Annual Report | 2012

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01 CEO **letter**

2012 was full of challenges for The Rompetrol Group that turned into important strategic achievements. We successfully completed the ample modernization program within the Petromidia Refinery, which has become one of the most technologically advanced in Central and Eastern Europe, with the Nelson complexity index of 10,5, and in accordance with the highest environmental requirements, safety and mechanical availability. The annual processing capacity of the refinery increased from 3.8 million to 5 million tons, and the output of white products reached the record level of 85.4%.

Taking into account that we provide 43 percent of the refining capability of Romania, the company's objective of becoming profitable is soon tangible.

After the completion of the modernization program of Petromidia, the long-term strategy for The Rompetrol Group has been set in order to expand the Group's presence both in the Black Sea area and in Europe, with a new top management team.

In 2012, The Rompetrol Group was the largest exporter of petroleum products in Romania, with a value of sold products of USD 1.7 billion.

Another notable achievement is the first well of KazMunayGas through The Rompetrol Group outside Kazakhstan's borders. Kaz1, from the perimeter Focșani marked our presence in European territory.

The Rompetrol retail network, spread throughout 12 countries with over 1.100 fuel distribution points, increased in 2012 in Moldova and Georgia, with expansion on new markets such as Ukraine, Turkey and other countries from the Middle East.

In 2012 we remained involved in the life of Romanian local communities through the social responsibility program "Together for each and everyone" that reached the fifth year. We can proudly say that, from 2009 through 2012, only through this national program, our projects have helped to improve the lives of over 250,000 under-privileged persons, beneficiaries of over 70 projects supported with USD 1 million by The Rompetrol Group.

Realignment of The Rompetrol Group's activity continued this year, as well, its efficiency being rigorously dictated by the global economic crisis. In 2012, we managed to further reduce operational costs by about USD 150 million, and that helped to improve our EBITDA from 46,1 to 129 million USD.

Despite the difficult times we are facing, with European refineries being on sale for 1 EURO, with the support of our shareholder KazMunayGas, we managed not only to keep the company, but also to continue the implementation of an extended investment program. We maintained the jobs of over 7,000 employees and generated business for our partners (suppliers, service providers). As the second largest contributor to the state budget, we have fulfilled all payment obligations, contributing with over USD 1.2 million USD to the Romanian state budget, a trusted partner of KazMunayGas.

Rompetrol made an important step in 2012 towards becoming an energy hub in the Black Sea area. By strengthening the presence of KazMunayGas in Romania, new expansion plans for providing energy stability of the entire region are on the Group's business agenda.

I am convinced that The Rompetrol Group will continue to grow and in the near future I will be able to announce that the synergy with KazMunayGas , our main shareholder, is completed. For the next years, the Rompetrol team has a reachable target: a consolidated holistic approach towards the development of the Group in the Black Sea region, an objective easy to meet for innovative and ambitious people like all our employees from 12 countries.

Zhanat Tussupbekov,
CEO of The Rompetrol Group

02 Milestones for **2012**

02 Milestones for **2012**

January

Royal Bank of Scotland (RBS) and Rompetrol Group concluded a multi currency revolving credit agreement totaling 55 million Euros, with a 1 year maturity.

March

- Rominserv partnered with Raja Constanța – the largest regional supplier of water and wastewater treatment. The contract value is 4 million USD.
- Through it's Upstream division, The Rompetrol Group completed the drilling of two exploration wells in the Satu Mare area (Madaras and Moftinu localities), with production tests indicating the presence of hydrocarbon deposits.

April

The Group launches the forth edition of it's corporate social responsibility program "Together for each and every one" for the development of local communities.

May

- Zhanat Tussupbekov was appointed general manager of The Rompetrol Group.
- Rompetrol Moldova, member of The Rompetrol Group, opened two filling stations, the company operating a total of 46 stations nationwide.
- Rompetrol Well Services began work on the Muglad Basin in southern Sudan.
- Rompetrol Georgia opened three new filling stations, reaching a national network of 68 fuel distribution points.

June

The Midia Marine Terminal reached a level of 10 million tons of discharged oil.

July

The Rompetrol Group started the drilling of the Kaz 1 exploration well in the Focșani perimeter – the first KazMunayGas well beyond it's borders.

September

The Group has successfully completed the modernization program for Petromidia – increasing the processing capacity from 3.5 to 5 million tons of raw material and switching to exclusive production of Euro 5 fuel, following investments of over 380 million USD.

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Refining and petrochemicals

The Refining and Petrochemical business unit is made up of 3 production entities – The Petromidia Năvodari and Vega Ploiești refineries and Rompetrol Petrochemicals.
The largest refining unit in Romania and the only one located at the Black Sea, Petromidia represents approximately 40% of Romania's total refining capacity.

Vega has evolved from a classic refinery (started in 1905, with an annual capacity of 500.000 tons of raw material) to a manufacturer of special products and elements (ecological solvents, specially design bitumen, ecological fuels, for heating and other dedicated products). Through synergy with the Petromidia Refinery, the raw material provided by the Black Sea refinery are used to obtain special products with added value.

Rompetrol Petrochemicals is the sole producer of petrochemical products in the country, with an annual capacity of over 200.000 tons of polymers (polypropylene, low and high density polyethylene).

The business unit houses two operational entities:
• Rompetrol Refining (Petromidia Năvodari refinery, Vega Ploiești refinery)
• Rompetrol Petrochemicals (Petromidia Năvodari refinery)

ROMPETROL REFINING – PETROMIDIA REFINERY

The year 2012 was historic for the Black Sea refinery and very important for it's evolution. The Rompetrol Group, together with it's sole shareholder – KazMunayGas, the national gas and oil company of Kazakhstan, successfully finalized the program for modernization and increase in refining capacity of the Petromida refinery.

The new capacity of 5 millions tons of raw materials per year gives the Group the premises necessary for the consolidation and development of retail and trading activities in the Black Sea region, both in countries that have a Rompetrol retail chain (Romania, Bulgaria, Moldova, Ukraine and Georgia), and other countries like Turkey, Serbia or Greece.

In the context of an economic difficulty for Europe and for the refining sector as a whole (refineries closing/in conservation), the main objectives for the company in this period, vital for ongoing refining activities, were increasing processing capacity, reaching the nominal refining capacity, aligning the product line with market demand the optimization and automation of production flow and improving energy efficiency. All this, together with other auxiliary projects of the Group, transformed the Petromidia refinery into an example of performance for units in Central and Eastern Europe.

On the grounds of a significant drop in refining margins – from 5.85 USD/bbl in 2008 to 0,56 USD/bbl in 2011, 20 refineries in the European Union have been forced to shut down from 2009 to 2012. The refining sector is up against a capacity surplus that determines inefficient and small capacity units to either completely or partially halt their operations or become fuel storage terminals.

Started in 2006, the program for modernization and increase in refining capacity for the Petromidia refinery aimed at completing nine major projects: building five new facilities (mild hydrocracker facility, hydrogen producing facility, sulfur recovery facility, nitrogen producing facility and a new flare system) as well as the modernization/expansion of four other existing facilities (the Flue-gas desulphurization facility, the transformation of the distilled vacuum desulphurization facility into a diesel oil desulphurization plant, the catalytic cracking facility and the gas desulphurization and sulfur recovery facility).

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Indicators		Before Package	After Package
Capacity	*mil tons/year*	3.8	5
Nelson Index*		8.3	10.5
Jet & Diesel	*%wt*	2.6/38	5.5/45
Diesel	*mil tons/year*	1.5	2.5
Gasoline	*mil tons/year*	1.3	1.4
Jet	*mil tons/year*	0.15	0.3
EII (Solomon)**	%	120	84

*The **Nelson** Index is a frame of reference used to assign values to oil refineries on the basis of their level of complexity.
** Energy Intensity Index - It is a benchmark of performance for the process - energy used per unit production divided by a 'standard' energy per unit.

Besides the capacity increase program, the Group developed other projects necessary for it's upkeep – building a terminal out at the Black Sea for oil supply, the tripling of oil products transit capacity through Berth 9 of the Midia port, the rehabilitation of the oil and finished products reservoir lot and construction of the LPG import-export terminal. Also, the company has allotted over 50 mil. USD for environmental projects, aligning itself constantly with European standards for fuels and the latest environmental protection laws.
Rompetrol Refining completed the last stage of the program to increase the processing capacity of the Petromidia refinery in the third trimester of 2012.

The main projects finalized in 2012 are:

THE MILD HYDRO CRACKER (MHC)
With a capacity of 220m3/hour (1.7 million tons per year), the new Mild Hydro Cracker facility ensures a growth in processing capacity and diesel output for the refinery, but also provides a product low in sulphur for the catalytic cracking facility.
This allows for full processing of oil with a high amount of sulphur and production of exclusively EURO 5 fuels. The facility started it's operations in the second half of 2012, and performance testing was successfully completed in November 2012. At the present date, the facility is operating under normal conditions.

HYDROGEN PRODUCTION PLANT (HPP)
Another important project for the growth of the refinery's capacity was building another Hydrogen Production Plant, that would provide the necessary hydrogen for extracting sulfur from the oil and aligning production to Euro 5 standards. The plant has an installed capacity of 40.000 m3/hour and will produce hydrogen at a minimum purity of 99.98% at a minimum pressure of 86 bar.
The facility started operating at the start of 2012, with performance testing completed in November of 2012. At the present date, the facility is operating under normal conditions.

SULPHUR RECOVERY UNIT (SRU)
In order to sustain the new capacity of the refinery, a new Sulphur Recovery Unit had to be built, together with a Tail Gas Treatment plant (TGT).
With a capacity of over 220 tons of sulphur per day, the plant is designed to collect the hydrogen sulfide

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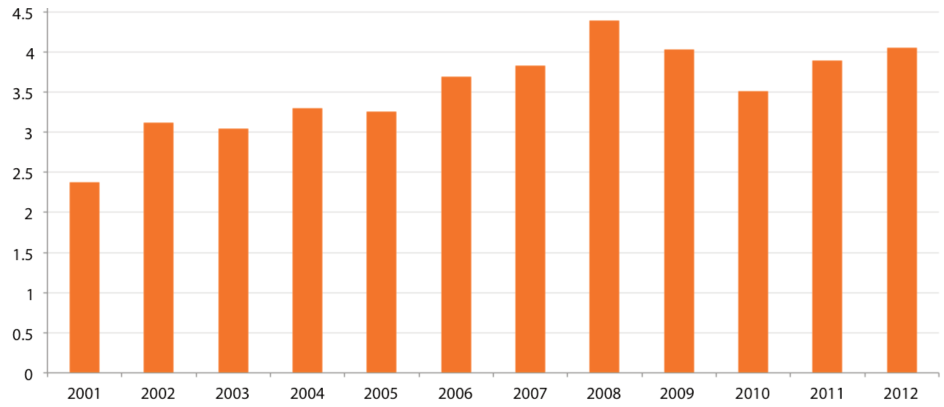
containing gasses from all the refinery's facilities, including the recently incorporated ones (MHC), as well as supplement them because of the higher degree of desulfurization (the refinery only produces EURO 5 products)
The facility (SRU) started operating in October 2012 and TGT in November of the same year.

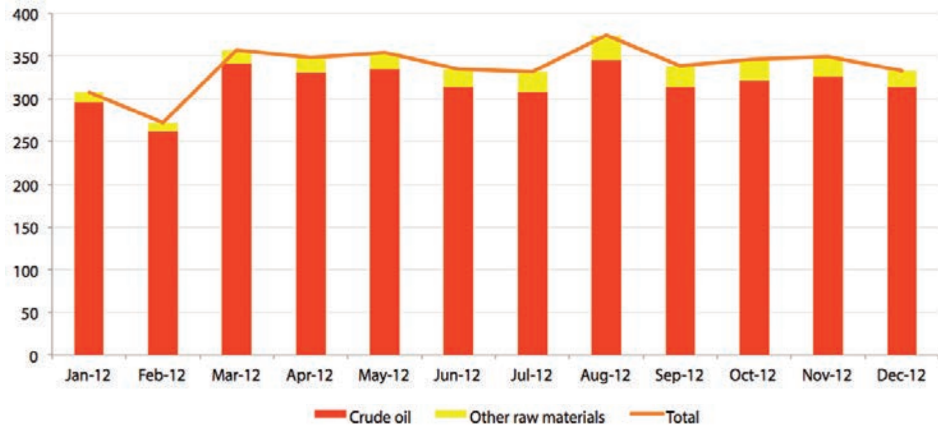
RECONFIGURING THE DISTILLED VACUUM HYDRO-FINING FACILITY TO A DIESEL HYDRO-FINING FACILITY
Part of the program to increase the processing capacity of the refinery to 5 million tons of raw materials, the project aimed at transforming the Distilled Vacuum Hydro-fining facility into a Diesel Hydro-fining facility capable of processing raw materials in quality conditions (component of EURO 5 diesel) and providing a flow of 180m3/h. Finalizing this investment allows for an increase in diesel output because of the increase in processing capacity of the refinery.

MAJOR PERFORMANCES IN 2012
• Over 118 million USD invested for increasing efficiency, environment protection and processing capacity in the Petromidia and Vega refineries;
• Steady improvement of financial indicators: a 58, 35 million USD EBITDA indicator was reached in 2012;

Evolution - Raw materials processed (million tons/year)



Structure of raw material processed monthly, 2012 (thousand tons)



• An output of 85.4% of white product per processed quantity, the highest level achieved by Petromidia;
• 39,6% output of Diesel, the highest level achieved by Petromidia following the finalization of the 2010 investment package;
• The Nelson index, measuring the degree of complexity of refineries, grew from 8.3 to 10.5, following the finalized investment package worth 380 million USD;
• Launching a new product, EFIX S, starting October 2012;
• Production of bio-fuels (diesel and

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gasoline) using bio-components in conformity with legal requirements;
• A 1.1% reduction in energy consumption per ton of raw materials processed compared to 2011, owing to constant concern with improving energy efficiency and general output;
• Aligning with the European Union's environmental laws regarding gas emissions and storage of toxic waste.

REPRESENTATIVE PRODUCTS AND PRODUCTION RESULTS

The company increased the quantity of processed raw materials by 4% in 2012, from 3,896 million tons to 4,047 tons.

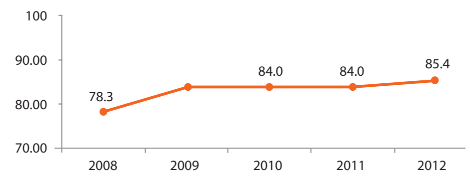
Total raw materials (tons)	Oil (tons)
4,047,346	3,806,421

Other commodities: Methane gas, methanol, biocomponents, MTBE
Other finished products: Reactive Oil, Crude Oil, Gasses, Polypropylene ,Coke, Sulphur.

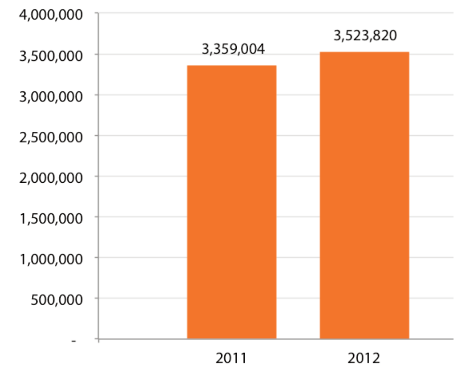
Finished products (tons)	3,930,111
Gasoline	1,293,061
Diesel	1,602,852

In 2012, the company increased the output of finished product by 3% and recorded a 5% increase in sales.

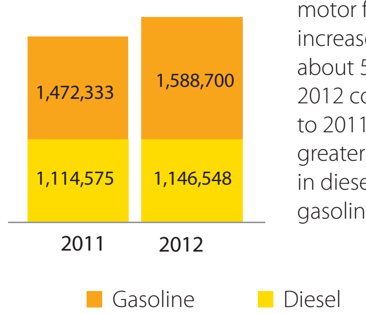
White product yield, %gr



Volumes of finished product sold (mt)



Volumes of automobile fuels sold (mt)



Amount of motor fuels sold increased by about 5.73 in 2012 compared to 2011, with a greater increase in diesel than gasoline.

At the same time, the quantity of auto fuels sold grew by over 5%.

COMMODITY MARKET

Trading activity in 2012 aimed at continuing the optimization and streamlining program for acquiring raw materials and selling finished products. The volume of raw materials grew by 7% compared to 2011, and finished product sales increased by 5%.
Crude purchases were handled exclusively by Group's trading company Vector Energy, that took over the largest part of gasoline and diesel volumes traded on the foreign market.
The quality of Rompetrol's sold products respects the quality and environmental standards set by the European Union and helped consolidate the company's presence and position on the established oil markets. Starting with the 1st of January, gasoline and diesel traded contained 5% bio-fuel, pursuant to EU Directive 2003/30.
In 2012, about 61% of the total finished product sold were directed at the internal market. The internal market absorbed more than half (52%) of the total volume of automobile fuels traded this year.

On the foreign market, oil products were sold in both inside and outside of the EU community. The community market

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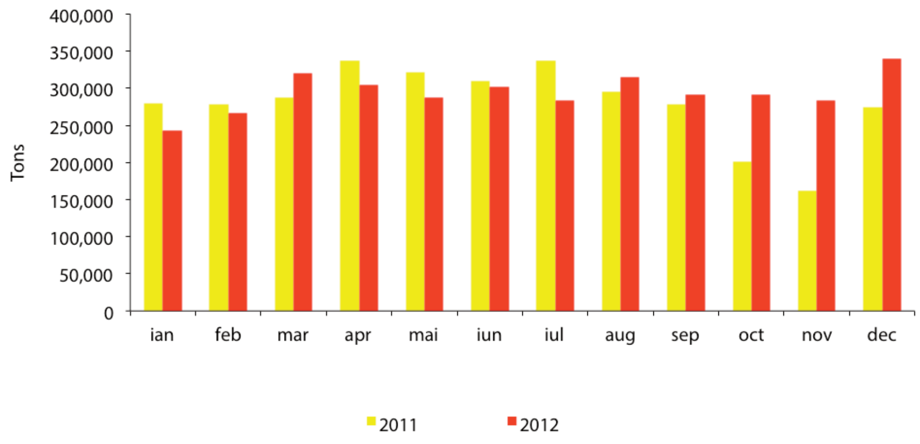
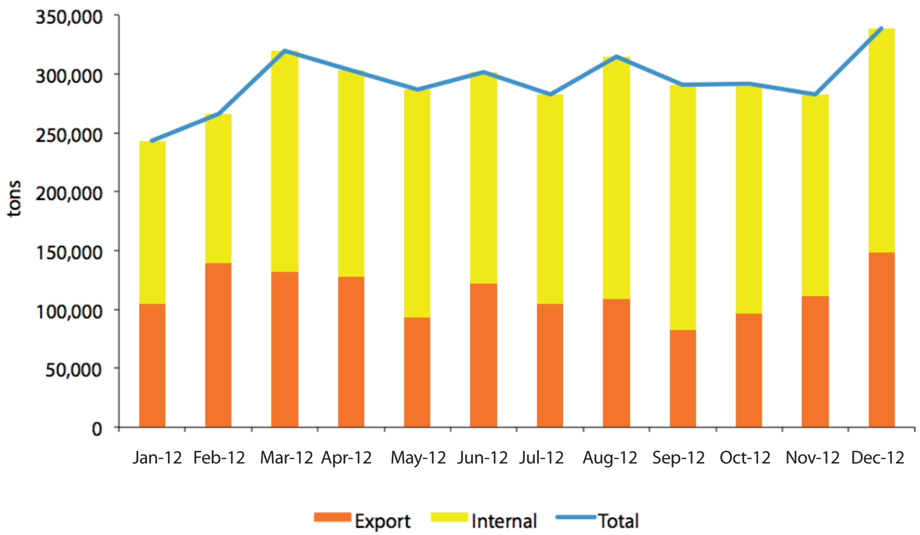
Sales 2011 vs. 2012



Monthly sales 2012

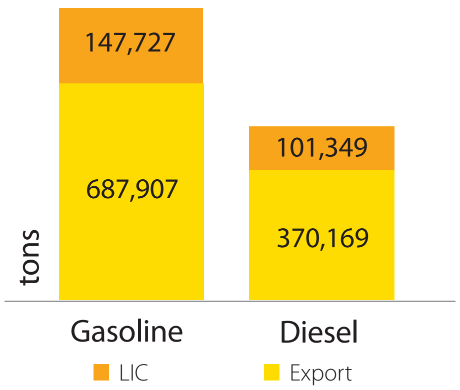


absorbed about 20% of the total finished products sold, with the 80% difference representing exports to non-community countries.
Almost 80% of external sales were directed to European markets neighboring Romania.

The main destinations for exported products by Rompetrol Refining are as follows:

Product	market
Gasoline	Ukraine, Georgia, Bulgaria, Tunisia, Lebanon, Moldova
Diesel	Serbia, Bulgaria, Georgia, Moldova, Ukraine
Coke	Ukraine
Sulphur	Egypt

LIC vs. Export



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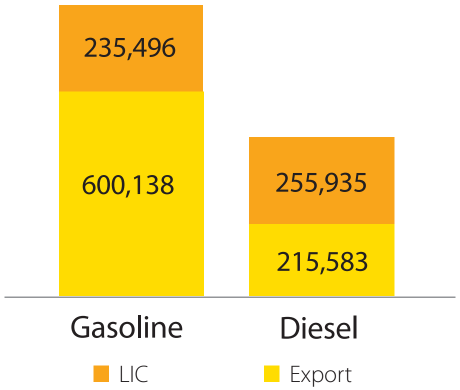
Near abroad vs Trading (tons)



From the total automobile fuels traded on the foreign market, about 38% were delivered to subsidiaries of The Rompetrol Group (Moldova, Bulgaria, Georgia, Ukraine). The main clients on the internal market were: Rompetrol Downstream, Rompetrol Gas SRL, Rompetrol Petrochemicals, Air BP Sales, Air Total România. The main clients on the external market were: Vector Energy, Rompetrol Moldova, Rompetrol Bulgaria, TVK Supply Chain Management, Transamonia Switzerland, Steuerman.

