



## REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED AS OF JUNE 30, 2023

The figures 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 tons/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.

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 June 2023 was 1,926.

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.



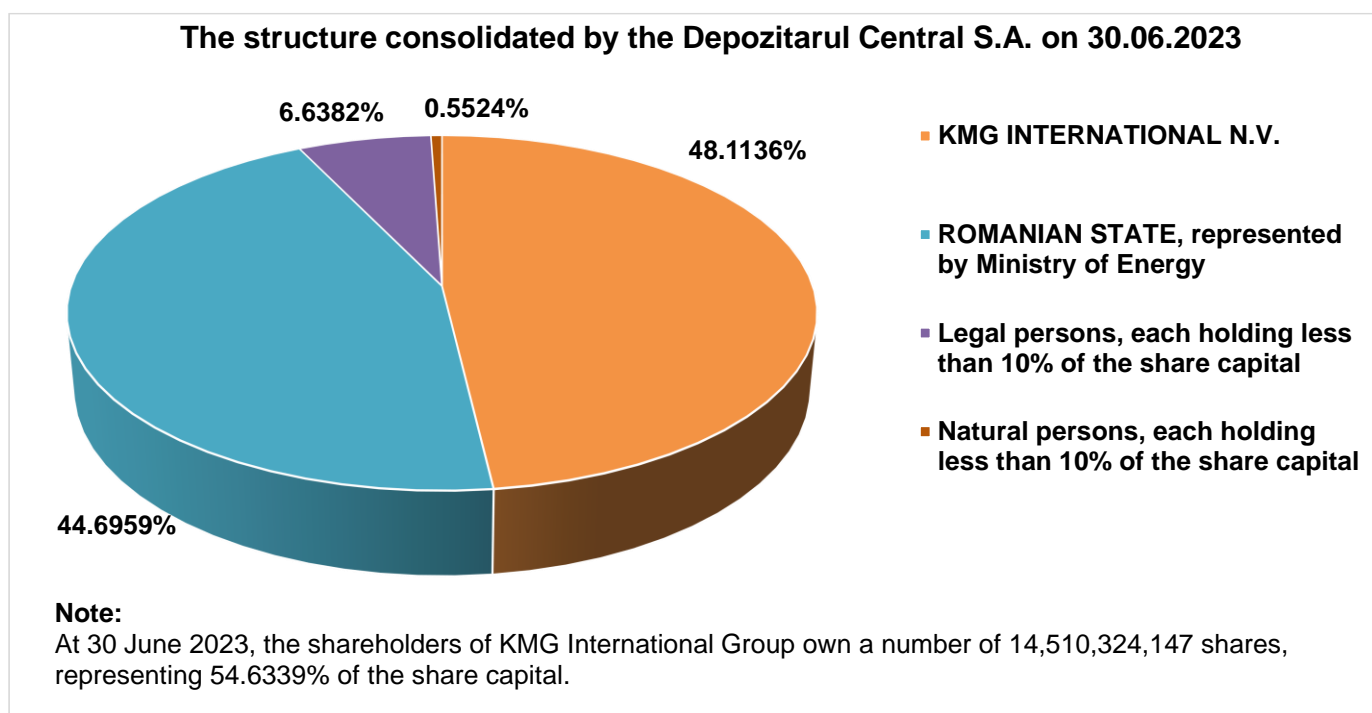
## COMPANY SHARES AND LISTING

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 30.06.2023, 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.

## ROMPETROL RAFINARE SHAREHOLDERS STRUCTURE

In the period under review there were no changes likely to influence the share capital of the Company. According to the Shareholders' register consolidated on June 30, 2023, the structure of the Company's significant shareholders is presented in the following graph:



## CORPORATE GOVERNANCE

In 2023, 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.



## 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).

As of June 30, 2023, the structure of the Board of Directors was as follows:

- **Batyrzhan Tergeussizov**, citizen of the state of Kazakhstan, Chairman of the Board of Directors – non-executive member;
- **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);
- **Adrian Tohanean**, Romanian citizen, non-executive member of the Board of Directors;
- **Nicolae Bogdan Codrut Stanescu**, Romanian citizen, member of the Board of Directors, appointed by the Ministry of Energy – independent non-executive member;
- **Bogdan-Catalin Steriopol**, Romanian citizen, member of the Board of Directors, appointed by the Ministry of Energy – independent non-executive member.

