



ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2023

The figures for 2023 include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare Group (the 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 harbour, 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.

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 2023 was 1,930.



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 31.12.2023, 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.

The activity carried out by RRC in 2023, as issuer of securities on the Romanian capital market, is presented as follows:

- in 2023, there were a total number of 1,743 transactions with RRC shares, with an average daily number of 7 transactions;
- the total volume of the RRC shares traded in 2023 was of 13,827,615 shares (approximately 22% more than in 2022, when the total volume of 11,329,859 shares was registered);
- the total value of transactions in 2023 with RRC amounted to RON 1,137,610 (approximately 31% more than in 2022, when the total value of transactions was RON 870,670);
- the price of 1 share during 2023 was between a maximum value of 0.089 RON (reached on 3rd of March 2023) and a minimum value of 0.076 RON (reached on 3rd of February 2023);
- the RRC transactions in 2023 were concluded only on the REGS market;

The market capitalization¹ on the last trading day in 2021, 2022 and 2023 is shown in the table below:

The Rompetrol Rafinare shares	2021	2022	2023
Number of shares	26,559,205,726 ²	26,559,205,726 ³	26,559,205,726 ⁴
Stock exchange capitalization, Lei mil. ⁵	2,177.85	2,124.74	2,230.97
Stock exchange capitalization, Euro mil. ⁶	440.06	429.60	448.47
Price at the end of the year, lei	0.082	0.080	0.084

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

² On December 8, 2021, the Central Depository registered the reduction of the share capital from 44,109,205,726 shares to 26,559,205,726 shares. We mention that the reduction of the share capital was carried out in the share of all shareholders registered with the Rompetrol Rafinare Register on December 7, 2021, in proportion to the participation share in the share capital on this 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 On December 29, 2023 (the last trading day of 2023), the total number of shares issued by Rompetrol Rafinare was identical to the one recorded on December 30, 2022 (the last trading day of 2022)

⁵ Calculated based on the share price on the last trading day of the year under consideration, respectively December 29, 2023, December 30, 2022, December 30, 2021

⁶ Calculated at the EURO exchange rate (4.9746 lei) applicable in the last trading session of the analyzed year, namely December 29, 2023

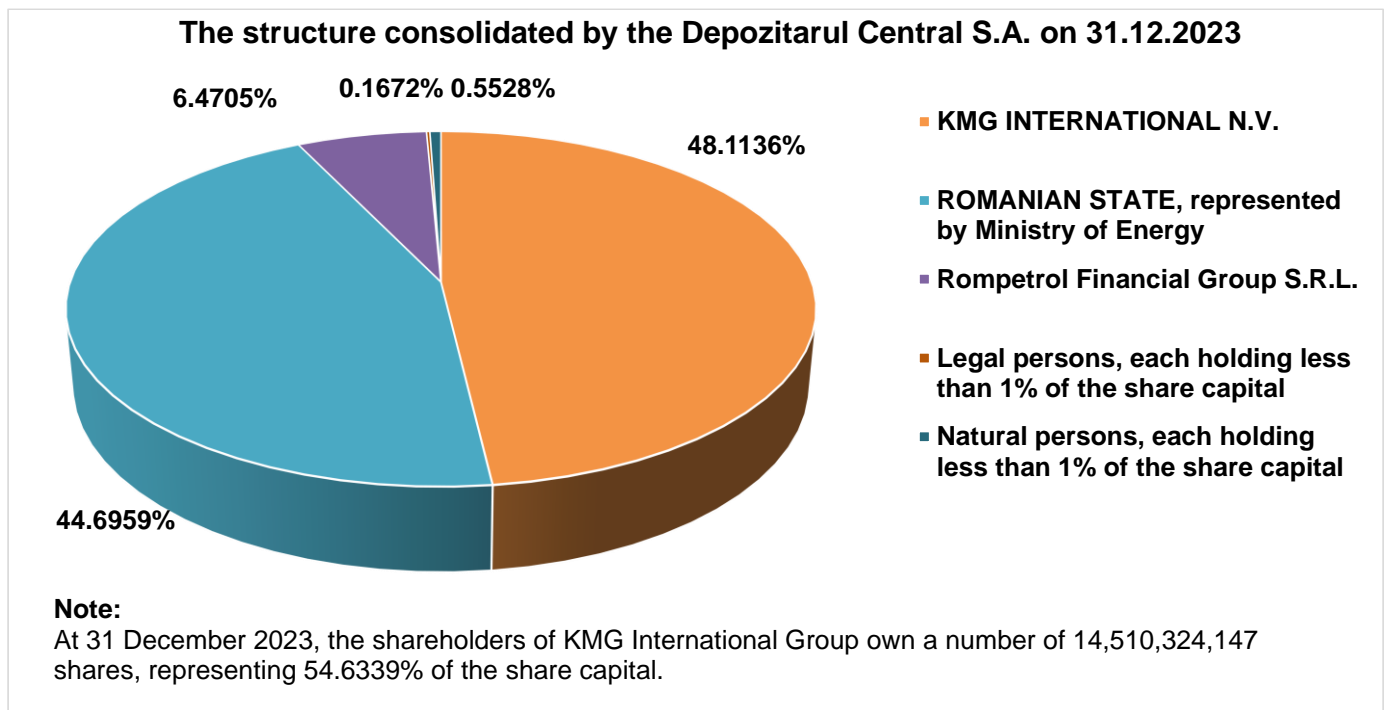


WEIGHTED AVERAGE PRICE

The weighted average price (WAP)⁷ of the RRC shares during 2023 = RON 0.0823 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 31.12.2023, 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 2023.

In 2023, Rompetrol Rafinare did not redeem or cancel its own shares.

⁷ 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 2023, the subsidiaries of the company have not held shares issued by Rompetrol Rafinare.