MAJOR OBJECTIVES FOR 2013: QHSE OBJECTIVES (QUALITY, HEALTH, SAFETY, ENVIRONMENT

- Rectifying the integrated QHSE management system according to ISO&OHSAS standards;
- "ZERO" accidents on the Petromidia and Vega platforms;
- Continuing the "1.LIFE" program for safety awareness and achieving level 3 for health and work security on the Du Pont model;
- Improving safety performance indicators set at group level , with a 0.5% minimum decrease of target value compared to 2011 (automobile accidents rate, incapacity for work rate, incident rate, periodicity and severity rates);
- Renewal of the Environment Authorizations and the Security Report and Internal Emergency Plan for Rompetrol Refining, through new investments;
- Keeping our client satisfaction indicator at a minimum of 90%;
- Rectifying the automobile fuels produced by Rompetrol Refinery and additives produced by the Vega Refinery.

OPERATIONAL OBJECTIVES 2013

1. Finalizing projects for alignment to the current legislative regulations concerning environmental protection, health and safety at the workplace and reauthorizing the equipment and piping for technical facilities:
Installing a system that reduces particles in chimney emissions in the

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fluid catalytic cracker.
The project consists of assembling a system for the reduction of chimney catalyzed particles in the fluid catalytic cracker (Electrostatic Precipitator: ESP) in order to adhere to the latest regulations, that allow a maximum of 40mg/Nm3 solid particles in chimney gas emissions. The project will be finalized in December 2013, with a total investment of 10,8 mil. USD.

Decreasing NOx emissions from facility furnaces in the Petromidia Refinery.
The project consists in changing the burners for the furnaces in the facilities with burners that generate a low content of nitrogen oxides, in conformity with present legislative regulations (max. 150mg/Nm3).
The project's implementation depends on halting refinery operations, which is planned for March-April 2013. The total cost of investment is 47,6 mil. USD.

Reauthorizing pipes and technological equipment from the Petromidia Refinery with ISCIR

The project is part of a more ample program of reauthorizing the equipment and piping from the Petromidia refinery with ISCIR. The program started in 2012 and the execution is planned over a number of years. For 2013, the total cost is estimated at 11,5 mil. USD.
Halting the technological operations of the refinery for inspection of technological equipment, changing catalysts, performing maintenance on machinery, reauthorizing equipment, as well as implementing the projects that need the halting of activities will cost an estimate of 11,8 mil. USD.

2. Increasing storage capacity, the mixing and delivery of oil products to the Petromidia refinery to match the increased processing capacity of 5 mil. tons/year;
Related projects:

Building a new 30.000 m^3 diesel reservoir;

Three-way diesel delivery facilities;

Rehabilitating the tank loading facilities;

Expanding the capacity for delivering reactive oil to tanks;

Improving railway road capacity.

3. An 14.000t/day output from the refinery after the halting of operations planned for March-April 2013, which will lead to the biggest quantity processed in the history of the refinery – 4,57 mil. tons/year.

4. An increase in diesel output for the refinery, following an increase in demand on the global market – 46%.

5. Decreasing the Energy Intensity Index to 96.52% following the integration of new facilities and plants in the technological flow of the refinery, but also because of optimized treatment processes achieved through investments and operational measures.

ROMPETROL REFINING – VEGA PLOIEȘTI REFINERY

Rompetrol Refining – Vega Ploiești is a processing unit designed for obtaining special products: ecological solvents, heating fuels, special bitumen, etc.

Investments from 2012 aimed at increasing energetic efficiency, improving functioning safety and aligning to current standards.

In 2013, the Vega refinery will process alternative raw materials (naphta, C5-C6 fracture, slurry, jet and crude oil), with working facilities as Hexane, De-Aromatization, Refining, Mixing Finished Products, Vacuum Distillation and Bitumen.

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MAJOR PERFORMANCES IN 2012

- Maintaining a volume of processed raw materials of over 305.000 tons, in spite of difficult market conditions;
- Continue the „Replace the vacuum column" project. The project intends to improve the vacuum system and the surveillance and control system by mounting a DCS (Distributed Control System);
- Complete 100% of the planned CAPEX works;
- Maintaining technological consumption at 1.80% in 2012, processing less raw materials and implementing projects for the optimization of the handling and storing of raw materials and finished product;
- Completing projects from the Integrated Environment Authorization action plan.

REPRESENTATIVE PRODUCTS AND PRODUCTION RESULTS

The Vega Refinery production is structured by special products:

- Solvents: ecological solvents: Rompetrol SE, n-hexane and light naphtha
- White spirit and oils
- Rompetrol Calor extra I
- Fuels
- Bitumens
- Crude oil

The Vega Refinery is the only n-Hexane producer in Eastern Europe, used for propylene production and for vegetable oil extraction in the food industry. Also, the Vega refinery is the only Romanian producer of:

- **Ecological Solvents** – Rompetrol SE – that insures, through a lower sulphur and aromatic hydrocarbons, a lower degree of toxicity;
- **Special Bitumens**, used in making bituminous mastics, for hydro-isolation works in construction and for anti-corrosive treatment of metallic piping.

Vega also produces polymer modified bitumen, widely used in asphalting extensively circulated roads. The presence of polymers in bitumen increases the performance of the asphalt coating produced with this kind of binder by:

- increasing resistance to fatigue
- increasing resistance to permanent deformation
- increasing resistance to cracking at low temperatures and crack propagation
- increasing resistance to aging and wear
- maintaining the roll surface roughness of the layer
- improving bitumen-rock adhesion
- reducing traffic noise

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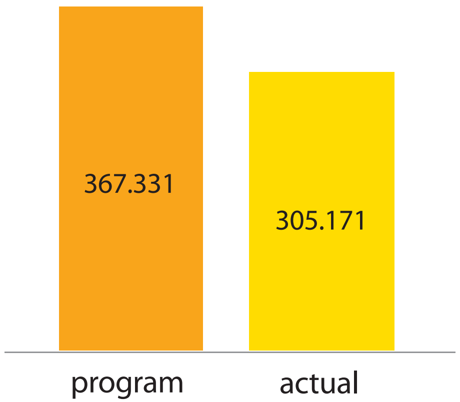
The company also produces ecological heating fuels, in compliance to all relevant standards imposed by the European Union, standing alongside Heating Oil class products traded in Western Europe.

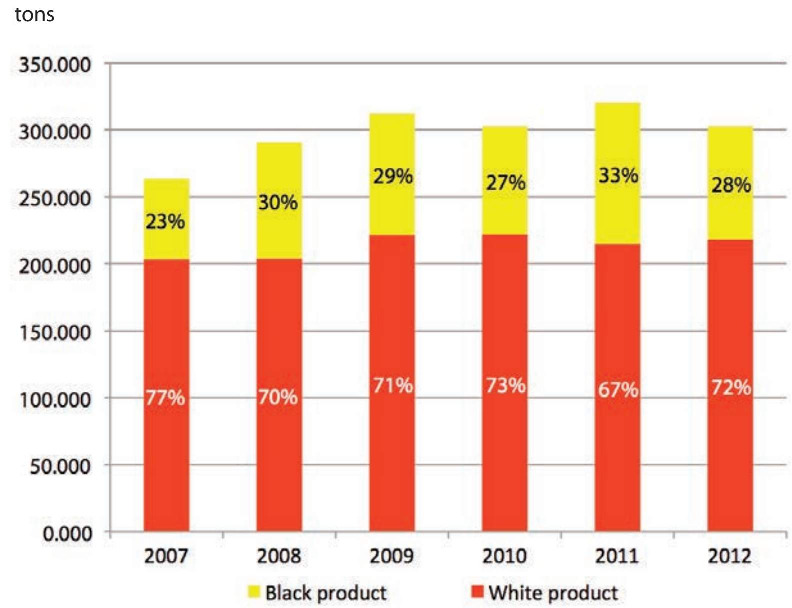
Due to market conditions that required reduced processing, amid a global economic and financial crisis, that hit the oil market and oil products, the 2012 production program was 305,171 tons of raw materials, 17% lower than the budgeted amount of 367,331 tons.

Raw materials processed (tons)



In 2012, the Vega refinery increased the yield of white products per total production, which has strengthened the presence on the foreign market, especially with organic solvents and n-hexane and also by adjusting to new market requirements.

2007-2012 Output



Sales of white products (naphtha gasoline, organic solvents, n-hexane and white spirit) represent about 68% of total sales in 2012, up about 5% from the previous year. Sales of finished products on the foreign market were 54% and 46% domestic.

MAJOR OBJECTIVES 2013 – VEGA

- Maximizing margins for niche products to give added value to the business;
- Developing new products under the Rompetrol Brand by diversifying production and sales (dearomatized white spirit)
- Continuing the investment program to reduce utility consumption, technological consumption and to comply with the Environmental Authorization.

ROMPETROL PETROCHEMICALS – MAJOR PERFORMANCES IN 2012

In 2012, Rompetrol Petrochemicals continued to be the sole producer of polymers in Romania: high and low

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density polyethylene. The development strategy of the company allowed for a steady increase in market share domestically and internationally.

The quality and diversity of the product range, the location and routes of distribution and the technical assistance made Rompetrol Petrochemicals a reliable partner both in Romania and in the Black Sea region.

The company has an annual production capacity of over 200.000 tons of polymers (polypropylene, high and low density polyethylene) with an added marine download terminal and a 10.000 ton capacity cryogenic tank.

One of the advantages of the company is proximity to it's customers, ensuring that all products are delivered in a Just-In-Time system, as well as offering technical advice and assisted monitoring of their production cycle.

Regarding the quality of its products, Rompetrol Petrochemicals is actively increasing the quality of its products and generating customer satisfaction.

To support the development of its activities, in 2012 the company completed the last phase of technological tests to modernize the high density polyethylene plant in order to extend the range of products and to market four new varieties with specific applications (large bodies, ultra-thin foil, piping for combustible gasses)
Rompetrol Petrochemicals turnover reached 247 mil. USD in 2012. Compared with 2011, the financial results were negatively influenced by low margins in the third quarter of 2012, mainly due to unfavorable market conjuncture.

ACHIEVEMENTS IN 2012
Amid the strategy of expanding production capacity and therefore market share for products, the company has initiated an implemented a series of projects to modernize the facilities and to expand commercial activities, structured in three directions:

DEVELOPMENT, INCREASE IN CAPACITY, IMPROVEMENT IN PRODUCTS QUALITY
- Obtained new varieties of HDPE with high recovery, with demand on the specialized market; expanding the product portfolio, covering the full range of HDPE applications.
- For the LDPE plant, a number of projects are in implementation, such as: increasing product quality, "angel hair" trapping system bunkers, assembling a lightweight storage ware house, prepare logistics for manufacturing varieties for the electric industry, modernization of the reactor's water cooling system
- In 2012, the PP plant developed and successfully implemented thermoforming.
- The pyrolysis plant heat exchangers were replaced with ones with a high coefficient of heat transfer, recovery of the resulting condensate from cold and cryogenic facilities, rehabilitate static equipment.

INCREASING SAFETY
- Supplying the M 301 reducer to avoid plant shutdown for a longer period of time in the PP facility
- Verification programs used for investigation\examination of technical (VTU-projects) to equipment under pressure

ENVIRONMENT
- Study on how to load the lower flare in the pyrolysis

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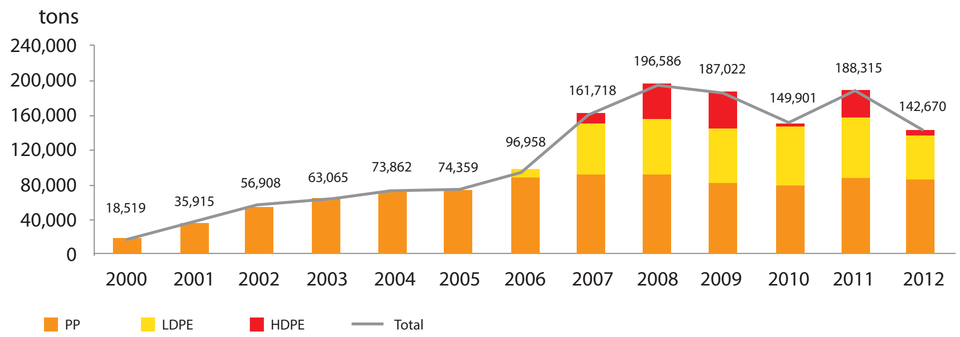
2000-2012 Polymers Production



PRODUCTION

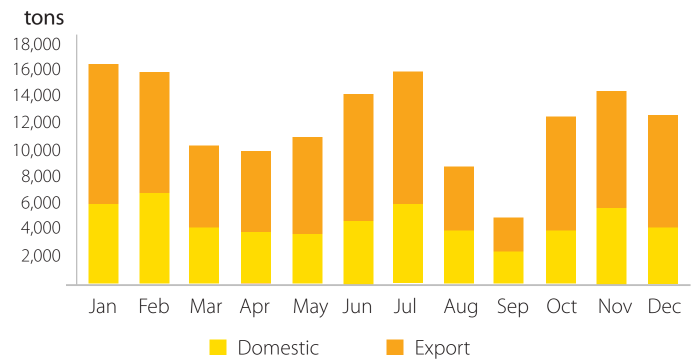
In 2012, production of polymers was of 142,670 tons, compared to 188,315 tons in 2011, running only the PP and LDPE plants.
The HDPE plant modernization was completed with a series of performance tests in November and December, in order to extend the range of products and market four new varieties with specific applications (large bodies, ultra-thin foil, piping for combustible gasses).
The new varieties obtained were tested by the recipients and the feedback was positive, with one new variety awaiting approval for the PE100 pipe.
Developing a variety of LDPE for cable insulation in the electrical industry. An industrial batch was produced, named RCB302, and is ready to be tested by clients.

COMMERCIAL

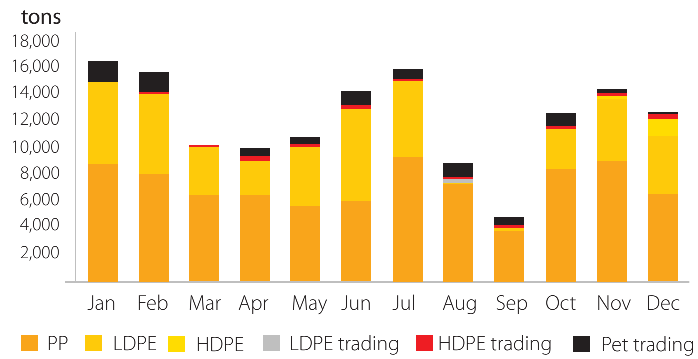
Rompetrol Petrochemicals is the sole producer of polypropylene(PP) and polyethylene in Romania. In 2012, the local market share of Rompetrol Petrochemicals was 44% for PP, 29% for LDPE, 13% for HDPE and PET, according to data from the National Statistics Institute.

Trading activity is another important branch Rompetrol Petrochemicals' activity. In addition to it's products, the company runs a trading activity of a variety of petrochemical products which are not currently in the production portfolio of the Rompetrol Petrochemicals complex, but for which there is demand on the Romanian market: high-density polyethylene varieties (HDPE pipe varieties), low

Sales by destination



Monthly sales by product type



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density polyethylene (LDPE) and PET.

QUALITY-EVIRONMENT-HEALTH, OCCUPATIONAL SAFETY

Specific QHSE activities aimed at completing the objectives set for 2012. All these materialized in:

- maintaining the integrated quality-environment-health management and work safety system, confirmed by the rectification audit conducted by representatives of the Germanischer Lloyd Industrial Services (June 2012)
- reaching level 3.17 in the DuPont model, from a safety point of view.

Throughout 2012, by identifying aspects of product behavior and finding technical solutions to continually improve its characteristics, the technical assistance services successfully continued the process of strengthening partnerships between the business and its clients.

In 2012, the Technical Assistance Service has been involved in program development for the RP HDPE products. Conducted tests with our clients for the new varieties produced after restarting the HDPE plant in November 2012. For this milestone in the development of HDPE products, collaboration started with the Dutch KIWA Certification Institute to obtain HDPE certification for the PE100 pipe for special variety 7700M. A contract was subsequently signed between RP and Kiwa, and product certification was launched.

To develop and enhance the product portfolio , talks were had with various collaborators and new varieties were developed:

- a variety of thermoforming PP – RTF 3 in cooperation with Milliken. An industrial batch was sent to the customers for testing.
- a variety of LDPE for cable insulation in the electrical industry. An industrial batch called RCB302 was sent to customers for testing.

Together with Petrochemicals Laboratory, the Declarations of Conformity for all Rompetrol projects of 2012 were updated, containing all the requirements of current European Comission directives.

MAJOR GOALS IN 2013

- Complete the certification of variety HDPE PE100 pipe;
- Implement an energy optimization study;
- Strengthen the position of Rompetrol Petrochemicals domestically and in the Balkans;
- Regaining the HDPE market, internally and externally following the restarting of the HDPE plant;
- Achieving a 20% share of the domestic market of HDPE;
- Achieving a 55% share of the domestic market in PP;
- Achieving a 25% share of the domestic market in LDPE;
- Developing a direct sales channel to customers in export markets;
- Implement the project for revision and and non-destructive testing (NDT);
- Rehabilitation of cryogenic insulation;
- Continuing the program to increase safety culture through the "1.LIFE" project and strengthen our position in the Du Pont model.

04 Trading

04

Trading
Vector Energy

VECTOR ENERGY AG
2012 KEY PERFORMANCES

Vector Energy AG is the supply and trading subsidiary of the Rompetrol Group. The company continued to optimize the overall supply chain of the Group in 2012, by providing improved operations, logistics and risk management services to the Group subsidiaries.

Vector continued to supply the crude needs of Petromidia refinery in full at 3.9 million tons (vs 3.6 million tons in 2011), with KazMunayGas(KMG) barrels share maintained at around 90%.
In 2012, the company sold around 0.8 million tons of the refinery car fuel production to non group companies, while around 0.4 million tons went to Near-Abroad entities within the Group (Rompetrol Bulgaria, Rompetrol Georgia, Rompetrol Ukraine).

In 2012, Vector focused on developing non group crude and oil products trade business, building up new business relations (operations, logistics, customer base). Non Group share of profit increased up to 45% of total achieved gross margins, while trade finance facilities increased to cope with additional volumes.
The responsibilities undertaken by the company in 2012 are part of the strategic plan of KMG mother-company to build up a stronger presence in the Black Sea market through improved logistics capabilities and higher retail market share, regardless of difficult general international climate.

Apart from effective product stock management in Refining and Retail entities, Vector is in charge of stream-lining operations of fuel sale towards the Group subsidiaries (Bulgaria, Georgia and Ukraine) and to non group companies primarily on the Black Sea region.
In addition, Vector is involved in commodity risk management activities at group level.

04

Trading
Vector Energy

During 2012, crude quotations were very volatile, driven by fundamentals in both supply and demand. Following a Q1 crude quotation increase (from 110 USD/bbl up to 125USD/bbl) driven mainly by optimism on economic recovery and supply disruption concerns (Iran/Hormuz strait), a sharp decrease was seen in Q2 (down to 95 USD/bbl in June) backed by double recession fears in EU and tension ease on crude supply disruption. The Iran embargo, Middle East tensions and launch of quantitative measures drove crude back to more stable levels around 110 USD/bbl in Q3/Q4.
In such an environment, Vector played an important role in mitigating commodity price volatility at group level, acting as an adviser and executing most of the group transactions on both daily commodities hedging and future refining margin hedge, according with group policies and authorities. Derivative instruments used for commodity price volatility are mainly exchange traded future contracts and liquid OTC swaps.

Vector monitors market forward curves and executes refinery margin hedge transactions when targeted levels are met. Such levels are approved by Board and Top Management.
In 2012, Vector Energy further optimized general & administrative expenses mainly by continuing to outsource non critical accounting and treasury functions resulting in cost savings.
Vector's team continues to be responsible for developing/implementing new processes, such as the selection of optimum oil mixes, establishing target stocks of raw material/end products, developing it's customer base and logistics alternatives.

The achieved net result of 12 million USD is therefore the result of additional non group margins, efficient operations, adequate risk management policies and cost reduction measures.
For 2013, following finalization of refinery investment package, the main focus for Vector will be to ensure increased feedstock supply for the refinery (up to 4.6 million tons) and to ensure deliveries of an additional 0.8 million tons of products at optimum margins, while continuing to develop non group business based on KMG support for additional crude and oil products supply.

04

Trading
Byron Shipping

MAJOR ACCOMPLISHMENTS IN 2012:
Byron Shipping is a maritime and river ship agency. The company coordinated the activity of 343 ships and barges, of which 317 ships in Midia port and 26 ships in Constanta port.

In 2012, SC BYRON SHIPPING SRL won the first place in the 10th edition of the Romania private companies' national top, amongst newly founded companies BYRON SHIPPING was also on the third place, same category, according to its turnover.

The ranking was decided according to the gross profit. Over 620.000 companies participated in the competition organized by the Romanian National Council of Small and Medium Private Enterprises and IMM Projects and Programs Implementation Agency.

Net turnover	1.035.871 USD
Total revenue	1.272.509 USD
Total expenses	881.937 USD
Net profit:	390.572 USD

TRENDS FOR 2013
Along with keeping the present portfolio of clients, we focus our efforts on attracting new clients in our quest to cover more ground in water transport (multimodal transport, brokerage, chartering).