At the date of the preparation of this half-year report, there were changes in the structure of the Board of Directors in the sense of appointing, starting with August 1, 2023, Mrs. Tamila Mikulich and Mr. Constantin Saragea as interim members of the Board of Directors, on the two remaining vacant positions.

### 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.

## 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](mailto:Investor.Relations.RRC@rompetrol.com).



## FINANCIAL HIGHLIGHTS – CONSOLIDATED

	H1 2023	H1 2022	%	H1 2023	H1 2022	%
Financial	USD	USD		RON	RON	
Gross Revenues	2,706,480,066	2,972,087,612	-9%	12,382,146,301	13,597,300,825	-9%
Net Revenues	2,144,059,245	2,432,974,631	-12%	9,809,071,044	11,130,858,937	-12%
EBITDA	116,907,213	174,391,857	-33%	534,850,499	797,842,746	-33%
EBITDA margin	5.5%	7.2%		5.5%	7.2%	
EBIT	28,926,279	78,057,166	-63%	132,337,726	357,111,535	-63%
Net profit / (loss)	(34,145,040)	58,389,986	N/A	(156,213,558)	267,134,186	N/A
Net profit / (loss) margin	-1.6%	2.4%		-1.6%	2.4%	

Rompetrol Rafinare consolidated gross revenues reached over USD 2.7 billion in H1 2023, lower by 9% as against same period last year, on the background of the volatility of international quotations for crude oil and refined products. The international quotations for petroleum products continued their downward trend - gasoline quotations decreased by 22%, and those for diesel decreased by 26% in H1 2023 compared to H1 2022.

## ECONOMIC ENVIRONMENT

		H1 2023	H1 2022	%
Brent Dated	USD/bbl	79.7	107.9	-26%
CPC Blend CIF	USD/bbl	75.9	99.8	-24%
Brent-CPC Differential	USD/bbl	3.7	8.2	-54%
Premium Unleaded 10 ppm FOB Med	USD/ton	830	1,069	-22%
Diesel ULSD 10 ppm FOB Med	USD/ton	773	1,040	-26%
RON/USD Average exchange rate		4.57	4.52	1%
RON/USD Closing exchange rate		4.58	4.74	-4%
RON/EURO Average exchange rate		4.93	4.95	0%
RON/EURO Closing exchange rate		4.96	4.95	0%
USD/EURO Closing rate		1.08	1.04	4%
Inflation in Romania*		4.19%	9.98%	-58%

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



Dated Brent decreased by -28.2\$/bbl. (-26%) in H1 2023 vs. H1 2022 and settled to an average of 79.7\$/bbl.

The CPC quotation decreased by -23.8\$/bbl. (-24%) vs. H1 2022 and settled to an average of 75.9\$/bbl., as the oil market corrected from the highest level reached in March 2022, level that was not seen since 2008.

Looking only into Q1 2023 Dated Brent movement, the crude price had a volatile evolution, reaching 88.21\$/bbl. on 23<sup>rd</sup> of January, the highest level since early December on optimism that Chinese demand will recover rapidly following the abandonment of Covid Zero restrictions and due to a weaker US currency. The crude price also increased following some supply disruptions in the Middle East and Turkey (after the two earthquakes from February).

On the other hand, at the mid of March the crude price decreased to the level of 71.71\$/bbl. following the bankruptcy of the Silicon Valley Bank, the biggest US bank collapse since 2008.

However, the downward movement didn't last too much, as in the end of Q1, the OPEC+ announced a "voluntary" collective output cut totaling 1.66 million b/d, which started taking effect from May until the end of 2023.

After that, the Dated Brent sharply decreased around 75\$/bbl. and stayed around this level for the entire Q2 because of concerns over China's economic outlook, a cooling US labor market, renewed concern about the US banking sector as the Federal Reserve signaled that rate increases it's not yet over.

The downside of crude prices, erasing all the gains that the OPEC+ production cut brought about, has put many in the oil markets in a difficult spot.

According to JP Morgan the new crude price regime will be \$75-80\$/bbl. + rather than the \$70-75\$/bbl.

The OPEC+ production cuts mean that the global oil market will be tight in the second half of the year even if China continues to show "sluggish" economic growth, according to IEA (i.e. International Energy Agency).

European margins decreased by -22.8\$/MT (-18.3%) in H1 2023 vs. H1 2022 and settled to an average level of 101.4\$/MT.