THE FINANCIAL CALENDAR PROPOSED FOR THE YEAR 2024

Financial Calendar	Date
Presentation of the preliminary, unaudited, individual and consolidated results of the year 2023 and fourth Quarter of 2023	Thursday, February 29 th , 2024
Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2023	Friday, April 26 th , 2024 (first meeting) Monday, April 29 th , 2024 (second meeting)
Publication of the 2023 Annual Report	Monday, April 29 th , 2024
Presentation of the results recorded during the first quarter of 2024	Wednesday, May 15 th , 2024
Presentation of the results recorded during the first semester and second quarter of 2024	Wednesday, August 14 th , 2024
Presentation of the results recorded during the third quarter of 2024 and between January – September 2024	Friday, November 15 th , 2024
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 2023 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 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.

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).

As of December 31, 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;
- **Adrian Tohănean**, Romanian citizen, member of the Board of Directors;
- **Nicolae Bogdan Codruț Stănescu**, Romanian citizen, member of the Board of Directors;
- **Bogdan-Cătălin Steriopol**, Romanian citizen, member of the Board of Directors;
- **Tamila Mikulich**, citizen of the state of Ukraine, member of the Board of Directors;
- **Constantin Saragea**, Romanian citizen, member of the Board of Directors;
- **Zhamilya Meshitbay**, citizen of the state of Kazakhstan, 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 March 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

KMG International Group strategy is focused on decarbonization measures and transition of the Group from being a traditional oil and gas downstream company into a diversified downstream player. This option has been chosen out of four strategic after the assessment of several criteria such as KMGI strategic targets, decarbonization targets, its capabilities, the long-term business model sustainability or the value creation potential. This option sets forth pursuit of gradual diversification, including into new biofuels (bioethanol and biodiesel), renewable electricity production, expanding EV charging network. A portfolio of 6 projects has been shortlisted following the assessment of more than 40 decarbonization solutions which can be implemented in the medium and long-term. Decarbonization projects lead to improved profitability and capability to offer low-carbon products and services, thus improving KMGI's brand image & long-term company resilience.

In 2023 KMG International Group focused on implementation of the projects from the approved list of priority projects. Completed feasibility studies in line with the GD 907/2016 on the Framework content of Technical Documentation for three projects: installation of solar panels at the Petromidia refinery, construction of the advanced generation bioethanol plant (based on second generation cellulosic feedstock (cereal straw, such as wheat, barley), co-processing of advanced biodiesel.

Transposition of RED II regulation in Romania and upcoming RED III regulation, imposes legislative requirements on Group for minimum content of new generation biofuels starting 2023. Production of new generation biofuels for own use is a low hanging fruit that would allow to reduce costs and secure supply. First project co-funded by the European Union, through Connecting Europe Facility was launched, for installation of 11 charging stations of 300kW and upgrading the grid connection for 11 locations to 600kW each on Rompetrol's highway stations. It is worth to mention, that development of vertical integration through extensive development of controllable channels in Romania and near abroad remains an important development direction, aiming to mitigate exposure to volatility of the market refining margin. The Group is working on the project for gradual substitution of gray hydrogen in the production processes of Petromidia refinery with green hydrogen, this could allow to reduce CO2 emissions by approximately 24% by 2030.

As regard to Cogeneration plant, the project, worth over 164 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 is expected to be completed in Q2 2024.

It is envisaged that major investment projects of the Group in Romania will be implemented on the basis of Kazakh-Romanian Investment Fund in the Energy sector established in November 2018 together with the Romanian State, represented by the Management Company of the Shares Owned within Energy Sector (S.A.P.E.), which holds 20% in the equity of the Fund, 80% belonging to KMGI.

CORPORATE SOCIAL RESPONSIBILITY

The KMG International Group considers social responsibility and sustainability to be fundamental principles in formulating its business strategy and conducting operations. The Group is dedicated to integrating environmental sustainability, economic development, and social equity into its global and local activities, with a steadfast commitment to advancing the United Nations Sustainable Development Goals outlined in the 2030 Agenda.



SUSTAINABILITY

The KMG International Group is fully committed to collaborate with all stakeholders and play a part in combatting climate change. The Group is constantly working to transform the governance and practices to reduce operational environmental footprint and improve resource efficiency, contribute to sustainable economic growth and develop sustainable solutions supporting the energy transition.

The KMG International Group has embarked on a comprehensive process in defining the decarbonization strategy and setting realistic goals for future operations, strategy which was approved at the beginning of 2023. The Group classified the future projects into medium- and long-term initiatives, the main immediate priorities are addressing the production of biofuels and the extension of the electrical energy value chain. The projects include the expansion of the Group's retail network, charging electric vehicles in own network, renewable energy production, biodiesel and bioethanol production. 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.

On disclosing the ESG (environment, social, governance) performance - the Group uses the Global Reporting Initiative Sustainability Reporting Guidelines, the most popular sustainability guidelines and reporting principles, as a guide for determining the relevant content for the annual sustainability report, a mean to solidify the Group commitment to transparency and continuous improvement. Additionally, other reporting frameworks such as the IPIECA voluntary guidance for the oil and gas industry, the EU Taxonomy, Sustainability Accounting Standards Board (SASB) are included. Greenhouse gas emissions, occupational health and safety, environmental and socioeconomic compliance, fair labor practices, customer health and safety or community engagement continue to be some of the main topics addressed by the Group.

In 2023, KMG International continued to be a member of the United Nations Global Compact, an initiative aimed at promoting the adoption and implementation of sustainability policies by businesses globally, enabling companies to adopt an established and globally recognized policy framework for development.

Abiding to a "0 Deforestation" commitment, the Group made significant investments by planting over 17,000 trees in regions that impact local communities. Additionally, the company developed a comprehensive plan to plant trees in the Rompetrol stations, with the objective to cover the entire retail network by 2030.

COMMUNITY AND CORPORATE PARTNERSHIPS

The KMG International Group is part of a large community and trusts the mission to provide support through financial investments and know-how so the stakeholders from the areas in which operates can benefit from a continuous, long-term and sustainable development.