04 **Trading**
Midia Marine Terminal

MIDIA MARINE TERMINAL

The Midia Marine Terminal (Midia SPM) is part of the trading division and operates the off-shore terminal and maritime berths 1 to 4 (petroleum) and 9 to 9A, 9B and 9C (petroleum products) from Midia port, part of the Rompetrol Group.
The off-shore terminal allows supply costs cutting by approximately 8 USD/ton as a result of handling / depositing operations and transferring costs, as well as reducing commercial or technological losses, offering the necessary frame for the company to develop commercial activities in the region.

MAJOR ACHIEVEMENTS IN 2012

Total quantity of crude imported through Midia SPM	3.71 mil tons
Total no. of ships unloaded in Midia SPM:	40
Total effective days of unloading	65 day
Total days of delay as a result of bad weather	9 days
Total operational costs (SPM & TK FARM)	7.26 mil USD
Commercial losses (B/L vs. Unloading report):	0.12 %

The off-shore terminal generated a cost reduction from unloading activities of approx. 18.6 million USD in 2012.

The Midia Marine Terminal operates also the Petromidia refinery petroleum tank park, with a storage capacity of approx. 400.000 m^3, receiving petroleum mostly from Midia off-shore terminal, as well as from Oil Terminal Constanța, through CONPET.
The total amount of petroleum handled by the tank park in 2012 was of 7.5 mil. tons.
Due to the specifics of the terminal's activity, respecting all legal environmental requirements is a priority. According to the maintenance plan, the entire system was verified (LLOYDS certificate of annual inspection).

MAJOR ACHIEVEMENTS IN 2012 FOR BERTHS 9A, 9B AND 9C

Total amount of products handled:	1.46 mil tons
Total number of ships handled	401
Total effective days of loading/unloading	257 days
Berth occupancy rate	
9A	60.39%
9B	47.05%
9C	21.80%
Total operating costs	**1.36 mil USD**

Using Berths 9A, B and C generated cost reduction from loading / unloading activities of approx. 13 mil USD.

MAJOR ACHIEVEMENTS IN 2012 FOR BERTHS 1-4

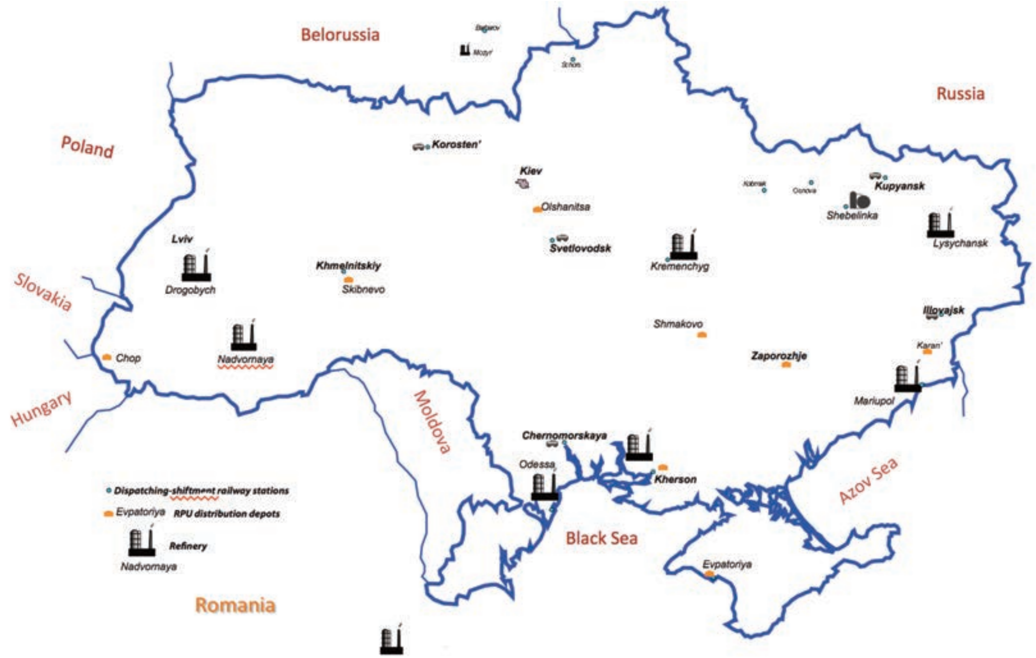
Total handled quantity	53.000 tons
Total number of ships handled	3
Total effective loading/ unloading days:	4 days
Total effective loading/ unloading days	1.39%

MAJOR ACHIEVEMENTS IN 2012 FOR THE PILOTAGE, TOWAGE, TYING / UNTYING SERVICES IN MIDIA PORT AND MIDIA OFF-SHORE TERMINAL).

Income from port pilotage:	260.000 USD
Income from port towing:	400.000 USD
Income from towing at Midia SPM	2.2 mil USD
Income from off-shore terminal tying/untying activities	244.000 USD
Income from off-shore terminal pilotage activity	270.000 USD

The Midia Marine Terminal used its own staff and towboats for ships operating in Midia port, petroleum terminal (berths 1-4 and 9) and Midia SPM.
A remarkable performance for the company was that it maintained ship access to petroleum terminals of the Midia port during the 3 week period in February 2012, when the Midia port docks were completely frozen.

04 **Trading**
Rompetrol Ukraine



ROMPETROL UKRAINE
Ukraine is a market with great potential in the Black Sea region, having a constant demand growth for the last 10 years, of 11-12 million tons per year.
Approximately 80% of oil products are imported since all the refineries are outdated and closed at the moment.

FEATURES AND ADVANTAGES OF THE UKRAINIAN MARKET FOR ROMPETROL:

- Well developed logistic infrastructure
- Market consumption in 2012 reached 10,2 million tons per year
- Consumption has a steady growth tendency
- Proximity to Petromidia refinery

RPU ON UKRAINIAN MARKET 2012

- RPU market share fluctuated about 1,5%
- Comparing to 2011, consumption remained at the same level
- Rompetrol Ukraine has market expertise in tuning up supply, trans-shipment, storage and client distribution
- Rompetrol Ukraine's volumes were sold through wholesale channel only;

ROMPETROL UKRAINE MARKET PERSPECTIVES IN 2013:

- Plans to develop the retail chain.
- In order to supply retail chains with petroleum products, a secondary logistics scheme was defined.
- Plans to develop the retail chain.
- In order to supply retail chains with petroleum products, a secondary logistics scheme was defined.
- Entering on new markets of petrochemicals: niche products sales development.

05 Retail

05 Retail
Rompetrol Downstream

ROMANIAN FUEL MARKET

Fuel consumption in Romania has been relatively stable in the past years, ranging around six million tons each year.
The retail represents the main segment of the market, having 71% share in 2012 and being influenced by the economic crisis hitting the region in the past years.
The average fuel usage of Romanian private consumers was of 56 liters/month stabilized for the last 2 years.
In terms of products, diesel consumption has increased in the past years, reaching 77% of total fuel quantities consumed in Romania.
In 2012 there was an increase of over 4% in the total number of vehicles registered in Romania compared to the last year. The increase is coming mainly from diesel vehicles, which increased by over 7%, while gasoline vehicles increase with just 2%.

ACHIEVEMENTS OF ROMPETROL DOWNSTREAM

At the end of 2012, Rompetrol Downstream operated a retail network of 406 gas stations: 131 stations operated under the Rompetrol brand (COCO), 151 Partener stations (DODO) and 124 Expres stations, located in rural areas of the country and offering only the two main fuels, Efix Diesel and Efix Gasoline.

The total fuel sales volume in 2012 was over 1.4 million tons, 4% lower than in 2011. In Q4, the fuel quantity rose by approximately 8% (390,000 tons), 56% of which were delivered to the wholesale segment and partners.

Sales (tons) by product type

	2011	2012
Diesel	1.163.821	1.106.334
Gasoline	301.817	308.826
LPG	1.954	1.641
Total	1.467.592	1.416.801

Among the measures taken by the company in 2012 is to continue the optimization of the distribution and general administrative expenditure with positive (USD 30 million), but not strong enough results to countervail the negative effect of margin decrease. The financial results were affected by the dropdown in the commercial margins by USD 24/ton in the retail segment and USD 15/ton in the wholesale segment.

Looking by payment methods, the decrease of 2012 is the result of both lower Card market share (which takes into account Fill&Go Business sales) and Non Card market share (which includes sales on all other methods of payment). In 2012, card sales in Rompetrol Partener stations increased with 0.8 pp., in Expres there were constant and in Rompetrol own stations registered a decrease of 1.7 pp.. The results registered in card sales were influenced by more prudent commercial policies, namely to protect the company against the non-payment risk.
In Non-Card market share we had a decrease of 0.5 pp. compared to last year (from 13.2% to 12.7%), almost equally spread between channels, main decrease coming from cash sales (- 0.4 pp.) also due to the economic conditions of the market.

Besides the evolution of stations in the context of the current market characteristics, Rompetrol Downstream renewed its range of premium products by launching EfixS, a premium gasoline and diesel oil, starting with mid-November.

The new products replace Alto fuels, thereby increasing Efix product family - the best known fuel brand on the Romanian fuel market, according to a market study conducted recently.
By EfixS, the company addresses the drivers who want a maximum engine performance and, at the same time, an

optimal functioning. In addition to Efix brand's innovative features, Efix S products benefit from the quality of fuels produced in Petromidia refinery, exclusively at Euro 5 standard, following the recently completed upgrading program.

EfixS gasoline and diesel will be sold in 160 stations operated by Rompetrol Downstream (own and Partner stations).

According to the general development strategy of the company, the plan for the retail segment is to increase the network by 150 stations on the local market in the next 3- 5 years, taking into account the market demands.

05

Retail
Dyneff France & Spain

GENERAL MARKET DESCRIPTION & PERFORMANCE OF DYNEFF FRANCE

In France, oil products deliveries declined by - 0.9 % in comparison with 2011 (- 0.5 million tons).

Regarding products addressed by Dyneff France (Diesel, Gasoline and Heating Oil), French market declined by - 0.5 % (- 282 thousand tons), as described below:

- Diesel + 7.5% (+ 2 646 thousand tons),
- Gasoline - 6.5% (-506 thousand tons),
- Heating Oil market declined by - 23.8% (-2 421 thousand tons)

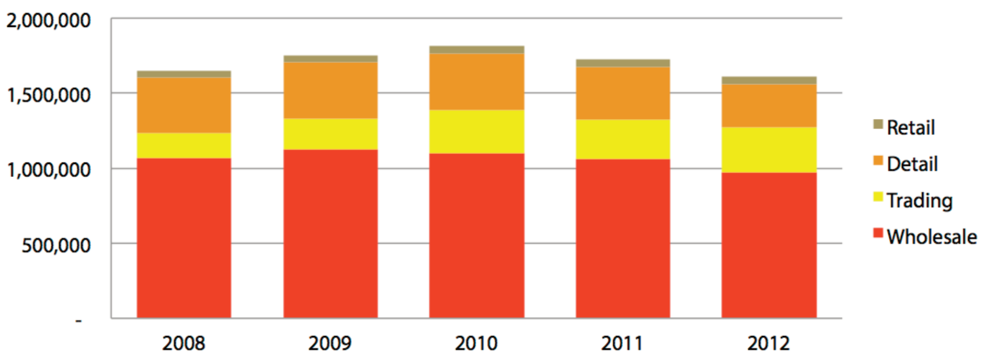
This change occurred as French regulation imposed non-road Diesel for motor uses in several economical sectors (construction, agriculture, river shipping), a significant transfer between Diesel and Heating Oil started in 2011 and continued in 2012. Dyneff France sales decreased to 1 607 thousand tons in 2012 (- 6.8 % compared to 2011).

The product breakdown illustrates market trends:

- Gasoline steady decline due to tax regulation which promote diesel motors
- Regulation accelerated heating Oil decline by making non-road diesel mandatory for motor uses (2011 new regulation).

Sales Dyneff France by product type (tons)

Sales Dyneff France by channel (tons)



- Although regulations changes should have strongly promoted diesel, its slight increase illustrates demand weakness due to economic environment and high prices.

All sales channels, except Trading, were affected by sales drop in 2012. This is mainly due to strong competition on prices for Wholesale clients (highly sensitive to price elasticity) and to a profit driven policy in other sales channels (focus on margins rather than volumes in order to consolidate

05

Retail
Dyneff France & Spain

profitability).

DYNEFF SPAIN

The Spanish market decreased by - 7.7 % in 2012 and - 20 % compared to 2008 due to extremely difficult economic context in Spain.

Dyneff Spain recorded a significant increase of heating oil sales due to new Trading contracts concluded.

Wholesale activity was affected by sales drop in 2012 due to bad economic conditions which drove Dyneff to accurately monitor customers' solvency.

B. KEY ACHIEVEMENTS IN 2012

Port-La-Nouvelle / EPPLN:

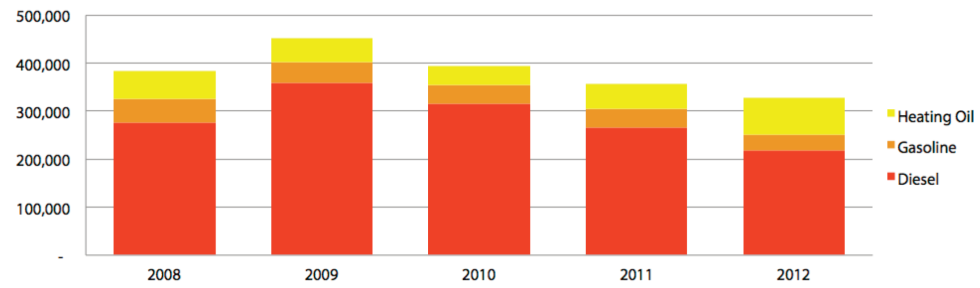
Implementation of a strategic project for Dyneff within the new major oil terminal in Port la Nouvelle in a 50/50 joint-venture with Total Group. With this project, which represents an investment of 38 million USD over 3 years, Dyneff maintains its position as a major actor in the Mediterranean area (40% of volumes will transit through this depot).

VILLAGE CATALAN:

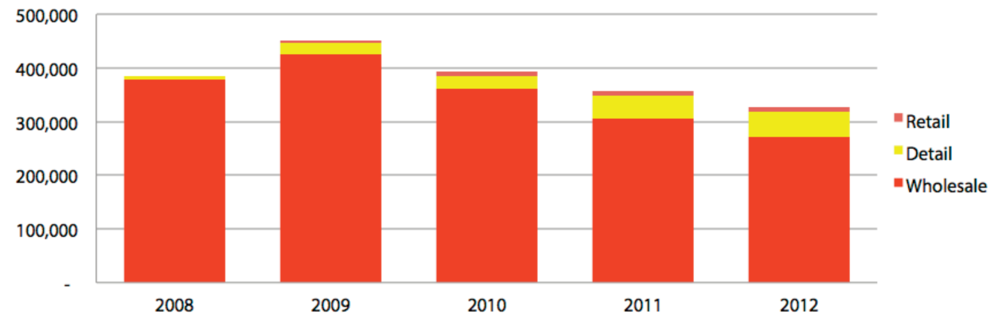
• A new motorway Gas Station was built on a major European motorway between France and Spain ("Village Catalan" project). Dyneff will operate this site in early January 2013.

NON ROAD DIESEL:

Sales Dyneff Spain by product type (tons)



Sales Dyneff Spain by channel (tons)



• Dyneff market share reached 5% for the Non Road Diesel distribution and its biofree NRD brand "GNR ZÉRO" being also successful.

• Launch of a Non Road Diesel dedicated to river shipping at the end of the year

E85 DEVELOPMENT:

E85 is a biofuel composed of up to 85% ethanol and 15% gasoline (unleaded 95). Using E85 helps to reduce greenhouse gas emissions and contributes to reduce global warming.

• Dyneff France continued its E85-Superthanol sales development by further investing in its gas stations network. At the end of 2012, Dyneff reached 12% national market share, expanding its E85 distribution network to 13 additional gas stations.

• Dyneff is currently the 3rd market player in E85 distribution in France.

05

Retail
Dyneff France & Spain

• Highly concerned with environmental protection, Dyneff will continue with this program in 2013.

ENERGY SAVING CERTIFICATES:
Dyneff concluded partnerships with construction companies in order to respond to the French regulation which obliges producers/retailers to promote energy savings.
• Plus, by selling its in excess Energy Saving Certificates to other market players, Dyneff recorded additional 5.6 million USD turnover in 2012.

KEY DIRECTIONS FOR 2013
• Full commissioning of operations in Village Catalan motorway station, with the finalization of the truck distribution platforms at the end of the year.
• Revamping of a major road gas station close to Montpellier Airport which will offer a "Boutique du Soleil" shop and a "Brioche Dorée" restaurant.
• Continue with the E85 Network development
• Development of Dyneff's commercial offer by introduction of complementary products such as motor oils (B to B) and pellets (B to C).• Renewal of several big account contracts representing a significant volumes increase in comparison with 2012.

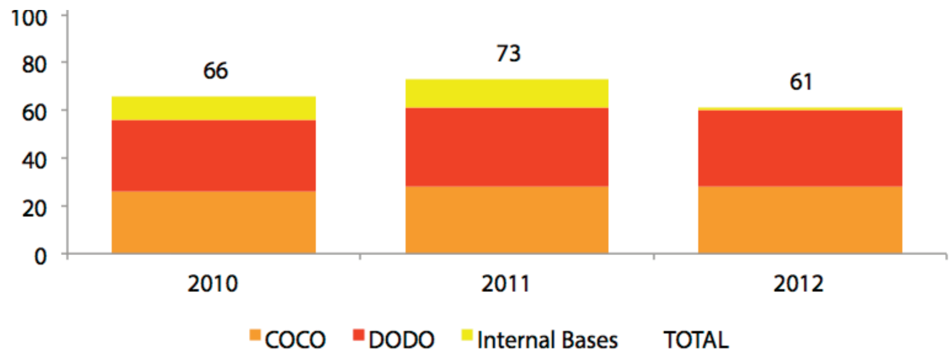
05 **Retail** Rompetrol Bulgaria

2012 was a year of operational improvement and better brand recognition for Rompetrol Bulgaria. Despite a well balanced (in terms of supply and demand) market, the economic turmoil influencing the local industry had a serious impact on the fuel sector.

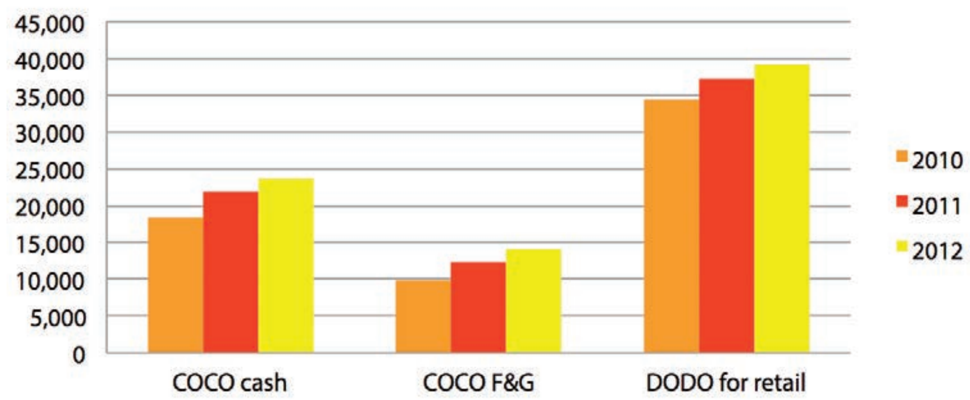
Rompetrol Bulgaria focused on a two-pronged strategy of profitability improvement and cost control in order to adequately face the challenges of the market. Improved performance management and prudent site evaluation invigorated the Retail Network and caused organic growth in the existing points of sale structure. Following strategy for restructuring and focus on profitability, most of the equipment of the Internal Bases channel (small fuel distribution points of 9 and 20cm) was relocated to Rompetrol Downstream (retail segment in Romania) where it will bring more profit to the group.

Despite the limited resources and tough economic conditions, the optimized network management and marketing have brought a 8% growth

Stations (no), end of period



Retail sales (tons)



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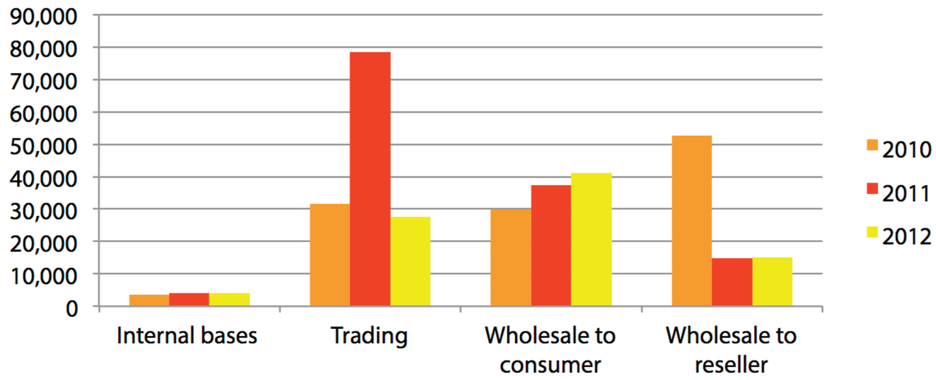
Retail
Rompetrol Bulgaria

in overall Retail sales, and 10% increase in the highest profitability channel, own stations (COCO). In 2012 most of the retail points of sale have registered an increase in average daily sales.
Portfolio optimization continued in the Wholesale Channels with extensive client profitability management and the application of a market tailored Commercial Policy. As a result, the available fuel volumes were distributed through sales channels based on profit optimization priorities. The sales in the most profitable channel increased with 10% compared to 2011. This increase was greatly supported by the broadened portfolio of wholesale clients.