The refinery margins had a downward trend during January-April, and reached 38\$/MT, the lowest level since the geopolitical situation began in February 2022 due to a combination of factors: rising diesel stocks in Europe before the Russian diesel embargo from 5<sup>th</sup> of February, weak macroeconomic indicators which have reduced expectations of demand in the market, consistent price increase of crude oil following OPEC+ agreement to cut production, refineries starting to emerge from maintenance season, especially in the Mediterranean region.

After that, the margins constantly recovered until June, to the level of 105\$/MT due to some unplanned outages at European refineries and increasing demand as the summer season started.

Gasoline cracks were high during H1, as European gasoline demand appears to close to levels of a year ago (and 2019 levels).

Diesel cracks were under pressure in H1 as ARA (Amsterdam-Rotterdam-Antwerp) diesel inventories are above both 2021 and 2022 levels, despite the fall in imports from Russian Federation. This highlights a flat European diesel demand, which is usually a good leading indicator for economic performance, pointing to ongoing economic headwinds up ahead.

Jet cracks were high during H1 with considerable increase in travelers over Easter period in Europe, Eid Mubarak celebrations in the Middle East and with holiday season started in June. European air traffic reached 88% of 2019 levels (Platts) with ARA (Amsterdam-Rotterdam-Antwerp) jet stocks coming relatively close to the lower bound of the 5-year range.



In JBC Energy view, European refining margins will come under significant pressure, especially towards the end of 2023 and early next year, as domestic demand for petroleum products declines and supply from added competitive refining capacity in the Middle East and Asia increases.

In terms of exchange rates, internally, the RON/EUR exchange rate remained relatively stable, on the higher level, reaching an average level of 4.9335 in H1 2023.

In terms of RON/USD exchange rate, it continued its downward evolution, reaching an average level of 4.5654 in H1 2023.

In Romania the inflation in 2023 (June 2023 as against December 2022) reached 4.19%, 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

		H1 2023	H1 2022	%	H1 2023	H1 2022	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	2,321,144,589	2,562,212,191	-9%	10,619,236,495	11,722,120,774	-9%
Net Revenues	USD/RON	1,858,441,948	2,124,004,388	-13%	8,502,371,912	9,717,320,075	-13%
EBITDA	USD/RON	113,026,448	199,920,339	-43%	517,096,000	914,635,551	-43%
EBITDA margin	%	6.1%	9.4%		6.1%	9.4%	
EBIT	USD/RON	47,574,233	126,548,563	-62%	217,652,116	578,959,675	-62%
Net profit / (loss)	USD/RON	(14,611,717)	118,254,258	N/A	(66,848,605)	541,013,229	N/A
Net profit / (loss) margin	%	-0.8%	5.6%		-0.8%	5.6%	
Gross cash refinery margin/ton (Petromidia)	USD/(RON)/ton	92.9	142.7	-35%	425.2	653.1	-35%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	12.8	19.7	-35%	58.5	89.9	-35%
Net cash refinery margin/ton (Petromidia)	USD/(RON)/ton	44.4	90.2	-51%	203.1	412.5	-51%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	6.1	12.4	-51%	28.0	56.8	-51%
<b>Operational</b>							
Feedstock processed in Petromidia refinery	thousand tons	2,681	2,310	16%			
Feedstock processed in Vega refinery	thousand tons	193	163	19%			
Gasoline produced	thousand tons	717	605	19%			
Diesel & jet fuel produced	thousand tons	1,336	1,197	12%			
Motor fuels sales - domestic	thousand tons	1,251	1,079	16%			
Motor fuels sales - export	thousand tons	697	592	18%			
Export	%	36%	35%				
Domestic	%	64%	65%				

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 over USD 2.3 billion in H1 2023, showing a 9% decrease as against H1 2022.

Petromidia refinery is one of the most modern in the Black Sea region and represents approximately 40% of the refining capacity in Romania. The unit in Navodari city has a stable flow of raw materials, mainly thanks to deliveries of Kazakh crude oil made with the support of KazMunayGas, the national oil and gas company of Kazakhstan.





In H1 2023, the total throughput for Petromidia refinery was 2.68 million tons higher by 16% as against same period last year when the total throughput was 2.31 million tons for H1 2022.

In H1 2023 the refining capacity utilization in Petromidia refinery was 89.83%, higher by 14.9% as against same period last year.