The KMG International Group works in close partnership with NGOs, local authorities and other actors to identify the needs that can be covered by KMG International, focusing on four key areas:

- Health - the health and safety of the members of the community is equally important as the health and safety of the Group's employees. The Group extended the care towards stakeholders and invests in hospitals, support for medical personnel and NGOs providing specialized assistance to patients (both medical and palliative care at home or at the hospitals). The Group provides equipment, medical devices, uniforms, fuel, protective garments - all that is necessary to support the medical act.
- Environment – The Group monitors the impact of the operations and invests in modern and environmental-friendly technologies. Our planet is our legacy for the future generations and The Group supports forestation and other environmental projects in communities in which operates.
- Education - the partnerships with universities in Constanta and Prahova provide future generations of highly performing employees, and the Group constantly invests in internship programs; also a partnerships was



developed with organizations such as "Teach for Romania", "Association for Values in Education", which aim at the professional development of professors and school directors.

- Culture – The Group is supporting the landmark George Enescu International Festival and Contest for 14 years and also invests in cultural events which promote the culture of Kazakhstan in Romania and Kazakh Film Festival

In 2023 the KMG International Group implemented more than **70** community initiatives, most of them in Prahova and Constanța counties and some at national level.

OUTLOOK FOR 2024

Group operations: The Rompetrol Rafinare 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, as follows:

- Petromidia 2024 Feedstock Target performance set at 4.956 million tons, corresponding to 15.9 ktons/day of operation, with -0.1 million tons below achieved level of 5.01 million tons in 2023 mainly due to mandatory 4 years shutdown activities (358 days of operation in 2023 vs 311 scheduled in 2024); relative low decrease in feedstock processes in comparison with the decrease in number of days due to shutdown of the Mild-Hydrocracker installation as a result of the incident occurred on 21st of June 2023.
- White products 2024 yield target of 85.85%.
- Retail entities sales volumes performance 2024 targeted at 3.44 million tons, +360 ktons above 2023 reached performance level, of which Downstream Romania sales target set at 2.18 million tons, +12% growth target versus 2023.
- Downstream Romania Non-Fuel Margin performance 2024 targeted at USD 51.1 million, +12% versus 2023.

Based on the Rompetrol Rafinare Group's budget for 2024, 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**

	2023	2022	%	2023	2022	%
Financial	USD	USD		RON	RON	
Gross Revenues	5,330,226,989	6,572,037,534	-19%	23,963,634,497	29,546,566,341	-19%
Net Revenues	4,210,768,482	5,361,328,254	-21%	18,930,772,941	24,103,459,564	-21%
EBITDA	201,188,019	464,457,570	-57%	904,501,096	2,088,108,343	-57%
EBITDA margin	4.8%	8.7%		4.8%	8.7%	
EBIT	(153,900,483)	264,315,488	N/A	(691,905,790)	1,188,309,573	N/A
Net profit / (loss)	(240,513,120)	90,343,782	N/A	(1,081,298,885)	406,167,576	N/A
Net profit / (loss) margin	-5.7%	1.7%		-5.7%	1.7%	

Rompetrol Rafinare S.A. consolidated gross revenues reached over USD 5.3 billion in 2023, lower by 19% as against last year, having as background the volatility of international quotations for crude oil and refined products. The international quotations for petroleum products continued their downward trend, reaching in 2023 a decrease of 14% for gasoline quotations and 21% for diesel quotations compared to last year.

In line with the Rompetrol Rafinare Group's (Group) commitment to providing accurate and transparent financial information, the accounting policy adopted in 2021, transitioning from the cost model to fair value for the recognition of tangible assets and investments in subsidiaries, continues to be upheld. As part of this policy, the Group conducted a revaluation process during the fiscal year ending December 31, 2023, in accordance with regulatory requirements and internal guidelines. The periodic reassessment of asset values ensures that our financial statements reflect current market conditions and provide stakeholders with reliable insights into the Group's asset base. This approach not only enhances the credibility and transparency of the Group's financial reporting but also reflects the Group's ongoing commitment to providing stakeholders with accurate and relevant information about the Group's financial position.

Additionally, it is important to mention that this process involved recognizing losses on property, plant, and equipment, which negatively affected the profit and loss account by a total of 226.8 million USD.



ECONOMIC ENVIRONMENT

		2023	2022	%
Brent Dated	USD/bbl	82.6	101.3	-18%
CPC Blend CIF	USD/bbl	79.7	94.2	-15%
Brent-CPC Differential	USD/bbl	2.9	7.2	-59%
Premium Unleaded 10 ppm FOB Med	USD/ton	843	985	-14%
Diesel ULSD 10 ppm FOB Med	USD/ton	815	1,037	-21%
RON/USD Average exchange rate		4.58	4.69	-2%
RON/USD Closing exchange rate		4.50	4.63	-3%
RON/EURO Average exchange rate		4.95	4.93	0%
RON/EURO Closing exchange rate		4.97	4.95	1%
USD/EURO Closing rate		1.11	1.07	4%
Inflation in Romania*		6.61%	16.37%	-60%

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

In 2023, **Dated Brent** decreased by -18.6\$/bbl. (-18%) compared to 2022 reaching an average of 82.6\$/bbl.

During the same period, the **CPC** quotation also registered a decline, dropping by -14.5\$/bbl. (-15%), averaging at 79.7\$/bbl. Decrease of crude quotations was attributed to the correction in the oil market from the peak reached in March 2022, a level not seen since 2008.

Focusing on the movement of Dated Brent in Q1 2023, the crude oil price displayed a volatile trajectory. It reached its highest point at 88.21\$/bbl. on January 23rd, marking the highest level since early December. This increase was driven by optimism about a rapid recovery in Chinese demand following the relaxation of Covid Zero restrictions and a weaker US currency. Additionally, supply disruptions in the Middle East and Turkey, caused by two earthquakes in February, contributed to the price increase.

However, in mid-March, the crude oil price declined to 71.71\$/bbl. following the bankruptcy of Silicon Valley Bank, the most significant US bank collapse since 2008.

The downward trend was short-lived, as by the end of Q1, OPEC+ announced a "voluntary" collective output cut of 1.66 million b/d, which took effect in May and was set to continue until the end of 2023. Subsequently, Dated Brent dropped to around 75\$/bbl. and remained at this level throughout Q2 due to concerns about China's economic outlook, a cooling US labor market, and renewed concern about the US banking sector, as the Federal Reserve signaled that rate increases were not yet over.