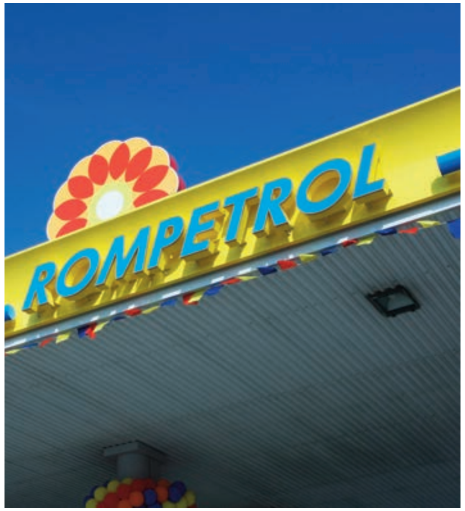
The other strategic direction started in 2010 was effective Cost Management. The combination of improved cost planning, procurement, and project management were among the most important initiatives that realized savings in operating expenses. The estimated effect of these initiatives in 2012 is a 5% overall cost reduction and increasing process quality.

One of the main achievements for 2012 was implementing the TLG project in all of Rompetrol Bulgaria's stations within the planned deadline and with compliance with government regulations.

Wholesale sales (tons)



MAIN PRIORITIES FOR 2013:
- Perform capital maintenance on existing stations
- Improve IT infrastructure
- Increase retail volumes with a minimum of 12%, volumes to consumers with 18%
- Continuous Improvements in Portfolio and Network management
- Increased Brand Recognition and Organic Market Share Growth



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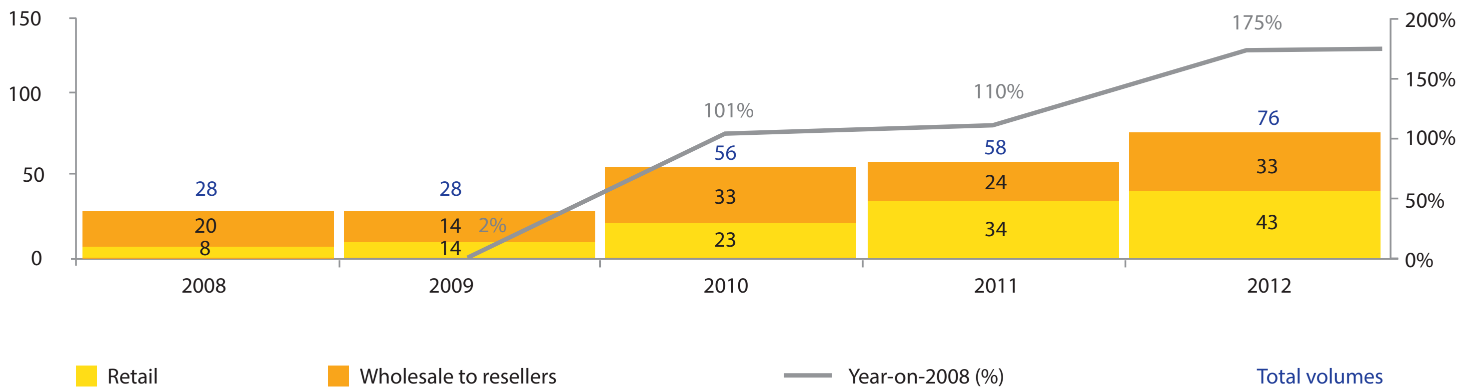
Retail
Rompetrol Moldova

Rompetrol Moldova sales evolution, Tons:



RETAIL MARKET OVERVIEW
In 2012, there were 26 traders operating under the license of import and wholesale trade of oil and only 4 players on the market had licenses for all types of activities on the fuel market.

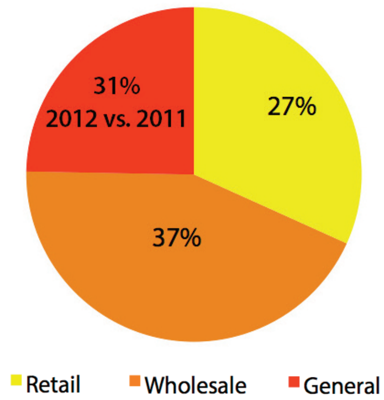
Retail trade activity of gasoline and diesel was done by 89 owners of licenses. Gasoline and diesel in retail was sold through 602 filling stations and liquefied gas through 385 stations.

ROMPETROL MOLDOVA RETAIL MARKET
In 2012, Rompetrol Moldova had a total value of imports of 51 Ktons, representing 9% of the total market share.

The company opened 6 new filling stations, operating a network of 50 filling stations at the end of the year.
All the fuels sold by Rompetrol Moldova in its network are imported exclusively from Petromidia Refinery. Starting with November 2012, Rompetrol Moldova started importing the new premium products EfixS, gasoline and diesel:

Rompetrol Moldova had an increase of sales in the retail channel by 27% and an increase of 37% in the wholesale channel, which generated a total increase of 31% in 2012 vs. 2011.

Rompetrol Moldova sales



In 2013, Rompetrol Moldova plans to develop its network in an extensive way, up to 62 Filling Stations.

05

Retail
Rompetrol Georgia

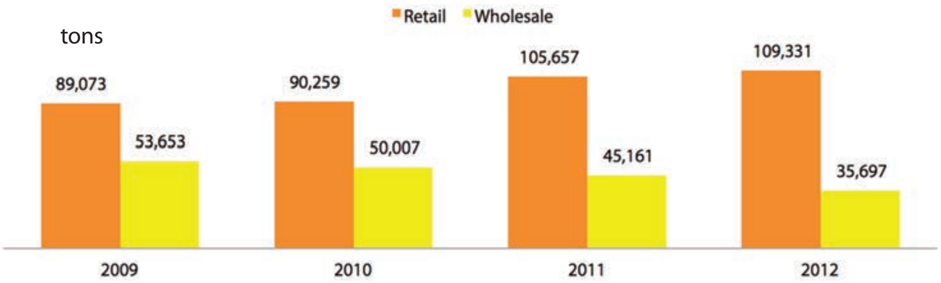
MARKET CONDITIONS
Rompetrol Georgia has successfully maintained the position of European High Quality fuel distributor on the market. In 2012, RPG had a market share of 15%, representing the share from the sale of fuel on the local market. It has four main competitors.

2012 was a profitable year for Rompetrol Georgia, which registered the highest EBITDA, of 11 million USD and Net Result of 7,7million USD. The slight decrease in wholesale was compensated with an increase in retail sales.

The local subsidiary of the Group completed the construction of five new gas stations in 2012, the national network currently having 71 fuel distribution points.

The 5 gas stations are part of a project aimed at developing a franchised distribution system, started in 2009, and they are located in Poti, Batumi and Gachiani, close to Tbilisi. The relevant works planned to align the stations to the Group's quality and safety standards, by modernizing the equipment and arranging the visual identification elements of the Rompetrol brand.

Sales Evolution 2009-2012



MAJOR ACCOMPLISHMENTS IN 2012:
• Rebuilding of control mechanisms over the critical business processes, namely various optimizations in terms of accounting, loss control, logistics, and other improvements that were accomplished.
• ERP system implementation (first launched in late 2012); the Enterprise resource planning system facilitates the integration of all the information within an organization into a single platform. The purpose of ERP is to ensure transparency of data within an organization and to facilitate access to any useful information in the activity.
• Promoting of higher margin channels/products had a positive effect on overall efficiency during the year;
• Supply chain loss decrease by 220 mt. vs. 2011 due to better control over the process; Optimization of outbound logistic costs;
• Significant improvement in QHSE operations resulted in decreased risk exposure;

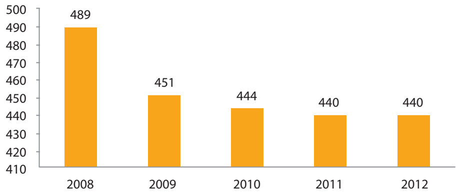
TENDENCIES FOR 2013, AND THE UPCOMING YEARS:
1. Increasing of retail sales portion in total sales via:
   a. Further network development;
   b. Corresponding marketing activities;
   c. Aggressive competitive campaigns;
   d. Participating in tenders.
2. Further costs optimization;
3. Considering the possibility of refreshing the product range.

05 Retail
Rompetrol Gas (RGS)

GENERAL 2012 MARKET OVERVIEW

In 2012 the total LPG consumption in Romania remained at same level compared to 2011.
Out of the 440 kmt of LPG consumed in 2012, 29% were consumed in the retail segment, while the wholesale segment represented 71% of the total consumption.

Total LPG Market evolution (thousand tons)



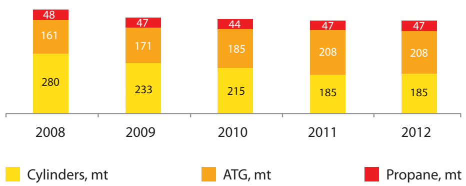
CHANGES IN COMPETITION TACTICS

During 2012, the demand for new cylinders increased significantly; there are regions in Romania where the product is sold exclusively in new cylinders and the rest of the country the old cylinders are losing ground day by day. Thus, the main RGS competitors on cylinders market have developed intensive programs for renew the cylinders pool and become very aggressive on the market.

KEY ACHIEVEMENTS IN 2012:

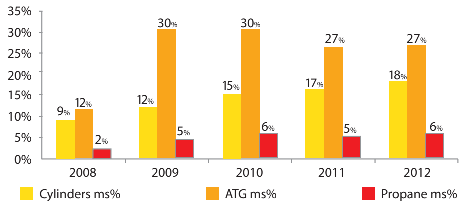
Consolidate of the current businesses and develop of on-going projects.
Rompetrol Gas maintained the same level of sold volumes in 2012 as in 2011 and managed to consolidate its position on Romanian LPG market, being the 2nd major player and the leader on Autogas market.
Rompetrol GAS market share in the total LPG market reached 21% in 2012.
A well-balanced channels sales structure permitted to be flexible on LPG dynamic markets – local and regional – and to obtain the maximum added value among any sales channel.

Rompetrol Gas Sales (,000 mt)



Rompetrol GAS succeeded in 2012 to maintain the retail sold volumes versus previous year, namely
See below market share evolution for every retail channel.

Retail channels market share evolution



KEY DIRECTIONS FOR 2013-2017

- Modernization of 70k cylinders;
- Open Filling Plant Bacau;
- Increase Arad terminal capacity;
- Decrease operations "costs per tonne" by increasing sold volumes through imports and sales optimization among sales channels

06 Upstream and industrial services

06

Upstream and industrial services
Rompetrol Well Services

ROMPETROL WELL SERVICES

Rompetrol Well Services (RWS) is one of the major suppliers of well services in Romania. The company offers a wide range of services for oil and gas wells on domestic market and in several countries of Eastern Europe and Central Asia.

MAJOR ACCOMPLISHMENTS IN 2012

• EBITDA increased by 15% and Net result increased by 48% compared with 2011
• Six new important customers acquired in Romania and five new customers acquired by our Kazakhstan Branch in addition to our traditional customers
• Investment worth $ 3 million, financed from company's own resources to improve cementing, stimulation and tubular running services
• Positive results and five new customers acquired by Kazakhstan Branch, after 3 consecutive years of stagnant results.

The professionalism and the quality of the services, sustained by over 60 years of tradition in well services, granted RWS in 2012 a record EBITDA of $9.4 million and net result of over $6 million.

After several years of stagnant or moderate growth, the year 2012 continued the trend recorded in 2011 of significant raising of the well services activity in Romania and consequently the increase of company's financial performance.

Despite the increasingly competitive environment, RWS succeeded to maintain its market share for the range of services provided in Romania while simultaneously raising the complexity of services rendered.

The overseas activity, representing 14% of the company's revenues in 2012, focused on the neighboring countries and Kazakhstan. While the Kazakhstan Branch recorded an increase of revenues by 160 % compared with the previous year, the whole overseas activity of the company was 130% higher than in 2011.

The equipment modernization program was focused on the upgrade of stimulation and tubular running services. RWS paid in 2012 particular attention to the development and implementation of a new data

06 **Upstream and industrial services** Rompetrol Well Services

acquisition system and simulation software for the acidizing services. The company conducted the training of its personnel, primarily done through in-house tuition programs, to ensure maximum benefit from the new state-of-the-art equipment put in operation in the last year.

RWS carries out specialized services in oil and gas fields in Romania and internationally. These services include cementing, consolidation and sand control services, stimulation, testing, slick-line, tubular running operations etc.

Annually, the company cases 300 strings and liners, ranging in depth from 500 to 4.500 meters and consolidates and performs sand control operations for more than 200 oil and gas wells.

Stimulation services and slick-line services and casing and liner running are accomplished with in-house resources. For the optimization of the activities, the company also offers a rental service for its drilling tools.

2013 KEY OBJECTIVES

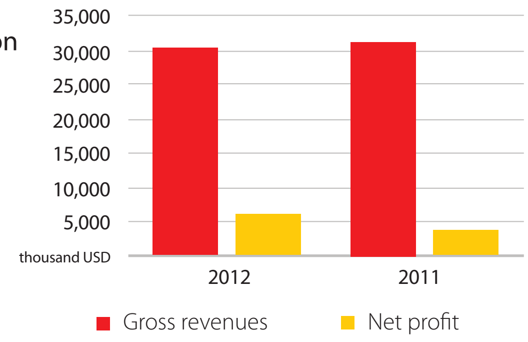
- Continue modernization of services focusing on cementing and stimulation services
- Consolidate market shares in Romania for all type of services rendered
- Start the implementation of the Development program focusing on business development in large demand area

To strengthen its market position in Romania, RWS will continue the modernization program for the services rendered by a capital investment program of $2.7 million USD.

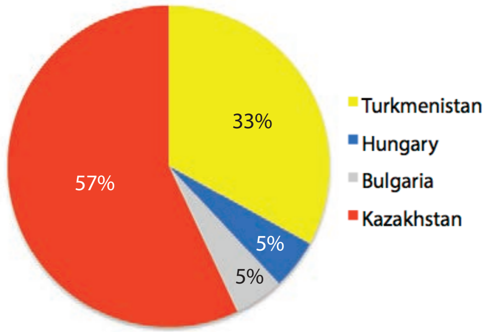
In 2013 we will prepare an extensive program of development, designed for the next five years, targeting development of new services and business development in large demand area.

RWS oversees all ongoing projects from its main office in Ploieşti, Romania, offering technical support for 13 locations in Romania and Kazakhstan.

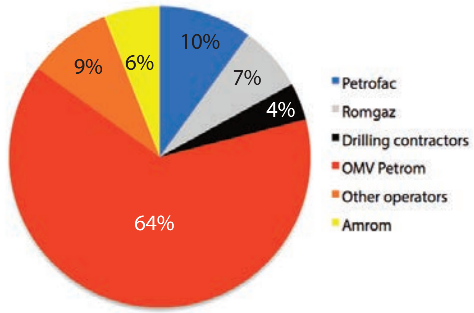
Evolution of the main financial figures



Overseas



Client structure - Domestic market



06

Upstream and industrial services

Rompetrol Exploration and Production

ROMPETROL EXPLORATION AND PRODUCTION

The Exploration and Production Division has intensified its activities focused on exploration of the five blocks leased by The Rompetrol Group in Romania. Therefore, E&P upgraded the leads and prospects portfolio based on seismic processing and interpretation. Between 2009-2011, the investments made by The Rompetrol Group and its main shareholder, KazMunayGas (KMG), for seismic acquisition were about 7 million USD.

In 2012, KMG has drilled the first well outside its borders, in Facsani block, leased by The Rompetrol Group since 2005.

The total investment made for Rompetrol exploration blocks in 2012 reached USD 11 million, consisting in drilling one deep well (5000m) in Focsani Block as well as preparing drilling for a new deep well (4200m) in Zegujani Block.

Another objective in 2012 for the Exploration & Production Division was to continue to attract new partners with financial potential and technical capabilities in the development of ongoing and prospect projects. In this regard, in October 2012, a Farm-out Agreement and Joint Operating Agreement were signed.

2012 KEY ACHIEVEMENTS

- The Rompetrol Group continued the exploration activities on the five blocks: Focșani, Zegujani, Satu Mare, Greșu and Nereju
- Rompetrol has fulfilled the minimum work program for all the blocks on the phases expiring on December 2012.
- Continued drilling program of one deep exploration well (5000m) - Kaz1 - NW Feteasca well on Focsani Block
- After the final 2D seismic interpretation report, a deep well (4200m) was designed and preparation of well site was done. Rompetrol has 100% working interest, as Zeta Petroleum (previous partner for North Zegujani) has withdrawn from the block.
- On Satu Mare, in 2012 we have acquired 80 km of 3D seismic data and interpretation was almost ready. NAMR approved entering phase II of exploration, consisting of 2 deep exploration wells and acquisition of 180 km² 3D seismic data. Outside of this program, for 2013, NAMR approved an 80 km 2-3 D seismic acquisition on Moftinu-East and drilling Moftinu 1001exploration well.
- On the Greșu and Nereju Blocks NAMR approved the partial assignment of working interest and operatorship to Amromco Energy Srl. And a Joint Operating Agreement (JOA) was signed.

2013 KEY OBJECTIVES

- To complete 80 km 2 - 3 D seismic data acquisition in the Satu Mare Block, together with Winstar Satu Mare.
- Preparation for drilling one deep well in Lupșa Drăgotești, in the Zegujani Block. Prospects were completed.
- NAMR to approve the assignment of partial working interest to Amromco Energy as well as operatorship on the Greșu and Nereju blocks and sign the Joint Operating Agreement.
- To drill one deep exploration well (TD=5000m) on Kaz1, in the Focșani Block.
- Identifying new production opportunities in the Romanian mature oil fields or developing production projects in the Caspian Region, Middle East and North Africa.

06

Upstream and industrial services
Drilling & Workover

ROMPETROL DRILLING AND WORKOVER

The Rompetrol Drilling and Workover Division has over 35 years of experience in drilling and workover operations, ranging from exploration drilling, production well drilling, well cementing, well fitting and testing, and up to rehabilitation and stimulation of production.

Thanks to continuous investments in technology, market studies, and a flexible business vision, the Drilling Division managed to win the respect of a market involving tough competition and the highest demands as to competency standards. The high quality service standards are supported by a management, whose procedures are certified with ISO 9001, ISO14001 and ISO18001,
by Germanischer Lloyd.

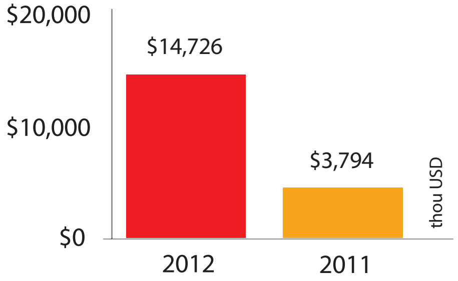
DW Division included in medium and long-term development plan the development of drilling and maintenance / workover operations thanks to the acquisition of new equipment.

Providing expert labor and professional services to the international oil and gas industry is guaranteed by over 550 wells drilled in Syria, Algeria, Egypt, Iraq, Jordan, Libya, Sudan, and Greece and over 180 workovered wells in Libya.

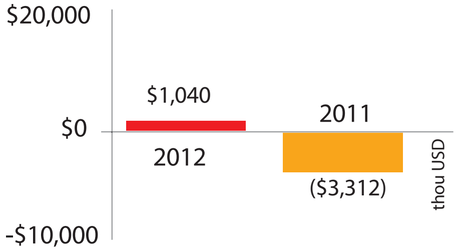
In 2012, the Drilling Division has focused on continuing and developing the relationship with the traditional clients, making efforts to continuously improve our performance and to earn new clients through our excellent performance, quality and safe services.

The Turnover achieved in 2012 registered a 288% increase against 2011, while the net profit was with 131% higher than 2011 figures.

Turnover 2012 vs 2011



Net profit 2012 vs 2011



DRILLING DIVISION 2012 EXECUTIVE SUMMARY

- The Rompetrol Goup, through it's Drilling and Workover Division, resumed the activities in Libia, suspended in 2011 because of the Libyan Civil War, the three rigs started in normal conditions for the clients Akakus Oil Operations and Harouge Oil Operations.
- D&W Division performed drilling services and mud logging services for OMV Petrom in Romania.
- One mud logging unit also performed services for KAZ 1 well, on Rompetrol concession, Focșani.
- Following Germanicher Lloyd surveillance audit, the Integrated Management System certifications were extended (ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007).

DRILLING DIVISION 2013 BUSINESS TARGETS

- Highly participation in the development of exploration blocks of Rompetrol.
- Strengthening and further development of excellent cooperation with existing customers: Harouge Oil Operations (PetroCanada) and Akakus Oil Operations (Repsol) for drilling, workover and consultancy services in Libya.
- Expand overseas drilling and workover operations in Europe and MENA.
- Development of new services that require small investments with high impact on clients.
- Maintaining all Integrated Management System certifications.

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Upstream and industrial services

Rompetrol Quality Control

ROMPETROL QUALITY CONTROL - RQC

The Laboratory Division of The Rompetrol Group, Rompetrol Quality Control – RQC, is one of the top companies on the national market of laboratory analysis. Since its establishment in 2004, RQC granted an ongoing support to its customers (both TRG companies and external customers) efforts in identifying and implementing the most safe and effective ways in order to protect the environment and provide the high product quality.

Despite the still unfavorable economic situation, in 2012 the company continued to develop and improve its performance, managing to retain current customers and attract new partners.

By maintaining business activities at the same high quality standards, RQC fulfilled a major objective for 2012: renewal of the main accreditation certificates awarded by RENAR and GERMANISCHER LLOYD. These accreditations provide technical competence guarantee, the impartiality and integrity of RQC laboratories and protection of consumer interests. Certificates of accreditation represent an important tool used strengthening relationships with existing customers and attracting new customers as well.

