, banking and numerous other processes and transactions. Any interruption or failure of any information technology system, including an interruption or failure due to a cybersecurity breach, could have an adverse effect on the business, financial condition, results of operations and cash flows.

The systems and infrastructure are subject to potential damage or interruption from a number of potential sources including, power failures and cyberattacks and other events and our cybersecurity protections, infrastructure protection technologies, disaster recovery plans and employee training may not be sufficient to defend us against all unauthorized attempts to access our information.



In 2022, the Group was subject to an attempt to gain unauthorized access to the computer network and systems, which did not result in major operational disruptions and have not had a material adverse effect, however this kind of events may occur in the future.

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

SUBSEQUENT EVENTS

The Group performed an assessment of the events subsequent to the balance sheet date through the date for the financial statements and determined there are no subsequent adjusting events that may require disclosure in the financial statements.


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 International
 Group Member

Note:

The Board of Directors Annual Report was prepared based on the audited consolidated financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 4.6346 as of 31 December 2022.

Chairman of the Board of Directors
Yedil Utekov

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Yedil Utekov

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Member of the Board of Directors
Askar Abilov

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Askar Abilov

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Member of the Board of Directors
Bogdan-Catalin Steriopol

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Member of the Board of Directors
Nicolae Bogdan Codrut Stanescu

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Nicolae Bogdan Codrut Stanescu

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Member and General Manager
Felix Crudu-Tesloveanu

DocuSigned by:

Felix Crudu-Tesloveanu

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Finance Manager
Ramona-Georgiana Galateanu

DocuSigned by:

Ramona Galateanu

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