During Q3, Dated Brent displayed an upward trend, starting at 75\$/bbl. at the beginning of July and reaching 98\$/bbl. by the end of September, the highest level since November 2022. This was influenced by the announcement from OPEC+ leaders, Saudi Arabia and the Russian Federation, that they would extend supply curbs through the end of the year, tightening the global market. Additionally, global demand reached a historic high of 102.8 million b/d in July, with the 2023 demand estimate revised upward by approximately 550,000 b/d to 1.5 million b/d.



In Q4 the price of Dated Brent had a downward trend of 11%, dropping from 95\$/bbl. at the beginning of October to 75\$/bbl. by the end of December. This decrease was primarily influenced by the temporary suspension of sanctions on Venezuelan oil, gas, and gold production by the United States. Additionally, there were uncertainties surrounding OPEC+'s to effectively implement planned production cuts, which raised concerns about oversupply in the market. The situation worsened due to the increased crude oil shipments from the Russian Federation and the significant rise in US crude exports, nearing a record of 6 million barrels per day. Amidst these factors, the market witnessed increased volatility and downward pressure on oil prices throughout the quarter.

Concerns about the global economy and uncertainties surrounding the Israel-Hamas conflict have led to a decline in crude oil prices, particularly in the Mediterranean region from where Israel imports about 70% of its crude oil needs. Additionally, the United States' decision to increase its oil production to an average of 12.93 million barrels per day in 2023 has emphasized the perception of a global crude oil market heading towards oversupply.

Goldman Sachs has adjusted its forecast range for 2024 Brent crude oil prices by 10\$/bbl. to \$70-\$90. This adjustment reflects their expectation of only a modest deficit and slightly lower long-term prices. Goldman Sachs now forecasts that Brent crude oil will rise to \$85 by June 2024, and average \$80-81 in 2024-2025, which is \$5-6 higher than current forward prices.

The **refinery margins** followed a downward trend during the period from January to April, reaching 38\$/MT, which marked the lowest level since the beginning of last year. This decline can be attributed to a combination of factors: rising diesel stocks in Europe prior to the Russian diesel embargo from 5th of February, weak macroeconomic indicators which have reduced expectations of demand in the market, consistent crude oil price increase following OPEC+ agreement to cut production, refineries coming out of maintenance season, particularly in the Mediterranean region.

Subsequently, margins gradually recovered, reaching 105\$/MT by June. This recovery was driven by a series of unplanned outages at European refineries and increasing demand as the summer season got underway.

During Q3, the refinery margins had an upward trend in July and August, reaching 162.5\$/MT, the highest level since the beginning of the year. This increase was fueled by sustained summer demand for core refined products and limited supply, attributed to a drawdown in US gasoline inventories and low water levels in the Rhine, which pushed up diesel cracks.

After that, the margins decreased until end of September, to the level of 75\$/MT due to seasonal decrease in products demand and a relative moderate maintenance season.

In Q4, the refinery margins had an upward trend, rising from 52\$/MT at the beginning of October to 80\$/MT by the end of the year, with peaks reaching 101\$/MT in late November. This increase was attributed to various factors, including a decrease in crude prices and unplanned outages across Europe.

Compared to 2022, European margins decreased by -37.5\$/MT (-27.5%) in 2023 and settled to an average level of 98.6\$/MT.

Amid the challenges faced by European refiners including concerns of a looming recession and a slowing demand recovery, factors such as crude feedstock, refinery delays and low inventories levels may help sustain profits through the first quarter of 2024. While margins are expected to gradually return to more typical levels after the peaks of the past two years, Goldman Sachs expects them to remain above historical averages.

Gasoline cracks remained high throughout 2023, as European gasoline demand appears to get close to levels seen a year ago (and those in 2019).

In August 2023, the gasoline cracks reached the highest level in a year, surpassing expectations due to a high summer demand in a tight market influenced by refinery outages and hurricane seasons. Subsequently, in September, the



cracks saw a decline, primarily due to the typical seasonal decrease in driving demand, a progressively lighter crude slate in post-embargo times and decreasing export opportunities to US and Nigeria.

Gasoline cracks underwent a significant decline during Q4 primarily due to the conclusion of the summer driving season and a decrease gasoline consumption across the US. This decline resulted in the lowest level observed since September 2022. Contributing to this trend were seasonal factors such as the transition to winter-grade gasoline and diminished trans-Atlantic flows, which applied additional pressure and led to inventory builds.

In the first half of the year, **diesel cracks** were under pressure due to ARA (Amsterdam-Rotterdam-Antwerp) diesel inventories exceeding levels from both 2021 and 2022 levels, despite the decline in imports from the 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.

However, in the third quarter, the Diesel cracks remained robust as Amsterdam-Rotterdam-Antwerp diesel stocks fell below the five-year average. Early in July, reduced water levels in the Rhine River significantly limited the load capacity of barges, increasing the strain on inventory. The impact of the absence of Russian products was more pronounced, with August diesel imports to Europe reaching their lowest point in nearly 20 months.

Diesel cracks demonstrated a steady increase throughout Q4, driven by tight supply and resilient demand. The anticipation of a 1.22 million barrels per day deficit in the extremely tight Q4 balance further contributed to the increased Diesel cracks.

Jet cracks registered a significant rise in the first half of the year, primarily driven by a substantial surge in travelers during the Easter period in Europe and Eid Mubarak celebrations in the Middle East, coupled with the commencement of the holiday season in June. European air traffic reached 88% of 2019 levels, according to Platts, and Amsterdam-Rotterdam-Antwerp (ARA) jet fuel inventories came remarkably close to the lower end of the five-year range.

During Q3 the jet cracks reached the highest level since January due to high summer demand. Amsterdam-Rotterdam-Antwerp jet inventories decreased to 682,000 mt, marking the lowest level for the year and a 15% decrease compared to the previous year.