Security and health protection have always been and remain the main priorities of TRG and RQC. The company operates its activity in continuing compliance with the regulations on security and health protection of employees, by implementing the ongoing training program for personnel in the field and by providing optimal conditions for carrying out activities. Another realization of 2012 is the achievement of the objective "zero accidents" within the laboratories RQC.

The quality of services provided by RQC was recognized year by year by the major customers RQC outside TRG:

• Ministry of Economy and Finance by participating since 2005 in the project monitoring process funded by the EU on observing common rules of introducing diesel and gasoline on the Romanian market..
• ArcelorMittal Galați by participating in the environment monitoring of the largest steel plant in Romania since 2008.

The two relationships that contributed to the consolidation of the company's position on the Romanian market proceeded in 2012 as well.

Attracting new customers outside TRG was and remains one of the main objectives of the company. The development of the customer portfolio outside TRG resulted in 2012 by starting necessary procedures for concluding new contracts on providing gas analysis required by EU Regulation no.601/2012 in accordance with the Directive 2003/87/CE on monitoring and reporting greenhouse gas emissions.

RGC meets customers demand with a wide analysis range in order to satisfy all their needs according to the Romanian and European applicable law in this sphere:

• Petroleum products complete analysis (crude-oil, gasoline, diesel, GPL, kerosene, petroleum fractions, cocks and petroleum sulfur, ecological fuels – biodiesel and bio-ethanol, bitumen etc.)
• Water complete analysis (chemical impure water, process water, drinking water, drainage water, cooling water, softened water, desalinated water, boiler water, pool water, steam, condensate, phreatic water etc.)
• Soil complete analysis (industrial soils, agricultural soils, industrial sludge)
• Air complete analysis (physical and chemical pollutants in the workplaces and protected areas air by determining appropriate concentrations)
• Explosimetric analysis (by determining explosion danger availability at working

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Upstream and industrial services

Rompetrol Quality Control

with open fire in the industrial environment and closed vessels)
• Medical and bio-toxicological analysis (quantitative and qualitative determination of different specific components)
• Physical and chemical pollutants analysis at workplaces (by observing effective labor protection provisions)
• Weather factors, environment and specific microclimates.

Accuracy of carried out processes and analysis are confirmed by the certificates obtained and maintained by RQC which create the necessary tools for extending customer portfolio and consolidating the company's position in the industrial analysis market:

• RENAR – Accreditation Association of Romania. All three laboratories RQC are accredited in accordance with the standard SR EN ISO 17025:2005, certification issued by the Accreditation Association of Romania (RENAR), the only national institution that certifies standards of laboratory activities. Therefore, RQC analyzes are recognized in over 70 countries around the world that signed the international recognition agreements (I.L.A.C, M.L.A., E.A.) concluded by RENAR.
• Germanischer Lloyd (2008) certified RQC for the Management Integrated System: Quality (ISO 9001), Environment (ISO 14001) Labor Protection (QHSAS 18001);
• The Romanian Railway Authority (AFER) – licenses for testing products used in railway transport (environment parameters);
• State Inspection for Boilers, Recipients under Pressure and Hoisting Units (ISCIR) – licenses for testing boiler water;
• Ministry of Health (Public Health Department) – authorization to perform professional measurements of toxic emissions.

Efforts exerted in order to improve the company's services are confirmed by certificates of excellence obtained by constant participation of the company in international programs of proficiency testing (proficiency tests - PT) and collaboration with international research centers (Spain, Netherlands). Participation in PT assessments provide a better guarantee for its customers ensuring that test results are accurate and retain their integrity when the sample is retested in other laboratories. Testing at an international level inspires trust and confidence that laboratories RQC ensure constant accurate results, the fact that is of fundamental importance for the laboratory itself, for the organization to which it belongs and for the beneficiaries (including potential) and accreditation and regulatory bodies.

RQC managed to keep its major customers loyalty and to enter into new partnerships, despite unfavorable economic conditions. The RQC is still a competent partner for the major companies of independent inspectors operating on Constanta port platform for its specific analyzes of petroleum products imported / exported through the port of Constanta and for performing monitoring of the specific factors for companies in most areas of the country through its environmental laboratories.

Business environment affected by the economic crisis that Romania passed since 2008 has influenced the company economic indicators. However, due to efficient cost-reduction activities, as of end of the financial year 2012 RQC managed the best results registered since its establishment in 2004.

In 2012, as well, RQC succeeded to maintain its liquidity and financial independence. As during previous years, the company continued to develop and carry out business activities on its own financial resources, without requiring external funding, thus providing solvency and partners confidence.

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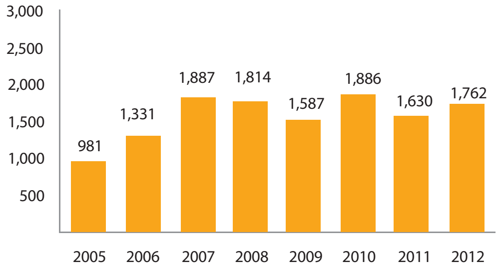
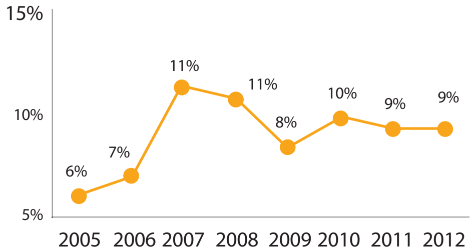
Upstream and industrial services

Rompetrol Quality Control

RQC non-group income (lei, thousands)



Non-group income dynamics in the total turnover



OBJECTIVES FOR 2013

One of the main objectives of RQC for 2013 is the expansion of petrochemicals currently conditioned by taking over the laboratory held by Rompetrol Petrochemicals that provided the widening the services range with new laboratory analysis.

Another important objective is to increase market share and revenue by providing gas monitoring starting from 1 January 2013 and by attracting new customers outside the Group on the analysis petrochemicals market. Achieving this goal will ensure company's income growth from TRG external customers with minimum 36% in 2013, so the estimation of the total turnover being 13%.

The company also aims to maintain the accreditations from RENAR and GERMANISCHER LLOYD and to prolong them for the new analysis types to be realized in 2013. Being an important marketing instrument, these certifications have a major role both in consolidating relationships with available customers and in attracting new business partners.

"Zero accidents" realization in RQC laboratories, operational expenses optimization and financial performance improvement also represent constant company concernments.

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Upstream and industrial services
Rominserv

2012 ACHIEVEMENTS

STRATEGIC PROJECTS FOR ROMPETROL

The main objective for the general constructor of the Rompetrol Group, Rominserv, in 2012 was to successfully conduct the completion of all projects related to the modernization program of Petromidia refinery started in 2006.
The modernization of Petromidia refinery focused on nine major projects: the construction of five new facilities (factory mild hydrocracker, hydrogen plant and sulfur recovery plant treating waste gas, air separation plant for production of liquid nitrogen and a new flare system) and modernization / expansion of four existing facilities (catalytic cracking facility, processing plant desulfurization vacuum distillate diesel desulphurisation, Amine systems, gas desulphurisation plants and sulfur recovery - stoves Claus).
Rominserv coordinated the works, with over 280 companies involved (construction and assembly, design, manufacturers and suppliers), 3,500 people, 200 pieces - 5,600 tons, 2,400 tons and 280,000 centimeters pipe welding, land consolidation, 130 km grid.

TURNKEY PROJECTS

1. Mild Hydro-Cracking Plant, the largest individual project reaching a capacity of 220 m3/h, guarantees a 30% conversion and max 100 ppm of unconverted gasoil (FCC feed). It was a special project also due to its outstanding particularities: plant web implementation, special design for space savings, special soil consolidation, special materials for reactors fabrication – CrMo (V) steel plates and special heavy lifting (equipments in excess of 450 Tons).

2. Green Field Hydrogen Plant is capable of producing 40,000 Nm3/h with a purity of 99.98% H2 at a pressure of 86 bar/min. Outstanding particularities of the project consist of delivering: high purity H2 at high pressures, the latest generation of PSA, plant web implementation, special design for space saving and special soil consolidation.

3. New Sulphur Recovery Unit and Tail Gas Treatment Unit (SRU & TGT) – through this project Petromidia refinery succeeded to fulfill the environmental regulations for the recovery of sulphur and SO2 emissions (max 1000 mgSO2/Nm3). The project delivered a new SRU of 220 tons of sulphur/day capacity and a new TGT unit of 250 tons/day capacity. Outstanding particularities of the project: over 70 installed equipments, underground piping and cables were installed with the refinery operating and exceeding technical challenges in positioning drums at high depth beneath sea level.

4. New flare system implying 3 John Zink flare tips for low pressure, high pressure and catalytic cracking for Petromidia refinery. From the outstanding particularities of the project we look upon: the impressive height of the flare stack (over 120m), smokeless operation, fully automated operation and integration with the refinery DCS.

VEGA REFINERY

Rominserv is also coordinating the modernization works at Vega Refinery. In 2012, a vacuum column was replaced, as part of the Modernization of the Vacuum Distillation Unit (VDU), a project which will deliver an upgraded vacuum system, DCS integration, upgraded I&C hardware and an increased safety in refinery operation.

PROFFESIONAL MAINTENANCE SERVICES

Rominserv managed to perform at a professional level, in respect to the maintenance operations both in Petromidia and Vega platforms, succeeding to achieve all key performance indicators for maintenance budgets and mechanical availability. As a plus for ROMINSERV's technicians, they managed to achieve the highest

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Upstream and industrial services
Rominserv

mechanical availability in the history of Petromidia, that reached 96.37% in 2012, a figure that places Petromidia between the top European refineries. The mechanical availability ensured by ROMINSERV's technicians enhanced the operational performance of the refinery resulting in larger quantities of processed crude and significant savings in the operating expense budgets.
The excellent results were possible due to constant improving of the maintenance operations through streamline planned maintenance, state of the art condition based monitoring techniques, custom online inspection, accurate fault reporting, strong inter-cooperation with the Engineering department and continuous improvement of the human resources involved in maintenance operations through training and development programs.

NON GROUP BUSINESS DEVELOPMENT

Although the industrial market registered a downfall in the past years in Romania, ROMINSERV managed to cut a share of the market by signing contracts or winning tenders in Oil & Gas and Water Management Infrastructure:
In February 2012 ROMINSERV, as Lead partner in a local joint venture, signed a contract amounted to USD 4 million with RAJA Constanta, the largest regional operator in potable water supply to population and waste water treatment in ROMANIA. The EPC project aims to rehabilitate and develop the water supply and sewage system and build three new waste water pumping units in Palazu district, Constanta Municipality. The project is scheduled to finish in August 2013.
At the end of 2012, ROMINSERV was awarded two (2) EPC tender contracts by PETROTEL LUKOIL, the operating company of LUKOIL's Romanian refinery located in Ploiesti.
Also in 2012 an important company became a Rominserv client, namely CNE Cernavoda, the operational branch of NUCLEARELECTRICA Romania and the operator of Cernavoda Nuclear Power Plant. A first business has been concluded consisting in two (2) contracts for Plant's diesel tankfarm rehabilitation.

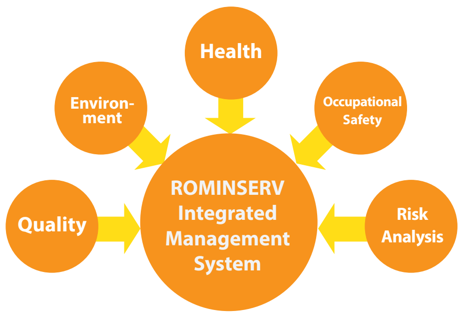
QHSE PERFORMANCE

As a specialized company which integrates industrial services, maintenance, project management and technical upgrades, ROMINSERV maintained an Integrated Management System in 2012 which implied constant concern for:
Continuous Quality Control – In 2012 ROMINSERV's Quality Management System was designated by Germanischer Lloyd to meet all requirements of ISO 9001:2008 standard.

Guaranteed Health and Safety of our employees and subcontracted workers – In 2012 we committed to our goal to have "Zero Injuries and Incidents" registering 1.15 million work hours without LTI - Loss time injuries. During 2012, ROMINSERV's Safety Management System was designated by Germanischer Lloyd to meet all requirements of BS OHSAS 18001:2007 standard.

Minimum Environmental impact of our operations by strictly complying with legal requirements, adopting a proactive attitude towards energy saving and performing an efficient waste management process. During 2012, ROMINSERV's Environment Management System was designated by Germanischer Lloyd to meet all requirements of DIN EN ISO 14001:2009 standard.

FINANCIAL PERFORMANCE



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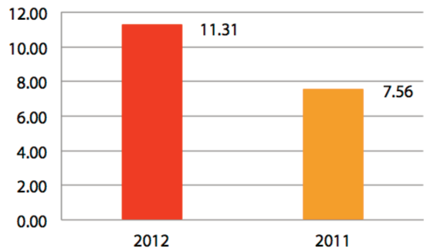
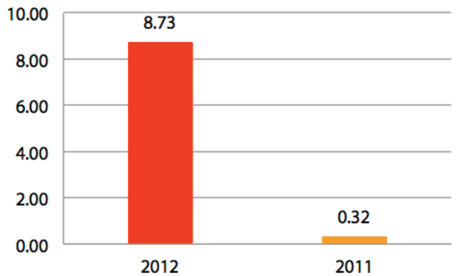
Upstream and industrial services
Rominserv

Rominserv operations and technical performance was backed-up by the financial results of 2012. ROMISERV 2012 turnover of USD 143 million places the company between the lead EPC contractors and industrial services integrators in Romania. The financial metric indicators show the operational performance of ROMINSERV business - EBITDA and Net revenue indicators increased versus the past year, USD 11.31 million in 2012 versus USD 7.56 million in 2011 for EBITDA and USD 8.73 million in 2012 versus USD 0.32 million for Net result.

EBITDA (mil USD)



Net result (mil USD)



2013 OBJECTIVES

An important objective for 2013 is to materialize Rominserv opportunities for business development in the Republic of Kazakhstan, opportunities that will create premises for carrying out a significant volume of services and works during 2013-2016 and also will ensure value capitalization of Rominserv capabilities and experience in the field of EPC projects and maintenance in Refining & Petrochemical industries.

The company is aiming to extend its activities to emergent countries like Libya, Kuwait and Saudi Arabia. Regarding Maintenance operations for 2013, the main aim is to maintain a high level of plant mechanical availability and specifically to perform all the works related to the Petromidia Refinery planned shutdown and Turn Around in March 2013 in a safe and professional manner.

In the VEGA refinery, all efforts will be focused on successful commissioning and handing over of the Modernization of the Vacuum Distillation Unit (VDU) project.

Quality control will be a focus area for ROMINSERV in 2013, as well as aiming to improve client satisfaction during project execution, work quality and business process.

Financial performance will continue to be an important objective for ROMINSERV, achieved through GA cost optimization, improved contract management and increasing non group revenues.

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Upstream and industrial services

Rominserv Valves Iaifo

MAJOR PERFORMANCE AND ACCOMPLISHMENTS IN 2012

Rominserv Valves Iaifo has continued in 2012 to contribute to The Rompetrol Group's strategic goal, to grow the capacity program at Petromidia Refinery, by delivering more than 4.000 pieces of iron and steel industrial valves.

Regarding the valve activity, Rominserv Valves Iaifo has continued to adjust its business strategy according to the evolution of the market demand, as well as the price of raw materials and the production cost.
Rominserv Valves Iaifo has continued the program for compliance to the Environment Program in 2012, with the deadline in first half of the year.

THE VALVES MARKET

The general fittings market trends follow the industrial oil market developments closely. Therefore, the rising oil prices cause massive investments, which will increase demand for valves.
On the other hand, the traditional products market is constantly declining as production is geared towards small series made of special materials in a centralized system. Regarding cast parts, the demand for these products will increase significantly as a result of closure activities of most factories in the European Community and the United States because of market conditions and environmental legislation, requiring major investments.

THE ROMANIAN FITTING MARKET

In Romania, there are 10 manufacturers of valves that act on different market segments, interfering only in a proportion of 7-8%. Nevertheless, the market is radically influenced by importers of products at very low prices, made in China, Taiwan and Turkey. These products are used primarily for projects that do not require any special construction, such as water or heat.
In the second part of 2012, analysts observed the growth of import products used in the oil and gas industry that do not meet the special legal requirements.

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Upstream and industrial services
Rominserv Valves Iaifo

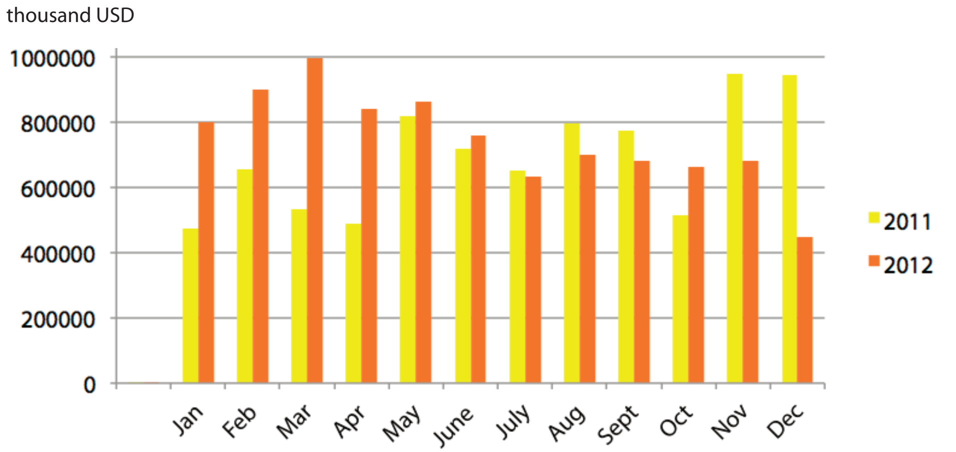
ROMINSERV IAIFO ZALĂU PRODUCTS (RIS VALVES IAIFO)

• Oil processing industry, transport and storage of oil and gas.
• Refining and Petrochemical
• Energy industry
• Infrastructure of steam, water, heat

During 2012, RIS Valves Iaifo homologated a series of new products, such as:
• gate valve body PN 40 DN 50 acc to Persta procedure (prototype 1 pc, zero series 5 pc, series homologation)
• over 50 types of parts acc to a plan established by GEA Refrigeration company
• oil and ammonia filters also for the company GEA,
• 21 new parts for the company SYSMEC Arad
• Rominserv Valves Iaifo has homologated a new material grade CA6NM, for cast parts.
• other sizes of the gate valves expandable type used in the oilfield industry for drilling and production operations for noncorrosive or light corrosive fluids
• ball valve fire safe variant, Rominserv Valves Iaifo obtained the certificate API 607 for this type of valve

The strategy of Rominserv Valves Iaifo, adapted to market conditions, reflected the financial results achieved in 2012, a turnover of 8,96 mil USD, a 7% increase compared to 2011.

Total sales



Being the biggest producer of fittings and valves in România, 75% of production has been sold internally and the rest were exported to Germany, Italy, France, Austria and Bulgaria.

MAIN OBJECTIVES FOR 2013

The main objectives of Valves Iaifo in 2013 include promotion and sale of new products assimilated in 2012, homologation and sale of new products, increase of the Marketing activity to promote new products and to develop new markets. Even the international market is dominated by companies from China, India and Turkey, as a direct cause of low prices. The quality of the products made by Rominserv Iaifo Zalău will allow entrance in new markets, from the Black Sea region and Kazakhstan.

The expansion of the range of products of Rominserv Valves Iaifo is part of the strategy to increase the turnover by execution and commercialization of marketable cast parts. In addition to the basic products, Rominserv Valves Iaifo Zalau has also turned to those executed based on beneficiaries' documentation, which confers it an important advantage on the profile market. Such success offers perspectives for a future collaboration for big-dimension parts in a market under continuous development.

For 2013, Rominserv Valves is on target to increase the turnover to 10,07 million USD, with the support of sales on cast parts, and also increasing orders from existing partners.

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Upstream and industrial services
Palplast

Palplast is one of the important producers on Romanian HDPE pipes and fittings market, with a share market that grows from year to year. The company managed to achieve this market status by adjusting the business strategy according to the evolution of the market demand, focusing on infrastructure and agriculture projects and resizing the production costs and the pipe prices.

In the Romanian market, projects for rehabilitation and expansion of water and sewerage during 2013-2017 are estimated at 3.4 billion Euros. The interest shown by the Romanian authorities and by the EU for the rehabilitation and extension of irrigation networks is continuously increasing, therefore Palplast is focused on developing new business partners with agriculture producers.

2012 KEY ACHIEVEMENTS:
In 2012, the company became profitable and all indicators were significantly higher than in 2011. The results were higher in 2012 than „2009 – 2011" period.

Moreover, in 2012 we obtained with 447 kusd EBITDA more than 2011 and with 300 kusd Net profit more than 2011.

Palplast's products became competitive on the market in terms of price due to production cost reduction in 2012, meaning reduction of technological waste and energy consumption.
Palplast succeeded to increase the

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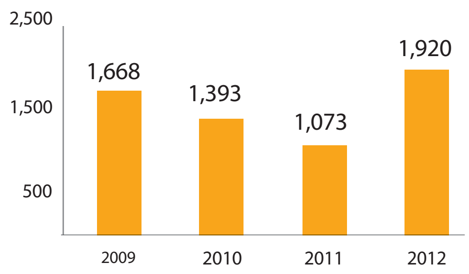
Upstream and industrial services

Palplast

clients portfolio with 204 new clients and has increased the number of external and internal raw material suppliers.

Also in 2012, Palplast has signed new contracts for agriculture area and for protection optic cables, also barter contracts for trading with PVC pipes, armatures and fittings.