This increase is correlated with higher numbers of days of operation for the refinery in H1 2023 as against discontinuous operation in 2022 caused by the scheduled shutdown of 24 days in the months of March - April 2022 for decoking heater in Delayed Coker unit, catalyst regeneration in Reformer unit as well as for activities imposed by ISCIR.

On June 21, 2023, a technical incident, followed by a fire, occurred in the Diesel Hydrocracking (MHC) unit. There were no victims, all the employees who worked in the affected unit, as well as all the non-essential personnel of the Petromidia refinery were evacuated immediately. In close collaboration with the authorities, the company made every effort to extinguish the fire and immediately remedy the situation.

Despite the incident, all Petromidia Refinery units are in operation, except MHC, so that Rompetrol Rafinare continues to provide the petroleum products needed on the Romanian market. Also, the rehabilitation works of the affected unit are carried out by the company's contractor, Rominserv, with the support of specialized subcontractors from the region, to be completed in the fall.

Even so, Petromidia refinery managed to achieve in H1 2023 a good refining operational performance for the main operational parameters, such as:

- ✓ White finished products yield of 84.39%wt;
- ✓ Technological loss of 0.65%wt;
- ✓ Energy Intensity Index of 96.06%.

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 193,350 tons in H1 2023, higher by 18.52% as against H1 2022, and the refining capacity utilization for Vega refinery was higher by 18.31% compared with the same period last year.

Vega refinery also managed to achieve in H1 2023 good refining performance results, of which the following are emphasized:

- ✓ Technological loss of 0.58%;
- ✓ Energy consumption of 2.27 GJ/t;
- ✓ Mechanical Availability of 98.50%.

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 for H1 2023 of USD 17.7 million, taking in account the present norms of the "GEO 186" adopted by Law no. 119/2023. The company also considers steps regarding the tax, in the sense of analyzing from the legal perspective the level of the tax and in order to protect the interests of the shareholders, the company makes financial efforts, in order to support this tax.

Rompetrol Rafinare S.A. continued to be an important contributor to Romania's fiscal budget with over USD 907 million in H1 2023 of which USD 128 million representing solidarity contribution for year 2022, paid on June 23, 2023.



**PETROCHEMICALS SEGMENT**

		H1 2023	H1 2022	%	H1 2023	H1 2022	%
<b>Financial</b>		<b>USD</b>	<b>USD</b>		<b>RON</b>	<b>RON</b>	
Revenues	USD/RON	70,951,317	119,742,027	-41%	324,602,275	547,819,774	-41%
EBITDA	USD/RON	(37,750,617)	(18,203,525)	-107%	(172,709,073)	(83,281,127)	-107%
EBIT	USD/RON	(44,788,551)	(25,384,693)	-76%	(204,907,621)	(116,134,970)	-76%
Net profit / (loss)	USD/RON	(40,323,022)	(28,597,799)	-41%	(184,477,826)	(130,834,930)	-41%
<b>Operational</b>							
Propylene processed	thousand tons	61	59	5%			
Ethylene processed	thousand tons	14	24	-41%			
Total polymers production	thousand tons	58	63	-8%			
Sold from own production	thousand tons	63	68	-7%			
Sold from trading	thousand tons	0.0	-	N/A			
Total sold	thousand tons	63	68	-7%			
Export	%	46%	40%				
Domestic	%	54%	60%				

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

The polypropylene (PP) plant operates with raw material produced and delivered internally by the Petromidia refinery, and the low-density polyethylene (LDPE) plant uses imported ethylene as a raw material.

In H1 2023, the total polymers production for Petrochemicals area was 57.6 thousand tons, lower by 8% compared to the similar period last year when it produced 62,7 thousand tons, a decrease mainly influenced by the continuous non – operating LDPE unit.

The petrochemical segment is the only producer of polypropylene and polyethylene in Romania, with the ability to regain its competitive position on the domestic and regional market, once the profile market stabilizes.



## MARKETING SEGMENT

		H1 2023	H1 2022	%	H1 2023	H1 2022	%
<b>Financial</b>		<b>USD</b>	<b>USD</b>		<b>RON</b>	<b>RON</b>	
Gross Revenues	USD/RON	1,637,966,856	1,799,767,553	-9%	7,493,698,366	8,233,936,555	-9%
EBITDA	USD/RON	39,985,812	21,498,675	86%	182,935,090	98,356,438	86%
EBIT	USD/RON	25,993,686	6,222,220	318%	118,921,114	28,466,656	318%
Net profit / (loss)	USD/RON	20,645,449	(1,934,909)	N/A	94,452,930	(8,852,209)	N/A
<b>Operational</b>							
Fuels quantities sold in retail	thousand tons	518	438	18%			
Fuels quantities sold in wholesale	thousand tons	422	462	-9%			
LPG quantities sold	thousand tons	145	160	-9%			

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

In H1 2023 the marketing segment had a turnover of over USD 1.6 billion lower by 9% as compared with H1 2022.