Jet cracks strengthened in Q4 as Europe's need for winter-grade diesel influenced kerosene blending, thus reducing jet yields, and reinforcing cracks.

In 2023, the **EU Allowances (CO2 certificates)** price averaged 83.5 EUR/EUA, reflecting a year of notable volatility.

The EUA market in Q1 experienced fluctuating prices, ranging between 75-97 EUR/EUA. This was primarily driven by subdued demand owing to unseasonably warm temperatures. February witnessed a surge following the European Parliament's commitment to phasing out internal combustion vehicles by 2035. However, March saw a downturn due to the significant bankruptcy of the Silicon Valley Bank, introducing unexpected shifts in market dynamics.

Moving into Q2, April marked a robust rebound, driving the EUA price to 95 EUR/EUA, fueled by regulatory communications and market anticipation. May, however, witnessed a retreat influenced by negative auction results and declining energy prices.

In Q3, June recorded the highest monthly increase, surging from 77 to 93 EUR/EUA due to various factors including gas price hikes and favorable auction outcomes. July, however, saw a dip triggered by a decline in fossil energy production. August's EUA price of 81 EUR/EUA was driven by sales pressure, technical breaches, and speculators unwinding positions.

Entering Q4, September witnessed downward pressure, dipping below 80 EUR/EUA, influenced by typical auction volumes, and weakened energy markets. October and November saw further declines, attributed to various factors including temperature fluctuations, market sentiment, and regulatory expectations.



December saw a decline followed by a recovery to 77 EUR/EUA, rounding out the complex journey of the EUA market in 2023 amidst global uncertainties.

Analysts have subsequently revised down price forecasts for EU carbon permits for 2024 to 2026, with expectations averaging 74.1 EUR in 2024 and 83.3 EUR in 2025 (January 2024 Reuters survey).

Forex & Interest Rates

US zone

In 2023, monetary policy and forex rates stabilized compared to the volatile conditions of 2022. Central banks maintained high interest rates without further adjustments throughout the year. Despite a global decrease in inflation rates, they weren't significant enough to prompt central banks to consider rate cuts. The economic environment remained unstable, characterized by minimal changes in the forex market.

In 2023, the U.S. Dollar declined from its 2022 highs but remained strong due to steady interest rates.

Following significant rate hikes in 2022, the Federal Reserve held rates steady since July 2023 as inflation eased from its peak. Despite a slowdown in economic growth, the USD depreciated about 3% against the EUR throughout 2023, averaging 1.08 compared to 1.05 in 2022.

Euro zone

In the last quarters of 2023, the European Central Bank pushed back against expectations of interest rate cuts by reaffirming its commitment to maintaining record-high borrowing costs. Despite lower inflation expectations, the ECB remained focused on combating the most severe inflationary pressures in decades, opting to keep rates unchanged without suggesting any potential reductions.

In December 2023, consumer price inflation in the Euro Area was confirmed at 2.9% year-on-year, up from November's 2.4%, exceeding the European Central Bank's target of 2.0%.

Romania

In 2023, the Romanian Leu (RON) appreciated against the U.S. Dollar (USD) by almost 3%. The yearly average USD/RON exchange rate was lower than in 2022, at 4.58 compared to 4.69.

Regarding EUR/RON, the RON slightly depreciated by 1% against the Euro (EUR), with the exchange rate at 4.97 in 2023 compared to 4.95 in 2022.

In January 2023, the National Bank of Romania (NBR) raised the monetary policy rate to 7% p.a. from 6.75% p.a. and maintained existing minimum reserve requirement ratios. The interest rate remained unchanged thereafter, with no plans for cuts.

Romania's annual inflation rate decreased to 6.61% in December 2023 from 6.72% in November. This was the lowest level since September 2021, driven by moderation in food prices due to lower oil, lard, and fat costs. However, inflation slightly increased for non-food products and services.

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



REFINING SEGMENT

		2023	2022	%	2023	2022	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	4,526,000,989	5,592,084,863	-19%	20,347,995,246	25,140,895,127	-19%
Net Revenues	USD/RON	3,616,812,214	4,673,930,182	-23%	16,260,464,352	21,013,055,312	-23%
EBITDA	USD/RON	187,750,181	467,592,027	-60%	844,087,264	2,102,200,235	-60%
EBITDA margin	%	5.2%	10.0%		5.2%	10.0%	
EBIT	USD/RON	(91,131,319)	322,216,590	N/A	(409,708,184)	1,448,621,350	N/A
Net profit / (loss)	USD/RON	(171,293,802)	155,227,307	N/A	(770,102,677)	697,870,932	N/A
Net profit / (loss) margin	%	-4.7%	3.3%		-4.7%	3.3%	
Gross cash refinery margin/ton (Petromidia)	USD/(RON)/ton	86.3	135.7	-36%	387.8	610.1	-36%
Gross cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	11.9	18.7	-36%	53.4	84.0	-36%
Net cash refinery margin/ton (Petromidia)	USD/(RON)/ton	38.4	93.3	-59%	172.6	419.5	-59%
Net cash refinery margin/bbl (Petromidia)	USD/(RON)/bbl	5.3	12.8	-59%	23.8	57.8	-59%
Operational							
Feedstock processed in Petromidia refinery	thousand tons	5,012	5,258	-5%			
Feedstock processed in Vega refinery	thousand tons	374	373	0%			
Gasoline produced	thousand tons	1,378	1,417	-3%			
Diesel & jet fuel produced	thousand tons	2,443	2,674	-9%			
Motor fuels sales - domestic	thousand tons	2,380	2,419	-2%			
Motor fuels sales - export	thousand tons	1,264	1,445	-13%			
Export	%	35%	37%				
Domestic	%	65%	63%				

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.

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 located 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 2023, in vast proportion, Petromidia processed Kazakh crude oil – KEBCO and CPC.

Gross revenues of refining segment reached over USD 4.5 billion in 2023, showing a 19% decrease as against same last year.



In 2023, the total throughput for Petromidia refinery was 5.012 million tons lower by 5% as against last year. The decrease was affected by operation of Petromidia refinery without the Mild Hydrocracking unit (MHC), due to a technical incident that occurred on 21st of June 2023.