Pipe sold (tons)



With intention to develop the sinergy between companies Palplast and Rompetrol Petrochemicals, in December 2012 we started testing, in our own Laboratory, new sort of HDPE produced by Rompetrol Petrochemicals. Taking in consideration that first test results were encouriging, we are positive that in the near future this action will lead to production of Palplast's HDPE pipes with new material from Rompetrol Petrochemicals.

In 2012, the company's strategy has also included a series of cost control and reduction actions, as well as the implementation of effective business strategies in its relationship with suppliers and customers.
In 2012, Palplast had a turnover of 5.2 million USD with a production of 1920 tons of pipe.
Palplast's market share has risen along with the sales volume.

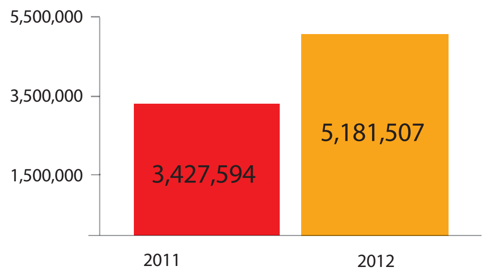
2013 KEY OBJECTIVES

For the year 2013, the company is estimated an increasing turnover with 49% vs. the previous year. Having this in consideration, we intend to introduce our products on neighbouring countries, starting with the Bulgarian market and in the Moldavian Republic, countries in which we are already in negations with construction companies.

Another objective in 2013 is the trading activity. Thus our goal is to conclude contracts with foreign producers of pumping stations, fittings, valves to support the customers and to provide them a complete offer, from water supply and gas to sewage.
Also, Palplast intend to participate in auctions of execution services such as water supply and sewerage, with various construction companies.
The company's strategy for 2013 also includes the signing of contracts in every major city, in order to represent Palplast 's deposits of products in the territory; this measure will lead to a better representation, besides its own agents, of Palplast products.
For a better coverage area and contracting clients, Palplast is going to develop a Commercial department by increasing number of sales representatives.

In 2013, Palplast intend to upgrade the production line and also to continue to reduce failures and to increase line performance by 15%, by increasing number of maintenance engineers.

Turnover (USD)



06

Upstream and industrial services
Ecomaster

ECOMASTER

Ecomaster, part of the Rompetrol Group, is the biggest provider of integrated environmental services for hazardous industrial waste in Romania.
In more than 12 years of activity, the company has reached a level of capability and expertise allowing it to mange hazardous waste as general contractor or subcontractor within the framework of complex environmental projects.

2012 KEY ACHEIVEMENTS

- Development of the Partnerships National Program in collaboration with regional companies generating waste and companies whose object of activity is waste collecting (over 60 partners).
- Collecting, treatment and disposal of about 11,000 tons of hazardous waste.
- In 2012 the program of identifying generators and collectors of hazardous waste has continued in order to sign new contracts for waste storage in Ecopark.
- The program for developing partnerships has allowed for the providing of integrated services of waste management both directly and through transportation, treatment, neutralization, stabilization, final disposal so that we are in possession of overall waste management, at the same time ensuring the traceability and economical efficiency principle.
- The unit for treating and automatic packing of hazardous waste has been put into operation and has allowed the taking over for purposes of treating and final disposal of an extended range of waste.
- Ecomaster has collected and disposed of over 16.000 tons of sludge from the Rompetrol Refining Sludge Lagoon 3.

2013 KEY OBJECTIVES

- Concluding of strategic partnerships in order to increase the market share and accessing of major environmental projects (thermal desorption, units for soil treatment, bioremediation, centrifugation).
- Targeting to participate in auctions, organized for environmental works and activities of hazardous waste disposal.
- Focusing on identifying major waste generators in order to conclude ecologization contracts and contracts for waste disposal/mastering.
- Soil ecologization within Exploration and Production activities.
- Disposal of waste formed during drilling activity.
- Transportation and disposal of waste formed during demolitions.
- Transportation and disposal of waste formed during projects of rehabilitating contaminated sites.
- Disposal of waste formed during tanks cleaning.
- Applying TRET service capabilities in major treatment and decontaminating projects.
- Widening the range of provided services by means of taking over and implementation a broader range of collected waste, such as:
    - hazardous waste: tank sludge, oil and crude oil containing mud, coal sludge, etc.;
    - non-hazardous waste: dead-catalysts;
    - recyclable waste: automotive batteries, paper, plastic, iron, DEE, etc. waste.

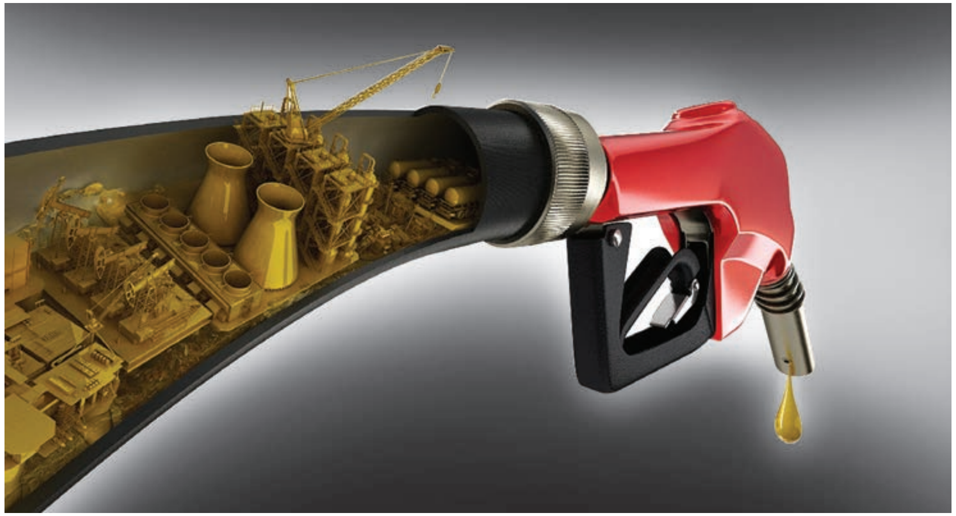
ECOPARK DEVELOPMENT

Ecomaster's objective is the development of important partnerships with key players on regional markets in order to consolidate the technological capacities of the company.

07 Marketing

07

Marketing



ROMPETROL - BRAND ESSENCE

The desire to succeed is written in our genetic code. The difference is given by the way we act for the fulfillment. And here comes the passion.

The passion makes our desires and dreams become real. The passion is the source of energy that helps to step over the obstacles and reach our goals.

Our core values are

• International recognition
• Revolution
• Applied creativity

2012 BRAND PRESENCE

In a dynamic market, in which the consumer is well informed and the decision is influenced by the quality of the products, services and brand reputation, Rompetrol succeeded to respond to the customer's needs and to keep its position within the top oil and gas companies.

The purpose of 2012 was to increase the brand equity by consolidating a corporate brand involved in growing the quality standards of its products, services and community life.

That's why the Image Campaign was focused on the company's strongest asset- the fuel quality- by mentioning the fact that the company controls every step in the way of the oil from the Kazakh ground to the Romanian pumps so that the consumers receive the best quality of fuel. The image campaign was communicated mainly on TV, print and point of sales.

KV simulation of a Facebook page with 30000 likes – to be inserted

Meanwhile, with a consumer-oriented social media strategy with quality content and engaging applications, Rompetrol was one of the most active brands on Facebook.

Although it is a difficult category, Rompetrol became a popular social media brand, with positive feedback and key opinion leaders that took our message further throughout the online community.

In December 2012, our Facebook community gathered around 30,000 fans. Constantly growing, our brand became a "friend" that gives the consumers constant useful information and also a lot of fun opportunities – just like a modern and innovative brand should.

EFIX BRAND

In 2012, The Rompetrol Group has made a major change in its main domain of activity: fuels. The company has changed the fuel strategy from having 2 brands to having ONE FUEL brand family – Efix, with standard and premium products. The change was made by replacing the former premium product, Alto, with EfixS, making so an extension of the

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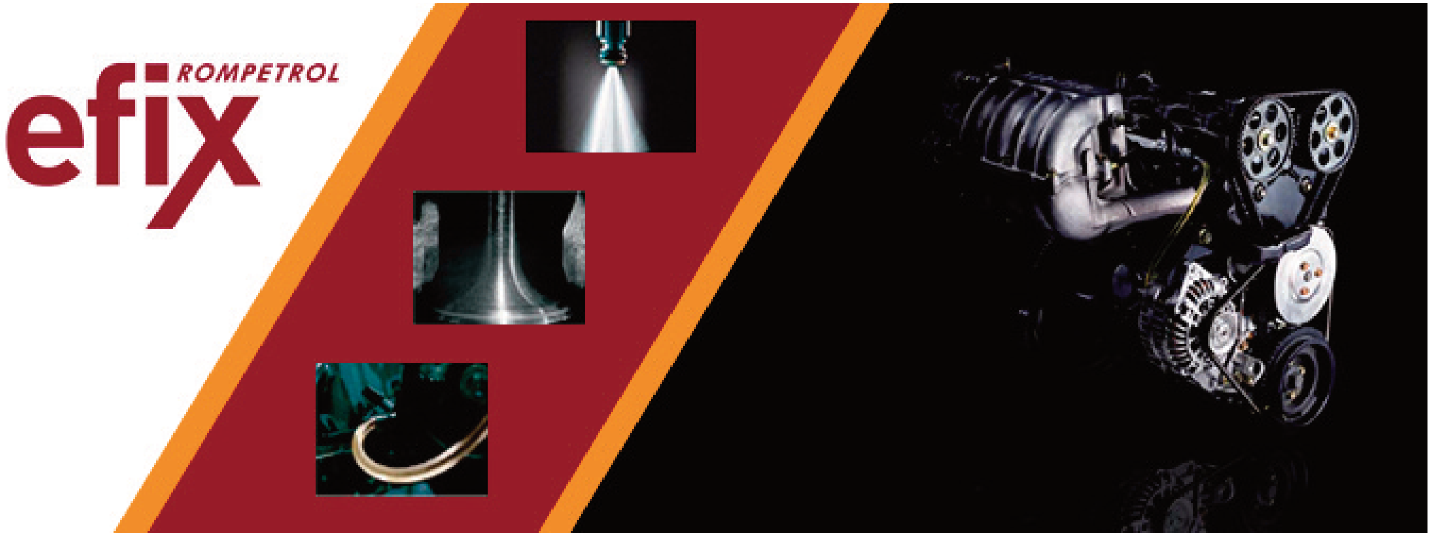
Marketing



most well know fuel brand on the Romanian market - Efix.

The change was driven by the desire to innovate and to respond to consumer needs, bringing production and logistics savings for the company and also focusing the communication budget on just one brand, bringing more effects on market.
The new EfixS offers the same Efix engine protection, while adding extra power. The new value (power) added to the Efix brand will increase general Efix brand equity and mass market sales will also benefit from it.
In 2012, the Efix Brand implemented a new image campaign, having as objectives to reinforce Efix as a clever choice by promoting its economical customer values and to increase brand awareness and indicators. The campaign was very successful and succeeded in increasing brand indicators, strengthening the product's number one position, and growing the gap between Efix and other brands on the market.

The 2012 image campaign was the first campaign that was aligned and implemented in all the Rompetrol countries: Romania, Moldova, Bulgaria and Georgia.
The EfixS fuel brand was also launched also on the Moldavian market.

PROMOTIONAL ACTIVITY
In 2012, The Rompetrol Group implemented promotional activities seeking to secure the seasonal increase of volumes by running promotional campaigns.

The most intense promotional activity was a 20 week campaign in Bulgaria, the only entity covering both summer and winter periods. In Romania and Moldova, Rompetrol focused only on winter promotion and in Georgia had a 2 week co-branded promotion in May.

08 Corporate social responsibility

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Corporate social responsibility

CORPORATE SOCIAL RESPONSIBILITY

The Rompetrol Group (TRG) considers social responsibility as a voluntary contribution to development in society, connected with the basic activity of the company, the international laws and the resources of the group.

MISSION AND VALUES

As a leading Corporate Citizen, The Rompetrol Group seeks to act responsibly in all activities. As a global company whose success has been built on innovation, passion through quality and individual leadership, we require high Corporate and Personal Responsibility standards wherever we operate – with the ultimate aim of improving our business and the quality of life of those we impact.

We are committed to:

1. Sustainable, responsible development which extends through and beyond the life of our operations;
2. Operating ethically and responsibly with respect for the safety, health and welfare of our employees and partners in the community;
3. Best practices in corporate governance as it affects all of our communities of stakeholders, including our employees, local and regional communities, suppliers, investors and partners;
4. Investing time and energy in promoting the spirit of leadership through entrepreneurial and educational pursuits.

Our commitment to CSR provides a guiding framework for all our management decisions and we focus particularly on harnessing industry best practice by encouraging Company and Community participation in corporate citizenship projects focused on raising the standards in the areas of: Business success, Environment, Health and Safety, Community Responsibility, Youth Education and Leadership.

GUIDING PRINCIPLES

The spirit of The Rompetrol Group's approach towards CSR is reflected in our corporate motto, "Energy for Life," which is a call to ongoing, active involvement in projects that meet our CSR goals.

Rompetrol defines the following guiding principles of its CSR Policy:

1. Respect Employees: To respect employees and help enhance their life through development opportunities and employment practices grounded on equal opportunity and Occupational and Safety Best Practices;
2. Ongoing Involvement: To involve at an appropriate level the authorities, community, and other concerned stakeholders in all decisions that affect them;
3. Health and Safety: To ensure the health and safety of our employees, suppliers and the communities in which we operate;
4. Risk management: To identify, assess, manage and mitigate risks to our host communities, employees, contractors, the environment and our business;
5. Education and Leadership: To promote the spirit of leadership, especially among young people, through civic involvement and educational activities that encourage socially responsible pursuits and entrepreneurship;
6. Respect local communities: To respect, protect and promote the human rights, culture, customs and values of the communities in which we operate;
7. Best practice: We are guided by the United Nations Global Compact's-ten principles in the areas of human rights, labor, the environment and anti-corruption.

07 Corporate social responsibility

The Rompetrol Group, as a socially responsible company, is committed to the ongoing implementation and improvement of the quality of social activities in the following main directions:

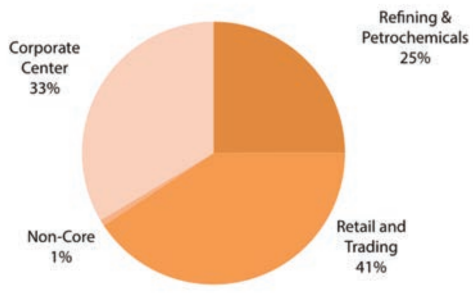
- External Social Responsibility
  - Social Partnership and Sponsorship
  - Environment Protection
  - External Charity of Rompetrol employees
- Internal Social Responsibility
  - Development of Human Resources potential
  - Health and job security

EXTERNAL SOCIAL RESPONSIBILITY

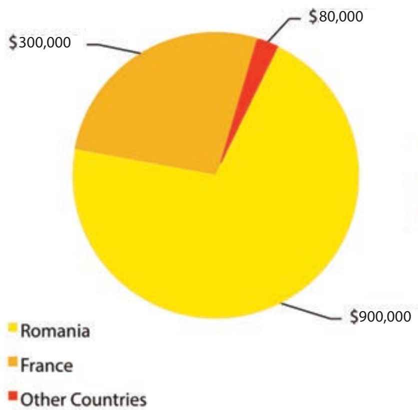
1. SOCIAL PARTNERSHIP AND SPONSORSHIP

The Rompetrol Group continued to grant support for projects related to environment, healthcare, sports, culture, and education. In total in 2012 TRG invested 1,3 million USD USD, out of which 900.000 USD was directed to sustain initiatives of civil society and local authorities from Romania. In France, the amount of 300 000 USD was granted to support the football team of Montpellier, whereas in other countries (Moldova, Ukraine, Bulgaria, Georgia) the Group contributed for supporting education and social charity actions.

Sponsorship per Business Units



Sponsorship per country



ROMANIA

In 2012, through the 4th edition of the national program "*Together for each and everyone*" 16 projects of healthcare and environment were financed, with a total budget of 250,000 USD. All projects had two overlapping parts: one which consisted in the restoration of medical care units in rural and urban areas, or the construction of water collectors, eco plants for water recycling, solar panels for schools, and a second component which consisted in educational and cultural activities for the members of the communities.

From 2009 to 2012:
- 1100 community projects registered in the competition, 71 were financed;
- Over 100 NGOs, 100 schools, benefited from the partnerships created during the projects implementation;
- 22,000 pupils have participated in seminars on environment/healthcare topics;
- 3500 volunteers, who actively took part in all implementation processes;

Several other projects on healthcare and environment protection were developed or continued as part of the platform "Energy comes from the heart". In the healthcare field, The Rompetrol Group, Fundația pentru SMURD and the General Inspectorate of Aviation (IGAV) continued the partnership for supporting air emergency interventions, the movement of medical personnel and the transportation of victims. In this cooperation, the Rompetrol Group, through Rompetrol Rafinare, provides a monthly amount of Jet A 1 fuel since 2010, the quantity estimated for the

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Corporate social responsibility

operation of the three helicopters in Bucharest, Târgu Mureş and Arad.

2. SPONSORSHIP

The Rompetrol Group is involved in social partnerships, implementin joint projects and programs or arranging social events.

Much attention is paid to support the national campaign "Fiecare Copil în Şcoală" (Each Child in School) initiated by the *Ovidiu Ro Association*. This partnership which became effective in 2004 advocate: school preparation programs, free school materials, uniforms and hot lunches for children from low-income families; incentives in the form of food coupons; enforcement of education and children rights legislation etc.

As of 2003, Rompetrol is the partner and main sponsor for Gala Societăţii Civile *(Civil Society Gala)* – the annual competition that awards the best projects of the year, projects initiated by NGOs, unions, individuals etc.

3. EXTERNAL CHARITY OF ROMPETROL EMPLOYEES

The Rompetrol Group employees are deeply committed to conducting business in a socially responsible and ethical manner, putting their effort to continually improve the company's performances and best practices. Thus, 2012 represented a new opportunity for community projects developed by the employees – 1000km Balkan Charity Challenge to support the activity of Hospice Association, charity actions supporting impoverished families to send their children to school (toys, clothes and money donations), blood donation campaigns, charity concerts to support young musicians.

4. ENVIRONMENT PROTECTION

The Rompetrol Group carries out environment protection in full conformity with the requirements of the nature protection legislation of the European Union.

The environmental strategy has the following interest areas:

- Compliance of activities and facilities at national and international requirements;
- To minimize environmental incidents;
- To minimize the consumption of resources and quantities of waste generated;
- To optimize the operation in terms of energy facilities and reduce CO2 emissions;
- To maintain a certified environmental management;
- Permanent training of specialized personnel in the field;
- To ensure excellent communication within the Group and the interested public, state authorities, NGOs etc.

BU REFINING

The Business Unit environmental strategy is based on the compliance with the legislation, on the permanent monitoring and periodical reporting of the degree of compliance and on the continuation of investment programs, in order to harmonize with the best techniques available in the field (BAT BREF) and is based on the following principles:

- Compliance with the legislation and of other applicable requirements, permanent monitoring of the degree of legal compliance;
- Use of the environmental management system in order to integrate in the company decisions, criteria of performance and air, soil, water and natural resources protection;
- Continuation of the investment program in order to comply with the legislation in the environmental protection field;
- Evaluation of the company's environ mental performances, communication to the interested organizations and local communities, concerning the improvement of environmental performances.
- Promoting information and awareness for the company's employees concerning the measures of prevention and reduction of emissions into the atmosphere, water and soil, including

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Corporate social responsibility

  measures concerning waste management for the developed activities, so that may have a positive impact over the environment.
- Participation in volunteering and so cial responsibilities projects in the neighboring communities.

During 2012, Rompetrol Rafinare requested the revision of the integrated environmental permit for the Petromidia work point for the authorization of the new plants from the platform, respectively Hydrogen Plant (HPP), MHC (Mild Hydro-cracking - MHC) the new sulfur recovery unit (New SRU).

WATER MANAGEMENT PERMIT

At Rompetrol Rafinare, the water management permit was renewed by "Apele Române" National Administration and the "Ape Dobrogea Litoral" Administration.
The water management permit was also renewed at Rompetrol Rafinare – Vega work point by the "Apele Romane" National Administration – Buzău Water Basin Administration - Ialomița –The water management system of Prahova.

GREENHOUSE GAS (CO_2)

For each of the 3 entities of BU Refining, the greenhouse gas permit had the period of validity 2008-2012, stage II related to the EU-ETS scheme. During 2012, the necessary documents were drawn out and submitted to ANPM for the issue of a new greenhouse gas permit for the period 2013-2020 (Phase III), having the annex Plan concerning the monitoring and reporting of the CO_2 emissions - 2013.
In February 2012, the checking of the CO_2 emissions for the year 2011 and their validation by certified verifiers took place. (in order to report to the National Environmental protection Agency).

MAIN GENERAL QHSE OBJECTS:

- Re-certification of the integrated management system QHSE according to ISO 9001, ISO 14001 and OHSAS 18001 standards
- Maintaining the permits (AIM, CO_2, AGA)
- Achievement of environmental targets established by BU Refining strategy
- Safety consolidation on the Midia and Vega Platforms for reaching the "zero accidents" objectives
- Continuation of the participation in CSR actions

BU RETAIL

Through the activity developed in 2012, the QHSE team ensured maintenance of the integrated management system for quality, environment, occupational health and safety implemented and certified, compliance and implementation of the new legal requirements applicable in all the entities within BU Retail

MAIN ACHIEVEMENTS IN THE ENVIRONMENTAL FIELD IN 2012

- Renewal of the certifications of the integrated management system in the environmental field (ISO 14001)
- Renewal of the environmental permits for the work point from Downstream Romania;
- Implementation and certification of the integrated management system (ISO 14001) for Rompetrol Moldova
- Observance of the compliance program in environmental terms for DPPLN – Dyneff warehouse
- No accidental environmental pollutions were recorded at none of the BU Retail entities

TENDENCIES FOR 2013 – 2015

- Maintaining the integrated management system certification in accor dance with the SR EN 9001:2008, SR EN 14001:2005 and OHSAS 18001:2007 standards.
- Implementation and certification of the energetic management standard: ISO 50 001.
- Maintaining the organization at a high level of performance in accordance

with the legislative and TRG requirements.
- Compliance with the environment strategy for BU, and the established targets.