In the H1 2023, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -26% for diesel and by -22% for gasoline compared with the similar period of 2022. Due to the ~1% depreciation of the RON against the US dollar (H1 2023 vs. H1 2022, on average) the international diesel quotation decreased in the national currency by -25%, in the same time the international gasoline quotation decreased in the national currency by -22% compared to H1 2022.

In terms of retails sales to Romanian market, they increased with 18% in H1 2023 as against same period last year; this is due to company strategy to address Romanian market needs with priority. For H1 2023 the sales in wholesale decreased compared with H1 2022.

At the end of June 2023, the Rompetrol Downstream's distribution segment contained 1305 points of sale, including the network of owned stations, partner stations and mobile stations: expres, cuves and internal bases.


**APPENDIX 1 – CONSOLIDATED INCOME STATEMENT AS OF JUNE 30, 2023, UNAUDITED**

	H1 2023	H1 2022	%	H1 2023	H1 2022	%
	USD	USD		RON	RON	
Gross Revenues	2,706,480,066	2,972,087,612	-9%	12,382,146,301	13,597,300,825	-9%
Sales taxes and discounts	(562,420,821)	(539,112,981)	4%	(2,573,075,257)	(2,466,441,888)	4%
<b>Net revenues</b>	<b>2,144,059,245</b>	<b>2,432,974,631</b>	<b>-12%</b>	<b>9,809,071,044</b>	<b>11,130,858,937</b>	<b>-12%</b>
Cost of sales	(1,961,696,029)	(2,215,912,704)	-11%	(8,974,759,333)	(10,137,800,621)	-11%
<b>Gross margin</b>	<b>182,363,216</b>	<b>217,061,927</b>	<b>-16%</b>	<b>834,311,711</b>	<b>993,058,316</b>	<b>-16%</b>
Selling, general and administration	(131,726,104)	(117,678,007)	12%	(602,646,924)	(538,376,882)	12%
Other operating income	17,852,098	144,351,648	-88%	81,673,348	660,408,790	-88%
Other operating expenses	(39,562,931)	(165,678,402)	-76%	(181,000,409)	(757,978,689)	-76%
<b>EBIT</b>	<b>28,926,279</b>	<b>78,057,166</b>	<b>-63%</b>	<b>132,337,726</b>	<b>357,111,535</b>	<b>-63%</b>
Finance, net	(34,454,488)	(27,885,398)	24%	(157,629,282)	(127,575,696)	24%
Unrealized net foreign exchange (losses)/gains	(4,814,134)	2,114,634	N/A	(22,024,663)	9,674,451	N/A
Realized net foreign exchange (losses)/gains	(1,342,456)	7,531,119	N/A	(6,141,736)	34,454,869	N/A
<b>EBT</b>	<b>(11,684,799)</b>	<b>59,817,521</b>	<b>N/A</b>	<b>(53,457,955)</b>	<b>273,665,159</b>	<b>N/A</b>
Profit tax*	(22,460,241)	(1,427,535)	1473%	(102,755,603)	(6,530,973)	1473%
<b>Net result</b>	<b>(34,145,040)</b>	<b>58,389,986</b>	<b>N/A</b>	<b>(156,213,558)</b>	<b>267,134,186</b>	<b>N/A</b>
<b>EBITDA</b>	<b>116,907,213</b>	<b>174,391,857</b>	<b>-33%</b>	<b>534,850,499</b>	<b>797,842,746</b>	<b>-33%</b>

\*it includes estimated solidarity tax based on preliminary fiscal results as of June 30, 2023