The rehabilitation works of MHC unit are carried out by the company's contractor, Rominserv, with the support of specialized subcontractors from the region. The MHC unit restarted successfully on 26th of February 2024.

In 2023 the refining capacity utilization in Petromidia refinery reached 78.2%, lower as against last year, being influenced by MHC incident.

Petromidia refinery achieved in 2023 a good refining operational performance for the main operational parameters, such as:

- ✓ White finished products yield of 84.1%wt;
- ✓ Technological loss of 0.66%wt;
- ✓ Record for RON 98 gasoline production and special diesel grades production (Diesel 55, EFIX Diesel, Super Diesel Euro 5)

In respect of Vega refinery (the only domestic producer of bitumen and hexane), the total throughput was 374,327 tons in 2023, higher by 0.38%, compared with last year when the total throughput was 372,920 tons for full year 2022.

In 2023 the refining capacity utilization for Vega refinery was higher by 0.43% compared with the same periods last year.

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

- ✓ Technological loss of 0.58%;
- ✓ Energy consumption of 2.33 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 approved by Law 119/May 12, 2023, a measure grounded on the provisions of Council Regulation (EU) 2022/1854, Rompetrol Rafinare estimated a contribution for 2023 of USD 31.3 million. 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 1.65 billion in 2023 of which USD 128 million representing solidarity contribution for year 2022, paid on June 23, 2023.



PETROCHEMICALS SEGMENT

		2023	2022	%	2023	2022	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	124,449,234	202,248,543	-38%	559,498,866	909,269,000	-38%
EBITDA	USD/RON	(76,451,505)	(66,597,392)	-15%	(343,710,676)	(299,408,555)	15%
EBIT	USD/RON	(113,257,631)	(87,900,203)	-29%	(509,183,657)	(395,181,733)	-29%
Net profit / (loss)	USD/RON	(103,819,053)	(85,840,566)	-21%	(466,749,697)	(385,922,021)	-21%
Operational							
Propylene processed	thousand tons	117	126	-7%			
Ethylene processed	thousand tons	18	44	-58%			
Total polymers production	thousand tons	105	129	-19%			
Sold from own production	thousand tons	117	138	-15%			
Sold from trading	thousand tons	0.0	0.3	N/A			
Total sold	thousand tons	117	139	-15%			
Export	%	46%	42%				
Domestic	%	54%	58%				

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 2023, the total production of polymers in petrochemical division was 105 thousand tons, lower compared to last year when it produced 129 thousand tons, a decrease mainly influenced by LDPE plant which was not operated continuously, due to unfavorable petrochemicals market conditions for these products.

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**

		2023	2022	%	2023	2022	%
		USD	USD		RON	RON	
Financial							
Gross Revenues	USD/RON	3,461,550,628	3,958,874,423	-13%	15,562,439,313	17,798,307,631	-13%
EBITDA	USD/RON	86,266,067	72,145,890	20%	387,834,984	324,353,492	20%
EBIT	USD/RON	49,859,273	41,470,803	20%	224,157,319	186,444,438	20%
Net profit / (loss)	USD/RON	33,975,687	32,433,700	5%	152,747,893	145,815,433	5%
Operational							
Fuels quantities sold in retail	thousand tons	1,141	994	15%			
Fuels quantities sold in wholesale	thousand tons	804	977	-18%			
LPG quantities sold	thousand tons	268	337	-21%			

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

In 2023 the marketing segment had a turnover of over USD 3.4 billion lower by 13% as compared to last year.

In 2023, the average Platts quotations (FOB Med Italy) in USD (reference currency) decreased by -21% for diesel and by -14% for gasoline compared with 2022. Due to the 2% appreciation of the RON against the US dollar (FY 2023 vs. FY 2022, on average) the international diesel quotation decreased in the national currency by -23.3%, at the same time the international gasoline quotation decreased in the national currency by -16.5% compared to 2022.

In 2023, Rompetrol Downstream faced significant challenges, including an unplanned Refinery slowdown in January and a major incident on the Mild Hydrocracking Unit (MHC) in June, impacting production and the retail market's image negatively.

These events heavily impacted wholesale channels, leading to supply restrictions and higher premium prices for products in the latter half of the year. Despite a loss incurred in wholesale volumes compared to the previous year, higher contribution margins helped mitigate this negative effect.

However, Pump sales in Romania achieved a record high of 1.14 million tons, higher by 15% in 2023 as against last year. This is due to company strategy to address Romanian market needs with priority, and by improvements in both quality (average throughput) and quantity (number of points of sale).

As of the end of 2023 Rompetrol Downstream operated a network of 1.325 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.)

With a 3% increase in contribution performance in 2023, Rompetrol Gas managed to overcome the challenges of lower sales volume compared to 2022, despite unforeseen incidents in the Romanian environment.

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 2023, 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 from non-group revenues in the last years.



APPENDIX 1 – CONSOLIDATED INCOME STATEMENT FULL YEAR 2023

	2023	2022	%	2023	2022	%
	USD	USD		RON	RON	
Gross Revenues	5,330,226,989	6,572,037,534	-19%	23,963,634,497	29,546,566,341	-19%
Sales taxes and discounts	(1,119,458,507)	(1,210,709,279)	-8%	(5,032,861,556)	(5,443,106,777)	-8%
Net revenues	4,210,768,482	5,361,328,254	-21%	18,930,772,941	24,103,459,564	-21%
Cost of sales	(3,853,049,266)	(4,810,274,622)	-20%	(17,322,538,890)	(21,626,032,646)	-20%
Gross margin	357,719,216	551,053,632	-35%	1,608,234,051	2,477,426,918	-35%
Selling, general and administration	(289,711,524)	(244,381,904)	19%	(1,302,485,069)	(1,098,692,161)	19%
Other operating income	65,638,041	231,511,855	-72%	295,095,506	1,040,830,998	-72%
Other operating expenses	(287,546,216)	(273,868,095)	5%	(1,292,750,278)	(1,231,256,182)	5%
EBIT	(153,900,483)	264,315,488	N/A	(691,905,790)	1,188,309,573	N/A
Finance, net	(79,677,904)	(64,531,435)	23%	(358,215,921)	(290,120,426)	23%
Unrealized net foreign exchange (losses)/gains	(2,935,084)	3,525,702	N/A	(13,195,551)	15,850,851	N/A
Realized net foreign exchange (losses)/gains	(4,536,636)	12,097,953	N/A	(20,395,808)	54,389,977	N/A
EBT	(241,050,107)	215,407,708	N/A	(1,083,713,070)	968,429,975	N/A
Income tax*	536,987	(125,063,926)	N/A	2,414,185	(562,262,399)	N/A
Net result	(240,513,120)	90,343,782	N/A	(1,081,298,885)	406,167,576	N/A
EBITDA	201,188,019	464,457,570	-57%	904,501,096	2,088,108,343	-57%