BU TRADING
Through the activity developed in 2012, the QHSE team ensured the maintenance of the integrated management system for quality, environment, occupational health and safety implemented and certified requirements applicable to all the entities within BU Trading

MAIN ENVIRONMENTAL ACHIEVEMENTS IN 2012
- Renewal of the certifications for the integrated management system in the environmental field (ISO 14001)
- Renewal of the environmental permits for Midia Marine Terminal (MMT);
- No accidental environmental pollutions in the work points of the entities from BU Trading
- In accordance with the international standards, the MMT teams participated successfully in the following actions:
  a. applications concerning the way of action and intervention in case of an accidental pollution
  b. fire simulation and way of taking actions in the administrative building
  c. international application – incident simulation of intervention and taking of hostages

Rominserv - Environmental performance in 2012

Indicators	measurement unit	2011	2012
Discharge of sewage waters	m^3	88434.12	8349
Total waste	tons	3424.628	129.339
Total water input	m^3	88434.12	8349
Total energy input	MW	9249.329	694.826
Environmental charges	USD	63,183	52,359
The number of accidental pollution	units	0	0
Number of inspections by environmental state authorities	units	0	2
Charged environmental penalties by environmental state authorities	USD	0	0

TENDENCIES FOR 2013 – 2015
Maintaining the certification for the integrated management system in accordance with the SR EN 9001:2008, SR EN 14001:2005 and OHSAS 18001:2007 standards.
Maintaining the organization at a high level of performance in accordance with the legislative and TRG requirements.

NON-CORE
ROMINSERV
MAIN ENVIRONMENTAL ACHIEVEMENTS IN 2012
- Renewal of the certifications for the integrated management system in the environmental field (ISO 14001)
- Renewal of the environmental permits for the Rominserv Petromidia and Vega work points;

ROMINSERV VALVES IAIFO
In 2012, in Rominserv Valves IAIFO (Zalău) the activity was developed in accordance with the BU Environmental Strategy.

According to the requirements from the action plan, annex of the integrated environmental permit, until 30.06.2012 there were carried out all the measures for compliance, except the measure related to the non-ferrous casting activity, as a result of the cessation of this activity. In order to

comply in 2012, there were made environmental investments of $136,023. The competent environmental protection authorities carried out 7 inspections.
There were no fines charged.

ROMPETROL QUALITY CONTROL
The strategy of Rompetrol Quality Control for the environment is based on the compliance with the natural resources and waste management principle, by the increase of the use of resources, reduction of waste and increase in the degree of their valorization.

ACCORDING TO THIS PRINCIPLE, THE PROPOSED ENVIRONMENTAL TARGETS WERE ACHIEVED IN 2012:
• 77 % hazardous and non-hazardous waste, valorized through hand over to authorized companies.
• reduction of the consumption of utilities (drinking water consumption-10100 m^3, compared to 14.300 m^3 proposed)

TENDENCIES FOR 2013 AND THE FOLLOWING YEARS
The established targets for the consumption of utilities and waste will continue to be in compliance with the BU Environmental Strategy.

ECOMASTER: PERFORMANCES AND MAJOR ACHIEVEMENTS IN 2012
In 2012, Ecomaster revised the Integrated Environmental Authorization for operations in Ecopark. New codes of hazardous waste and hazardous use of mixing and subsequent treatment of the resulting mixture into the plant, based on Law no. 211/2011 on waste have been authorized by the new act revised on 6/19/2012, following evaluation of operating conditions.

In 2012, Ecomaster reviewed and obtained for its activity:

a) Integrated environmental permit for work done at Eco Park, aimed at:
• introducing the activity of both the mixing hazardous waste and nonhazardous waste with categories for mixing, blending per formed before the operation of hazardous waste treatment, activity that is performed using automated installation of treatment;
• expanding the range of accepted difficult and dangerous waste storage.
b) Environmental authorization for the collection of hazardous waste/ nonhazardous waste and transport.
c) Renewal of authorization for water management within Ecopark;

Monitoring was performed according to environmental factors and an integrated environmental permit and submitted according to the terms of reporting to regional and local environmental authority.

ENVIRONMENTAL PERFORMANCE IN 2012
As a result of investments, the consumption of utilities decreased: water, energy and the amount of generated waste.

Ecomaster - Environmental performance in 2012

Indicators	measurement units	2011	2012
Discharge of sewage waters	m^3	460	2123
Total waste	tons	42,52	38.08
Total water input	m^3	1591	1640
Total energy input	MW	154,78	141.26
Total water input	units	0	0

The increase in the amount of wastewater generated is justified by the fact that the number rainy days in 2012 was higher than the number of rainy days in 2011, so the amount of wastewater (leachate) increased in 2012.

TRENDS FOR 2013 AND FOLLOWING YEARS CONCERNING ENVIRONMENTAL PROTECTION

- Renewal of Water Management Permit for Ecopark, with completion in quarter II, 2013.
- Achieving 100% waste management in line with the new legislative changes throughout 2013.
  Ecomaster will continue to comply with the regulatory and legal provisions applicable to the management of hazardous waste.

PALPLAST: PERFOMANCE IN THE ENVIRONMENTAL PROTECTION FIELD FOR 2012

The activity of PALPLAST in 2012, developed in accordance with the TRG requirements and of the ISO 14001:2009 standard, which was confirmed by the score 99.27% at the second party audit ordered by TRG, in the OHS field and environmental protection, as well as by maintaining the environmental management system of by Germanischer Lloyd System Certification. During the 57.136 hours of work performed by the company's employees in 2012, no incidents or accidental discharges that would affect the environment were recorded.
As environmental protection measures, in the development of the operation aiming to increase the environmental performances, we outline those related to the technological waste, optimization of the operation of an extruding machine, organization of the waste collection deposits, rehabilitation of the system of irrigation of the green spaces, maintenance of the emergency intervention materials.
The company's objective for 2013 and the following years is to maintain a high level of performance in accordance with the legislative TRG requirements, and the environmental management system according to ISO 14001:2009, upgrading of the platform of the waste collection deposits, increasing the efficiency in using the natural resources compared to the production volume.

Palplast - Environmental performance in 2012

Indicators	measurement units	Targets 2012	Targets 2013	Targets 2014
Reduction of the electric power compared to the production volume	Power consumption coefficient = power consumption / processed tons [MWh/t]	0.72	0.71	0.70
Reduction of the water consumption compared to the production volume	Water consumption coefficient = water consumption / processed tons [m^3/t]	1.1	1	0.9

** modifications may incur depending on the change of the object of activity

07

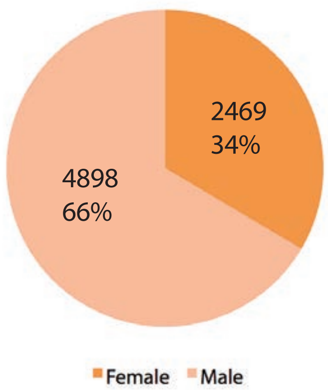
Corporate social responsibility

INTERNAL SOCIAL RESPONSIBILITY

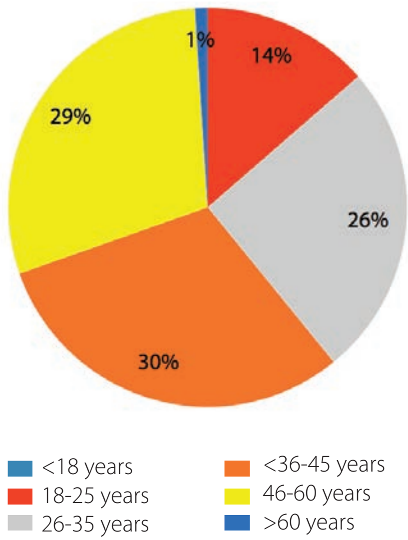
1. HUMAN RESOURCES DEVELOPMENT

In 2012 the companies of the Rompetrol Group employed an average of 7,367 employees, out of which 96% had a permanent employment contract and only 4% were hired for temporary assignments. During this year, the company attracted a number of 609 new employees from the local and external labor markets for existing or newly created positions.
From the demographical point of view, the group population includes 4,898 (66%) males and 2469 (34%) females and the average age is 39 years, the majority of the employees concentrating in the 36-60 years range.

Sex Distribution for TRG companies (2012)



Age Distribution for TRG companies (2012)



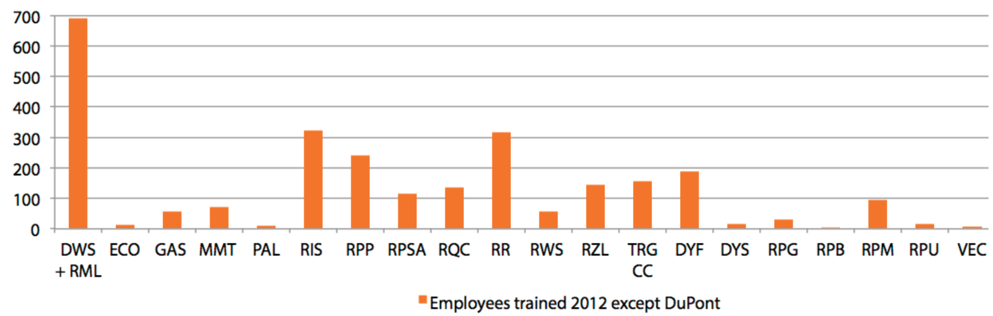
2. TRAINING

In 2012, the Rompetrol Group focused on addressing the key development and training needs of employees in spite of scarce available resources. The training budget was significantly smaller, but there was a clear prioritization and efficient usage of potential learning solutions.

The company involved *3,685 employees* in different types of training activities. Out of the total number, *2,685* participated in technical training sessions designed to improve or refresh job specific knowledge and practical skills level, language courses, professional certifications (ACCA, CIMA, CIA, CFA) and behavioral courses (sales skills, leadership skills, presentation skills, customer service skills).

On the Petromidia and Vega platforms 1,945 employees were engaged in DuPont occupational health and safety internal training sessions, with the goal to increase awareness of work related

Employees trained in 2012



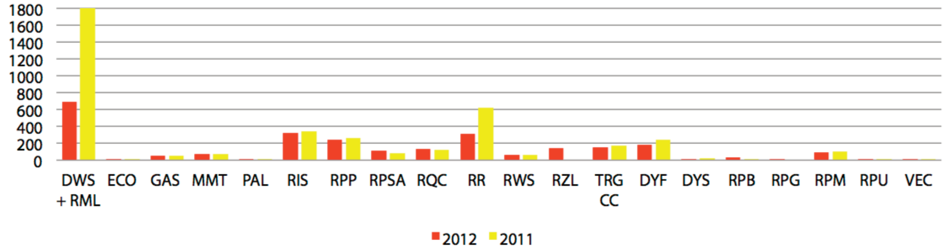
07 Corporate social responsibility

potential hazards and prevent work accidents.
On average, for each *10 employees* in the Group, *3.7* participated in a least one training session. In some companies, as required by specific legislation and regulations, all employees must participate in specific trainings; therefore the headcount coverage is higher. In others entities, due to limited resources, mandatory training courses, authorizations and legally required certifications were preferred.

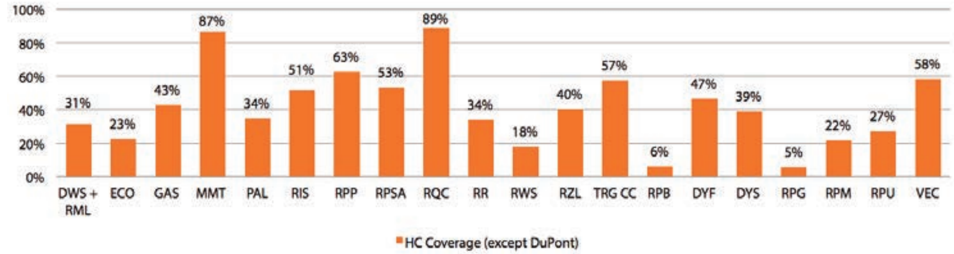
As a general overview, in 2012, 8 out of 10 employees participated in technical skills courses, while the 2 attended behavioral development trainings.

On average, an employee spent *3.3 working days* in training and, at Group level, all trained employees cumulated a total of *10,947 working days* in the classroom. In 2012, the analysis shows that *61%* of the trained employees attended courses delivered by external providers, while *39%* were trained by colleagues with expertise in areas such as: computer skills, customer service and technical areas specific for production field.
As a future objective, the Group intends to make the most of the internal knowledge capital and set up

Employees trained in 2012 vs 2011

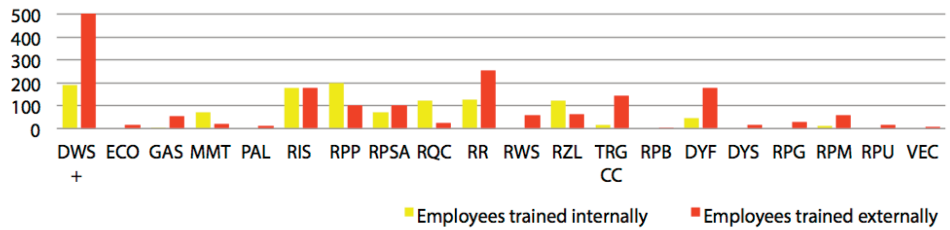


Training headcount coverage in 2012



Technical vs. behavioral skills courses

Employees trained internally vs. externally



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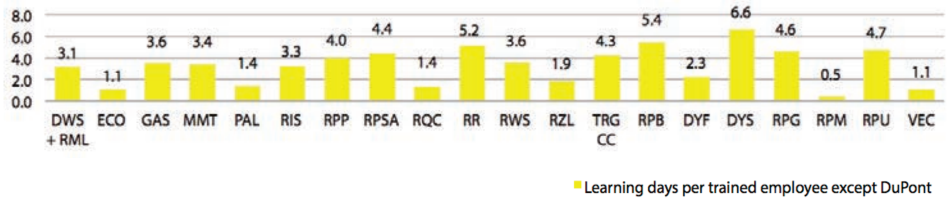
a framework in which internal capability is reachable and transferable for large groups of employees. This will sustain cost optimization direction and will increase flexibility in knowledge transfer and management.

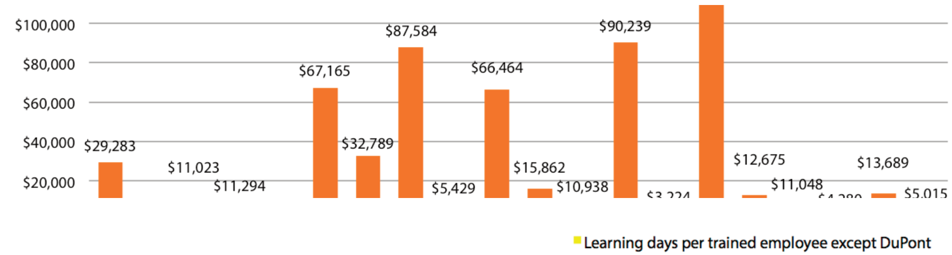
The aim of The Rompetrol Group training and development strategy is to offer a consistent and structured approach to all development needs. Thus, in 2012 several programs were run which intended to equip employees working in the same area with the appropriate skills and tools in order to improve their productivity and performance.

A Customer Service program was started several years ago aiming to reflect the company's objective to create and maintain a customer service culture. After 2011, when all gas station attendants and managers participated in the customer service training, in 2012 all new employees joining the company attended this course to learn how to address and deliver an unforgettable customer experience.
Also, in the Romanian retail area, an umbrella training program was designed and implemented covering 3

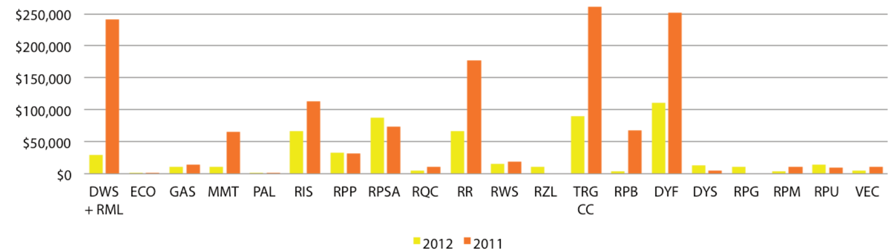
Learning days per trained employee



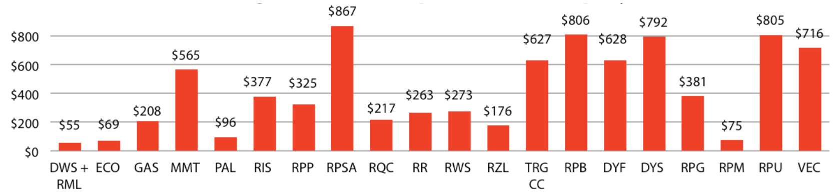
Training investment 2012 (590k USD)



Training investment 2012 vs. 2011



Average investment per trained employee



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categories of employees and aiming to build cross functional skills for middle management, sales force and network operations coordinators. The middle management team participated in several training sessions, learning to improve collaboration, solve issues faster without the need to escalate conflicts to higher levels, empower their teams to communicate and implement changes faster. The sales team participated in a customized session which focused on sales techniques, negotiation and follow up after-sales activities. The network operations coordination team concentrated on developing coaching skills and the necessary practical knowledge to become dealers and operate a gas station facility independently.

In France, the sales team participated in a similar program as the Romanian team, with a focus on communication and negotiation skills.

In 2012, there were *590,000 USD* invested in training and developing employees. On average, the company invested *317 USD* for an employee participating in an external session. For internally delivered training sessions, the indirect investment for an employee amounted to *60 USD*.

3. COMPENSATION AND BENEFITS

2012 was a challenging year and, in order to enhance the employee benefits package, we needed to be creative and focused on providing value adding non financial benefits, by negotiating with external providers for different discounted products and services packages adapted to employees lifestyles and needs.

Thus, our employees could contract dental care and medical services, home appliances, wellness services, catering services, books and fuel at better rates. Also, they were offered the opportunity to access customized discounted banking products and free personal financial counseling.

4. WORKPLACE HEALTH AND SAFETY

TRG priority in 2012 was to continue to provide a safe working environment for both its employees and contractors. Continuing the implementation of the program with the goal of zero injuries and occupational illnesses while eliminating high health-risk workplaces helped us to achieve all our proposed KPIs for 2012.
Although these are better results than those of the previous year and better than average industry performance, we still considered that there is room for improvement therefore for 2013 we aim to raise the stake.

With regard to occupational health, the concerns of the Group focused on the health of the workers through the access to medical services that meet the legal requirements and the highest standards of medical practice.
Recognizing the importance of the health of our employees, we have ensured that all staff is physically and mentally fit for the performance of job duties. By a continuous monitoring of all processes, while permanently assessing the health risk related, an adequate performance of all specific activities was ensured.

The Group continuously improved the system of managing occupational health and safety at work for all TRG entities, aiming to increase the level of safety and regularly monitoring the status of employee's health. Special focus is given to adequate employee training, ensuring that work takes place in a safe manner and by that minimizing risk related to daily work activities.
This year, the training and awareness activities were continued for employees and contractors and involved safety related activities, procedures and policies by the Group.
The training in health, safety and

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emergency situations amounted 39,580 hours. The Petromidia and Vega refineries, including all entities operating in those locations, continued actions to increase safety culture.

In 2012 The Rompetrol Group's employees increased their involvement in the identification and elimination of all unsafe actions and conditions in the workplace.
The performance indicators were improved, and a decrease by 0.5 (from 2.50 to 2.00) compared to the target objectives for 2011 (incident rate, frequency of cases resulting in disability, rate frequency and severity of accidents, incidents rate auto) being registered.
Regarding 2013, Rompetrol Group aims to decrease with another 0.5 (from 2.00 to 1.50) the performance indicators against target objectives for the year 2012, as a proof of management commitment towards safety.

09 Corporate governance

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Corporate governance

GENERAL INFORMATION

Corporate governance provides coherent information on the framework within which the Rompetrol Group activates at operational and management level, thus ensuring transparency in the activities it carries out.

Rompetrol Group currently includes 47 companies, joint stock and limited liability companies, as well as 6 branches and representative offices, headquartered and operating in fifteen countries. The statutory laws applicable to these companies are the local ones. In Romania, the main applicable regulations are Law 31/1990 regarding trading companies and Law 297/2004 regarding the stock market (for companies listed on the stock exchange).

The companies of the Rompetrol Group are managed in compliance with the statutory provisions under their own articles of incorporation and under any and all other relevant documents.

SHAREHOLDERS

The sole shareholder of The Rompetrol Group N.V. (TRG) is KMG Investments B.V. (KMG), headquartered in Amsterdam, the Netherlands.

ADMINISTRATION AND DECISION RIGHTS

The TRG Board of Directors currently has five members, of which one executive member (Chief Executive Officer – CEO) and four non-executive members, amongst which one is an independent director. The CEO is in charge, according to the Articles of Incorporation, of the daily management of the company and its affiliates. The other members of the Board of Directors are in charge of the company's general policy and management position supervision.

At the level of the Board of Directors of TRG, there are special committees, such as the Audit Committee and the Remuneration Committee.