## APPENDIX 2 – CONSOLIDATED BALANCE SHEET JUNE 30, 2023, UNAUDITED

	30 June 2023	31 December 2022	%	30 June 2023	31 December 2022	%
	USD	USD		RON	RON	
<b>Assets</b>						
<b>Non-current assets</b>						
Intangible assets	5,577,767	6,943,884	-20%	25,518,287	31,768,267	-20%
Goodwill	82,871,706	82,871,706	0%	379,138,054	379,138,054	0%
Property, plant and equipment	1,116,661,976	1,178,598,536	-5%	5,108,728,540	5,392,088,302	-5%
Right of use assets	229,978,435	124,769,238	84%	1,052,151,344	570,819,264	84%
Financial assets and other	6,159,307	3,811,865	62%	28,178,830	17,439,282	62%
<b>Total Non Current Assets</b>	<b>1,441,249,191</b>	<b>1,396,995,228</b>	<b>3%</b>	<b>6,593,715,055</b>	<b>6,391,253,169</b>	<b>3%</b>
<b>Current assets</b>						
Inventories	379,440,817	333,870,058	14%	1,735,941,737	1,527,455,516	14%
Trade and other receivables	719,855,163	642,376,936	12%	3,293,337,370	2,938,874,491	12%
Derivative financial Instruments	444,123	2,612,061	-83%	2,031,863	11,950,179	-83%
Cash and cash equivalents	202,528,670	16,973,215	1093%	926,568,665	77,652,459	1093%
<b>Total current assets</b>	<b>1,302,268,773</b>	<b>995,832,269</b>	<b>31%</b>	<b>5,957,879,635</b>	<b>4,555,932,645</b>	<b>31%</b>
<b>Total assets</b>	<b>2,743,517,964</b>	<b>2,392,827,498</b>	<b>15%</b>	<b>12,551,594,690</b>	<b>10,947,185,814</b>	<b>15%</b>
<b>Equity and liabilities</b>						
<b>Total Equity</b>	<b>504,954,212</b>	<b>536,784,519</b>	<b>-6%</b>	<b>2,310,165,519</b>	<b>2,455,789,173</b>	<b>-6%</b>
<b>Non-current liabilities</b>						
Long-term debt	265,900,000	-	N/A	1,216,492,500	-	N/A
Provisions	115,340,643	115,340,643	0%	527,683,442	527,683,442	0%
Obligations under lease agreements	225,331,603	120,283,737	87%	1,030,892,084	550,298,097	87%
Other	57,379,247	57,115,840	0%	262,510,055	261,304,968	0%
<b>Total non-current liabilities</b>	<b>663,951,493</b>	<b>292,740,220</b>	<b>127%</b>	<b>3,037,578,081</b>	<b>1,339,286,507</b>	<b>127%</b>
<b>Current Liabilities</b>						
Trade and other payables	1,424,351,684	1,295,310,569	10%	6,516,408,959	5,926,045,865	10%
Contract liabilities	78,488,974	41,914,153	87%	359,087,056	191,757,250	87%
Derivative financial instruments	-	4,592,619	-100%	-	21,011,232	-100%
Obligations under lease agreements	6,814,135	4,723,011	44%	31,174,668	21,607,775	44%
Short-term debt	45,294,370	86,210,918	-47%	207,221,743	394,414,950	-47%
Profit tax payable	19,663,096	130,551,489	-85%	89,958,664	597,273,062	-85%
<b>Total current liabilities</b>	<b>1,574,612,259</b>	<b>1,563,302,759</b>	<b>1%</b>	<b>7,203,851,090</b>	<b>7,152,110,134</b>	<b>1%</b>
<b>Total equity and liabilities</b>	<b>2,743,517,964</b>	<b>2,392,827,498</b>	<b>15%</b>	<b>12,551,594,690</b>	<b>10,947,185,814</b>	<b>15%</b>



## 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 is put on the pressure every time there are elements which determined adverse market movements, but proper cash management measures are 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.

## 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 2023 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 Group does not have direct exposures to related parties and/or key customers or suppliers from those countries. The Group's sources for crude oil are not from Russia and the Group does not have operations in Russia or Ukraine.

## **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.



**Note:**

The Board of Directors Report was prepared based on the unaudited 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 = 4.5750 as of 30 June 2023.

**BOARD OF DIRECTORS:**


**Chairman of the Board of Directors  
of ROMPETROL RAFINARE S.A.**

**Batyrzhan Tergeussizov**

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 Batyrzhan Tergeussizov  
F431A97D83F646E...

**General Manager**

**Felix Crudu-Tesloveanu**

DocuSigned by:  
 Felix Crudu Tesloveanu  
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**Finanace Manger**

**Ramona-Georgiana Galateanu**

DocuSigned by:  
 Ramona Galateanu  
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