*it includes solidarity tax based on fiscal results as of December 31, 2023



APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2023

	31 December 2023	31 December 2022	%	31 December 2023	31 December 2022	%
Assets						
Non-current assets						
Intangible assets	27,415,224	6,943,884	295%	123,253,364	31,218,314	295%
Goodwill	82,871,706	82,871,706	0%	372,574,616	372,574,616	0%
Property, plant and equipment	877,540,150	1,178,598,536	-26%	3,945,245,006	5,298,743,298	-26%
Right of use assets	259,327,666	124,769,238	108%	1,165,885,321	560,937,540	108%
Financial assets and other	12,448,780	3,811,865	227%	55,967,225	17,137,383	227%
Deferred tax asset	12,828,037	-	N/A	57,672,289	-	N/A
Total Non Current Assets	1,272,431,563	1,396,995,228	-9%	5,720,597,821	6,280,611,151	-9%
Current assets						
Inventories	416,671,058	333,870,058	25%	1,873,269,743	1,501,013,007	25%
Trade and other receivables	630,160,187	642,376,936	-2%	2,833,074,169	2,887,998,229	-2%
Derivative financial Instruments	-	2,612,061	-100%	-	11,743,304	-100%
Cash and cash equivalents	155,955,200	16,973,215	819%	701,143,389	76,308,180	819%
Total current assets	1,202,786,445	995,832,269	21%	5,407,487,301	4,477,062,720	21%
Total assets	2,475,218,008	2,392,827,498	3%	11,128,085,122	10,757,673,871	3%
Equity and liabilities						
Total Equity	286,338,066	536,784,519	-47%	1,287,318,677	2,413,275,842	-47%
Non-current liabilities						
Long-term debt	265,900,000	-	N/A	1,195,433,220	-	N/A
Provisions	116,060,824	115,340,643	1%	521,786,253	518,548,463	1%
Obligations under lease agreements	262,011,550	120,283,737	118%	1,177,951,527	540,771,625	118%
Other	19,711,448	57,115,840	-65%	88,618,728	256,781,393	-65%
Total non-current liabilities	663,683,822	292,740,220	127%	2,983,789,728	1,316,101,481	127%
Current Liabilities						
Trade and other payables	1,361,853,389	1,295,310,569	5%	6,122,620,467	5,823,457,260	5%
Contract liabilities	76,372,127	41,914,153	82%	343,353,809	188,437,649	82%
Derivative financial instruments	251,864	4,592,619	-95%	1,132,330	20,647,497	-95%
Obligations under lease agreements	8,366,145	4,723,011	77%	37,612,515	21,233,713	77%
Short-term debt	42,856,586	86,210,918	-50%	192,674,639	387,587,045	-50%
Profit tax payable	35,496,009	130,551,489	-73%	159,582,957	586,933,384	-73%
Total current liabilities	1,525,196,120	1,563,302,759	-2%	6,856,976,717	7,028,296,548	-2%
Total equity and liabilities	2,475,218,008	2,392,827,498	3%	11,128,085,122	10,757,673,871	3%



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 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 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 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.

Liquidity faced challenges, in 2023, stemming from heightened fiscal pressures and shifts in fiscal regulations, but proper cash management measures were implemented both in operational and financial areas.

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.



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 based on 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.

The hedge program for 2023 includes: Rompetrol Downstream Auction hedge, Forex hedge for excise.

At Group level, total 2023-year hedging (paper) instruments loss has been of USD -0.34 million, of which USD -0.71 million on Rompetrol Downstream forex for excise (due to RON appreciation vs. USD by 3%) and +0.42 million on Rompetrol Downstream Auction. This loss was completely offset by the physical gain of USD +1.54 million, of which USD +0.55 million on Rompetrol Downstream forex for excise and USD +0.94 million on Rompetrol Downstream Auction.

The net impact of the commodity hedges was positive driven only by Rompetrol Downstream Auction and had a net result of USD +1.36 million, out of which USD +0.94 million Physical Effect and USD +0.42 million Paper Effect. The



Paper Effect was also positive due to October market movements, when the ICE Gasoil quotations (hedge instrument) decreased with a lower degree than the Diesel Platts quotations (Physical). So, in October the Paper loss was only USD -0.74 million while the Physical gain was USD +1.52 million, meaning a net result of USD +0.78 million only during this month (almost half of the entire year net result).

The Group's refining activity is exposed to the rising prices of EUA certificates. The CO2 emissions of the Rompetrol refinery are offset with EUA certificates. For the current year, Rompetrol Rafinare has covered the certificate requirements. As a mitigation measure, the Financial Risk Management Department is monitoring the EUA certificate market to cover the EUA deficit of the refinery for the remaining years of Phase IV (2024-2025) and the subsequent years. 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 shutdowns 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. 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 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 several 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.

Consequently, efforts to bolster the Group's cybersecurity capabilities continued throughout 2023. This involved the implementation of appropriate systems, an increase in the allocation of human resources dedicated to monitoring cybersecurity threats, enhancements to procedural frameworks and controls, and additional training and communication for employees. Our cybersecurity initiatives are closely supervised to ensure the confidentiality, integrity, and availability of data. Moreover, the Group remains committed to continuously educating employees and partners about cybersecurity risks and providing support to promote responsible cyber behavior.



SUPPLY CHAIN AND LOGISTICS RELATED RISKS

The Group's business operations rely heavily on the timely procurement of supplies, efficient production processes, and effective product distribution to meet customer demands. This risk is assessed as having a significant impact on the overall activities of the Group, since the macroeconomic evolutions and price increases have impacted the cost of supply.

To address this risk, strategies have been devised to: i) secure alternative supply sources promptly and with minimal financial repercussions, thereby enhancing the Group's flexibility in utilizing various production recipes and optimizing relationships with key logistics partners; and ii) enhance the Group's capability to directly intervene and support the logistics process should designated suppliers fail to meet delivery deadlines. A rolling investment budget has been implemented to bolster the supply chain and logistics processes, ensuring ongoing funding for the maintenance and enhancement of storage, measurement, and transportation facilities.

The geopolitical tensions in Ukraine and the Black Sea region continue to exert pressure on logistics and insurance costs, as well as on the availability of crude oil supplies. However, the company has successfully managed to source alternative crude oil grades to sustain refinery operations, mitigating the negative impact on margins and ensuring operational continuity.

STRATEGIC RISK

The Group operates on an international scale, thereby encountering a spectrum of external economic and political risks that have the potential to influence strategy execution and operational continuity. Strategic risk holds paramount importance for the Group, stemming from a diverse array of sources. Consequently, both internal and external environments are meticulously monitored to discern significant developments that could impede the attainment of our objectives. With extensive exposure to various markets over the years, the Group has garnered invaluable experience in effectively navigating and advancing its business operations amidst periods of economic, political, or social turbulence.

❖ Macroeconomic environment and geopolitical tensions

Various factors can exert considerable influence on our strategic direction, encompassing geopolitical considerations, macroeconomic variables such as high interest rates and rising materials costs, evolving policies and regulations, and the emergence of new technologies. These disruptors have the potential to significantly impact demand and supply dynamics, as well as trade and investment activities within our industry. Macroeconomic factors such as interest rates and exchange rates can adversely affect our targeted operational expenses. The escalation of the conflict in Ukraine and its socioeconomic impacts, coupled with projections of significant global growth deceleration due to high inflation, stringent monetary policies, and restrictive credit conditions, underscore the challenges we face. Inflation remains elevated, with anticipated increases in defaults.

Moreover, fiscal instability in Romania and regulatory volatility add to our concerns. The volatility observed in the fiscal landscape poses a notable risk to the financial well-being of our company, prompting a reevaluation of our strategic approach. Furthermore, shifts in legislation and the unpredictable fiscal environment pose additional challenges, with excessive fiscal burdens jeopardizing our operations.

The prospect of geopolitical conflicts further compounds these risks, with potential repercussions extending to the global economy and our business operations. Geopolitical tensions continue to undermine international trade, with significant implications expected to persist. Consequences may include economic downturns, heightened inflation and interest rates, reduced consumer spending, increased credit risk, and restricted access to financing, alongside the



possibility of energy crises and escalating utility prices, as well as social unrest leading to business disruptions. Additionally, the escalation of international sanctions and the imposition of embargoes may disrupt supply chains.

Assessment of country risk is a standard practice in accordance with internal regulations, particularly when contemplating operational expansion into foreign markets or managing aspects such as receivables and strategic partnerships. Given the inherent captivity and dependence on various service providers, stringent oversight is maintained over cooperation with strategic partners. In efforts to mitigate associated risks, the company actively explores diversification alternatives.

Efforts have been undertaken to address manageable aspects of the external environment, with regular updates to business forecasts and cash flow projections enabling agile adjustments to investment priorities. This ensures adaptability in navigating the evolving economic and geopolitical landscapes.

❖ Climate change and decarbonization

The oil and gas industry confronts new challenges amid the global transition towards a low-carbon economy, with sustainability and climate concerns taking center stage. This transformative shift presents both risks and opportunities, necessitating a recalibration of strategies to align with evolving environmental priorities while sustaining economic growth.

For KMG I Group, adapting to the heightened focus on climate change and energy transition is imperative. The dynamic and volatile risk environment, shaped by global, local, and business-level actions, underscores the need for proactive climate risk management frameworks. Initiatives to integrate sustainability considerations into existing risk management systems are underway, alongside the development of policies and regulations to address climate-related risks.

Anticipated changes in consumer behavior towards emission reduction may lead to decreased demand and fossil fuel prices, potentially impacting earnings and future investments. Consequently, the company is laying the groundwork for climate risk mitigation strategies.

Furthermore, the physical effects of climate change pose operational risks. An initial assessment identified moderate impacts on operations, prompting a more comprehensive analysis in 2023 to identify and address both physical and transition risks and opportunities. Gaps have been identified, and an action plan has been initiated, with ongoing efforts to align operations with decarbonization objectives.

A Decarbonization Strategy has been formulated, outlining clear directives for pursuing economically viable emissions reduction solutions. This strategic direction underscores the company's commitment to navigating the complexities of the evolving energy landscape while embracing sustainability principles.

SUBSEQUENT EVENTS

Intessa Sanpaolo Romania joins the USD 600 million syndicated facility with a USD 20 million loan that will be divided into two parts Facility A and Facility B, each worth USD 10 million. The new agreement was signed on March 14, 2024.



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 = 4.4958 as of 31 December 2023.

**Chairman of the Board of Directors
Batyrgyzan Tergeussizov**

**Member of the Board of Directors
Adrian Tohănean**

**Member of the Board of Directors
Nicolae Bogdan Codruț Stănescu**

**Member of the Board of Directors
Bogdan-Cătălin Steriopol**

**Member of the Board of Directors
Tamila Mikulich**

**Member of the Board of Directors
Constantin Saragea**

**Member of the Board of Directors
Zhamilya Meshitbay**

Executive management

**General Manager
Florian-Daniel Pop**

**Finance Manager
Alexandru Stavarache**