The CEO may delegate its management position for specific operations/groups of operations to third parties. Thus, at the level of the TRG there are Deputy CEOs specializing in different areas of the Group's activity.

At the level of the Group's companies, the management can be performed under dual/unified system, most companies having implemented the unified management. The directors of the Group companies are appointed by the General Assembly of Shareholders.

The decision rights regarding the internal operations of each company is fragmented using the decision-making thresholds: CEO and CFO (under joint signature), Board of Directors, and General Assembly of Shareholders.

MAJOR PERFORMANCES AND ACHIEVEMENTS IN THE AREA OF CORPORATE GOVERNANCE IN 2012

Regarding corporate governance at Group level, the following performances were achieved:

1. ROMPETROL ENERGY, a new company of the Group, was incorporated in March 2012, by the consortium of TRG and Rominserv together with UT Midia S.A., in the form of an Independent Power Producer for the Purpose of building and Operating a Thermoelectric Plant in Cogeneration, to produce Electrical and Thermal Power, using Gaseous and Liquid Fuel and having an Installed Power ranging between 50-150 MW and trading the Electrical and Thermal Power produced by the newly built Thermoelectric Plant.

2. THE ROMPETROL GROUP CORPORATE S.R.L.

Representative Office in Kazakhstan was established in March 2012,for the purposes of representing and

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protecting the interests of the company in the Republic of Kazakhstan, performing activities such as collecting information, conducting market research, establishing contacts, organizing presentations, attending exhibitions, protocol activities, sponsorship activities and training programs.
Starting with May 21st, 2012, Mr. Zhanat Tussupbekov was appointed by KMG Investments B.V. as the new Chief Executive Officer of The Rompetrol Group N.V.

MAJOR ACHIEVEMENTS IN INTEGRATION

In 2012, the integration process of TRG into KMG was continued by adopting and implementing of the following internal procedures, policies and rules within the Group:

1. Enterprise Risk Management Policy
2. Standard Operating Procedure for Disposal of Fixed Assets and Related Scrap Sales
3. Competition Compliance Program
4. Code of Ethics
5. Sponsorship Policy and Procedure
6. Whistleblower Policy
7. Policy no. 1.

DEVELOPMENT OF OPERATIONS AND BUSINESS ACTIVITIES SPECIFIC TO CORPORATE GOVERNANCE

In September 2012, on the stock exchange market, TRG acquired 2% of Rompetrol Rafinare from Rompetrol SA.
Also, within the restructuring program of TRG, in December 2012 it was decided to buy out the minority shareholding in Rompetrol Bulgaria.

GUIDANCE AND DEVELOPMENT TRENDS FOR 2013 AND THE IMMEDIATE FUTURE

TRG will continue to implement standardization in corporate governance area by adopting internal procedures, rules, policies and regulations documents and standards, in accordance with best practice in this area.

In the future, TRG will focus on core business and improvement of profitability, in order to optimize Group business portfolio, while developing core activities, enhancing benefits through higher integration and improvement of profitability.

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1. INTRODUCTION

In 2012, The Rompetrol Group (the "Group", "TRG") and its subsidiaries engaged in all aspects of the petroleum industry. Its core operations are in the downstream segment, through its competitive Petromidia refinery and strong retail operations in Romania, around the Black Sea and in South of France. The Group continued to pursue its strategy of developing its core refining and distribution operations, despite a worsening economic environment and very low refining margin.

2. STRATEGY

To assure competitiveness of the Kazakh crude based products in the Black Sea market, an ambitious upgrade program has been executed to bring the Petromidia refinery in Romania to world-class standards. Starting 2012, refining capacity has been incremented from 3.8 million tons per year to 5 million tons per year capable to fully run on Ural's. The desirable middle distillate fraction (Diesel and jet-fuel) has been raised to a world class 47% (40% increase in Diesel). This upgrade makes Petromidia the largest refinery in Romania and one of the largest in the Region. The refinery is strategically located on the Black Sea shore, with easy access to several markets for which forecast demand is expected to grow over the next years, at the same time offering certain advantages in each, such as: good contribution margins or room for additional market share growth.

The 2013-2017 strategy is a mixture of cost optimization projects for production, network expansion for retail; and rationalization of non-core businesses. The 2013-2017 strategy has the following main business objectives:

To expand distribution operations in countries around the Black Sea, to benefit from increased vertical integration with refining operation for improved financial performance

Specifically, the Group plans to:

- Strengthen TRG's Retail network presence following the upgrading of the Petromidia Refinery.

- Develop in the rapidly maturing Black Sea Retail market. The Group is planning to expand in the markets where it is presently active (Romania, Bulgaria, Ukraine, Moldova and Georgia) and to start-up operations in Turkey

Cost reduction initiatives in refining with the purpose to improve Solomon indicators:

The material technological improvements brought by the Refinery Upgrade Package has increased refinery economics by an additional USD 60 – 90 million/year gross margin, and USD 2 – 4 /ton savings on processing costs (from USD 29/ton currently).

To further the technological improvements, Petromidia refinery management will continue to focus on cost competitiveness (further cost reduction initiatives) and energy efficiency for optimum refinery performance.

Rompetrol Group has had for 2012 its best economic results in recent years, despite global economic environment - affected by successive political and recessions fears unrest and substantial Rompetrol internal structures of management re-organizations. The performance in 2012 was possible due to margin improvements in key operational sectors, such as refining and implementation of costs controlling program. The aggressive costs reduction program has contributed to better 2012 economic performance against the impact on that of the past three years.

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In addition, Starting 1 January 2012, the Group reassessed the useful lives for the refinery assets held in Rompetrol Rafinare (Petromidia and Vega) and for the gas station assets and intangible assets held by Rompetrol Downstream. As a result of the useful lives reassessment, a decrease of depreciation expense of USD 34.7 million was incurred.

While the first semester of 2012 performance was affected by severe weather conditions during first quarter/2012 and huge crude & products prices volatility (around +/- 100USD/ton), the second semester delivered much better results, as Petromidia gross margin achieved has been approximately USD 105 million generated by international highest market margins in past 4 years.

The main objectives set by the Rompetrol Group together with the major actions to be carried on for 2013 may be summarized in the followings:

- client's portfolio extension into the markets with highest actual prof-itability and future potential one, in direct synergy with Petromidia to be increased production and capacity usage from 74% to 90.9% during 2013; these markets are Romania, Ukraine, Bulgaria, Georgia, Moldova, Turkey; Market shares increases are expected for Romanian market by up to five percentage points and for Ukraine by up to two percentage points;
- Petromidia main products yields in crease to maximize refinery gross margin for diesel and jet;
- Rompetrol Gas sales to be increased by more than 50% compared with 2012;
- Group cash Opex level control, to limit them to maximum 77% of the Gross margin targets within given operational assumptions, compared to 84% during 2012 or 95% during 2011
- Finance costs tight control, by very strict receivables and inventories working capital need management

The management believes that this strategy will result in an enhancement of the Group's ability to support its continuing operations, despite the challenges of the financial crisis.

3. BUSINESS ENVIRONMENT

Average Brent price in 2012 (USD 111.57/ bbl) has increased by 0.27% as compared to 2011 (USD 111.27/ bbl). The overall trend in 2012 was decreasing from USD 111.15/bbl at the

		2012	2011
Brent Dated	USD/bbl	111.57	111.27
Ural Med	USD/bbl	110.6	109.6
Brent-Ural Differential	USD/bbl	0.96	1.68
Premium Unleaded 50 ppm FOB Med	USD/t	1,02	978
Diesel ULSD 50 ppm FOB Med	USD/t	969	957
RON/USD Average exchange rate		3.47	3.05
RON/USD Closing exchange rate		3.36	3.34
RON/EURO Average exchange rate		4.46	4.24
RON/EURO Closing exchange rate		4.43	4.32
USD/EURO Closing rate		1.32	1.29
Inflation in Romania		3.33%	5.79

beginning of the year to USD 109.99/bbl as of the end of the year, with a high of USD 128.17/bbl recorded on March 8th, 2012 and a low of USD 88.62 /bbl on June 25th, 2012.

The Urals discount to Brent has been on average at USD 0.95/bbl, a higher level compared with USD 1.65/ bbl as of 2011, with a highest level of USD 2.95/bbl on 13 of April 2012 and a closing level of USD 1.07/bbl.
Average gasoline cracking margin in 2012 was at USD 176.45/mt (as of 2011 was at USD 135.8/ mt) reaching its high of USD 279.78/ mt in March, 30th 2012. Average gasoline cracking margin in 2012 was 23% higher than in 2011.

Diesel cracking margins have decreased in 2012, starting from USD 114.97/mt as of January 3rd 2012 till USD 104.99/mt as of December 31, 2012. Average diesel cracking margin in 2012 was USD 124.35/mt, (as of 2011 was at USD 115.37/ mt), reaching its high of USD 165.05/ mt in October 2012. Average diesel cracking margin in 2012 was 7% higher than in 2011.

2012 average gasoline cracking margin was almost USD 52 higher than average diesel cracking margin. March and October 2012 were the months that marked the upper level of gasoline, respectively diesel quotes.

By the year end Romanian RON depreciated by almost 2% against USD and by 3% against EUR. The average exchange rate RON/USD has increased by 14% and RON/EUR has increased by 5% compared with 2011.

On the product side, the last quarter ended with an average margin of $40/MT, with the highest levels recorded during October. In November and December the margins decreased significantly due to gasoline crack and heavy components. Overall, the average margin for 2012 was, $43/MT, increasing by 25% compared with 2011.

4. CONSOLIDATED ACCOUNTS
The consolidated accounts are fully disclosed in the next chapter of this report and further analyzed in the following sections for each business unit (figures in USD million).

5. ANALYSIS OF OPERATIONS
PETROMIDIA REFINERY
The Petromidia Upgrade program was finalized at the beginning of third quarter 2012, when the refining capacity was incremented from 3.8 million ton of raw materials per year to 5 million ton per year. As the result of the Upgrade program implementation, white products basket yields achieved during December 2012 were of 92.5%,

Petromidia Refining		2012	2011
Feedstock processed	thousand tons	4,047	3,896
Gasoline produced	thousand tons	1,135	1,116
Diesel & jet fuel produced	thousand tons	1,728	1,578
Motor fuels sales – domestic	thousand tons	1,428	1,362
Motor fuels sales – export	thousand tons	1,307	1,225
Export	%	48%	47%
Domestic	%	52%	53%
Gross cash refinery margin	USD/bbl	4.4	4.2

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leading to the best yearly average yield from the history of the refinery at 85.4%.

For the year 2012, the refining average monthly throughput was higher by 4% compared by 2011.

VEGA REFINERY

Although the total feedstock processed by Vega Refinery during 2012 was lower by 9% compared with 2011, the same financial results in terms of EBITDA were obtained due to continuous improvement of the refinery units operation and due to maximization of valuable products: 2012 Hexane yield of 43% was the highest achieved in refinery history, with highest yield of Bitumen of 74%, while technological loss reached the lowest level in the past 5 years of 1.67%.

PETROCHEMICALS

Rompetrol Petrochemicals is the sole polypropylene producer in Romania; starting with 2010 the company was also the sole producer of polyethylene, given the economic circumstances on the market, thus constantly increasing its market share. Its dynamic development strategy has secured the company a competitive position on the domestic and regional markets – in the Balkans Region. One of the advantages of the company is determined by its proximity to its customers, providing the products required Just - In – Time, as well as offering technical consulting and monitoring of their production cycle.

In 2012, only the Polypropylene (PP) and Low density polyethylene (LDPE) plants were in operation, while HDPE remained shutdown, thus leading to lower feedstock processed, as well as lower production and sales. The company finalized in 2012 the modernization of the high density polyethylene installation, in view of expanding its product range, by adding high-margin grades to its portfolio (large containers – up to 200 l, thin film and pipe grade PE 100).

The financial results of the company were negatively influenced, mainly in June and July, due to the increased market volatility, the polyethylene ICIS quotations plunged by 17% (by approx 290 USD/to) in June versus May and by 20% in July (by approx. 330 USD/to). Starting with the month of August, the quotations followed an upward trend, increasing by 20% versus the previous month. Although EBITDA for the whole year amounted to USD -8.1 million, the company recorded improved results, especially in the last quarter of 2012.
In 2012, Rompetrol Petrochemicals maintained the quality of its products, thus the weight of high quality rated polymers products remained 98%.

TRADING

The Business Unit Trading has been strengthening its role of the supply chain optimizer within the Group, continuing to ensure optimum functioning conditions for Petromidia refinery by placing to profitable third parties the spare petroleum products quantities obtained by Petromidia Refinery after supplying the Romanian market and the near-abroad subsidiaries. A 66% increase in overall operated trading volume by Vector Energy (crude & products combined) was obtained during 2012 compared to 2011, through a 66% increase in overall operated trading volume (crude & products combined) especially on deal stream side and unit better margins on almost all the selling channels.

Midia Marine Terminal through the Crude Oil Tank Farm has since opening in January 2009 cost reductions in relation to oil supply of USD 6/ton, by eliminating the third party handling/storage/transfer costs and commercial/technological losses. This

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has resulted OPEX saving incomes generated from non group services: piloting, towing, mooring/unmooring.

Despite the prolonged negative effect of the financial crisis, in 2012, the Retail Business Unit managed to keep volumes at 2011 level, slightly below, reaching a total of 4 million tons (2011 4.26 million tones) of products sold. Even with aggressive cost cutting program in Rompetrol Downstream of approximately USD 30 million compared with 2011 the achieved EBITDA was lower than 2011, due to market margin decrease from 3.6% in 2011 of Gross Price down to 2.9%, which had a negative effect of approximately 20 USD/ton. Following the development of a credit control process, Downstream recorded significant improvement of credit indicators evolution, receivable days decreasing from 22 days in December 2011 to 17 days in December 2012.

Rompetrol Gas improved EBITDA by 48% compared with 2011 was incurred following the optimization measures on retail network assessment, logistics contracts renegotiation, corroborated with export sales higher by 12% compared with 2011.

During 2012, Rompetrol Moldova opened 5 New DOCO Stations and closed 4 DOCO stations having sales lower than 1cm/day. The overall volumes sold increased by 30% in 2012 compared with 2011.

The good net result of Rompetrol Georgia during 2012 of USD 7.7 million was reached through consistent commercial and OPEX control actions. Although the overall sales were lower by 4% than 2011, the product margins were kept stable through focusing on and increasing retail sales and high margins on wholesale channel.

Although the volumes sold by Rompetrol Bulgaria decreased by 20% during 2012 compared with 2011, the company managed to preserve the market share at 5.8%.

Dyneff France incurred lower sales volumes by 7% compared with 2011. The results were affected by strong backwardation on futures market (impact of USD (2.2) million and new legislation of sales taxes which affected the yearly unit margin by USD (1) /ton. Nevertheless, the company realized a program for significant savings on Selling and G&A expenses. All Non-Core activities, not directly related to trading in crude and oil products, refining, and sales of oil products are grouped together in the Business Unit Non-Core.

Rominserv, the Group's engineering company, have completed 54 projects in 2012. The Refinery Upgrade Program was completed in 2012, by giving into production some major installations. In 2012, mechanical availability achieved a new record level, of 96.37% above Western Europe average according to Solomon benchmark.

Rominserv Valves Iaifo became new company within The Rompetrol Group, through spin-off process from Rominserv, in November 2011. It is specialised in the design, manufacture and trading of a wide range of steel and iron industrial valves. In 2012, the company continued its plan of conformation to market requirements, by increasing the types and sizes of product range through homologation process.

In 2012, Palplast continued the new business approach implemented in August 2011. As a result, the company went on profit, despite bad weather conditions in first quarter and political

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crisis in second semester. Market share increased due to higher volumes of pipe sold: 1920 tons vs. 1073 in 2011 while the technological waste decreased from 1 % to 0.72 %.

Rompetrol Quality Control improved the efficiency of its business activities significantly, by reducing operational costs by 30% vs. 2011 and by increasing revenues. Starting November 2012, the company signed new contracts for natural gases monitoring, following a legislative requirement, considering that it is the only company in the market able to perform this type of analysis.

UPSTREAM

Rompetrol Well Services had good performance in 2012. EBITDA increased by 15% and Net result increased by 48% compared with 2011. Moreover, the overseas activity, representing 14% of the company's revenues, was 130% higher than in 2011. Six new important customers were acquired in Romania and another six were acquired by the Kazakhstan Branch.

Drilling & Workover and Mudlogging Divisions continued drilling services in Romania. Mudlogging services were provided onshore and offshore for both Romanian and foreign Operators. Workover in Libya re-started in January 2012 with one workover rig, following the activity suspension in 2011 caused by the Libyan Civil War. The other two rigs started in February, respectively March 2012, operations with all three equipment going in normal conditions under a 12 (twelve) hours schedule throughout the rest of the year with the two main former clients.

Exploration and Production division started drilling of NW Feteasca KAZ 1 (TD=5000m) in Focsani Block reaching 4669m at the end of 2012. On Gresu & Nereju Blocks, NAMR has approved the assignment of 75% working interest and operatorship to Amromco and Joint Operating Agreement was signed. In Zegujani Block the preliminary works and approvals (permits, authorizations, well site preparation, access road) are ready therefore the drilling activity on SAT 1-Lupsa may start in Q1- 2013. On Satu Mare Block after the gas discovery on Moftinu area – 80km2 geological reports were acquired, processed and interpretation is on final stage.

6. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial instruments in the balance sheet include investments, trade receivables and other receivables, cash and cash equivalents, short-term and long-term debts, trade and other payables. The estimated fair values of these instruments approximate their carrying amounts.

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.

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 the hedge of commodities held by Rompetrol Rafinare. Previously, until January 2011, Vector Energy A.G. and Dyneff Group were the only two companies having in place commodities hedge process.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the basis risks. 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. The company started few transactions of refinery margin hedge during 2012 and the intention is to extend refinery margin hedge transactions in 2013.

Trading activities are separated into physical (purchase from third parties other than KMG, and sales to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical 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. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. As of 2012, the net trading position taking into consideration the realized and unrealized gains and losses on derivatives and physical trades was a net loss of USD 4.7 million.

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 CURRENCY RISK MANAGEMENT
The Group's functional currency is United States Dollar ("US Dollars") 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. In addition certain assets and liabilities are denominated in foreign currencies, which are retranslated 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.

CAPITAL RISK MANAGEMENT
The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of shareholders loans, bank debt, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

7. OVERVIEW
To offset prolonged negative impact of depressed downstream market, the Management of the Group is committing themselves to further reduce costs, complete modernization of the Petromidia Refinery, restructure the business and concentrate on core business, close non-profitable businesses.
We will fund our plans through a mix of equity and debt, with a support from our shareholders.

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Planning and performance management

KEY 2012 PPM ACTIVITIES:

- Coordination of the five years annual budget, continuing the 2011 trend of shifting of set-up from traditional incremental planning process towards an activity-based one; the Internal Plan version was also developed with assumptions of very ambitious operating margins and sales;

- Active budget control procedure aiming to optimize the budget execution process by ensuring a proper approval flow for validating any up dates on budgeted assumptions ei ther from timing perspective or from any new assumptions perspective.

- Optimising Group Performance Monthly reviews package (Flash and GFO reports) on planning & budgeting execution reports by increased focus on actionable business drivers analysis to allow the optimum data and analysis package as well as support for operational decisions; the variance analysis both versus budget and versus previous year were continuously optimised, offering a detailed understanding of current month and year-to-date results evolution.

MAIN 2013 PPM INITIATIVES FOR IMPLEMENTATION ALONG THE YEAR ON BOTH SUPPLY CHAIN & CONTROLLING AREAS:

- Rolling forecast process, a monthly rolling planning process for the next twelve months. Its goal is to both create a structured routine of working out solutions for meeting the annual budget targets and improve forecast accuracy on a larger time frame, highly needed in this current economic crisis period.

- Integrated planning model, representing a Group results planning tool being able to receive inputs on key business drivers from all across the value-chain and to deliver on alternative business scenarios Group financial results for a real-time assessment of best economical solutions to be undertaken.

- Single Group master database repository, to collect all relevant business key drivers on both past and future period, on daily, monthly, annual, time frames, a single access point covering most of the quantitative side of entities & Group management teams reports.

- Improved analysis of margins and operating expenses by actionable drivers (client level profitability, costs drivers), as support for any management business decisions.

- Optimized performance management process by two means:
  a. aligning 2012 operational & financial set of KPIs with the new five years budget objectives for all eligible people;
  b. implementing a monthly routine process of KPIs achievements revision, to allow for corrective actions on all potential negative gaps.

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Summary of significant accounting policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) effective as of December 31, 2012, as endorsed by the EU.

The consolidated financial statements are prepared under the historical cost convention.

The financial statements of the Group are prepared on a going concern basis.

The group's consolidated financial statements are presented in United States Dollar ("US Dollar" or "USD"), which is the Group's functional currency.

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2012.

Control is considered to be achieved where the Group (either directly or indirectly), owns more than 50% of the voting rights of the share capital of another enterprise and is able to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Non-controlling interests represent the portion of the profit or loss and net assets that is not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the parent shareholders' equity.

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Businesses acquired or disposed during the year are included in the consolidated financial statements from the date of acquisition or to date of disposal.

The Group's investments in associates and joint ventures are accounted for using the equity method of accounting. Under the equity method, the investment in an associate/joint venture is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate/joint venture. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates/joint venture.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Property, plant and equipment are stated at cost. Starting 1 January 2012, the Group changed its accounting policy for Rompetrol Rafinare S.A. and

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Summary of significant accounting policies

Rompetrol Petrochemicals S.R.L. from the revaluation model to the cost model. As of 31 December 2011 for Rompetrol Rafinare S.A. and Rompetrol Petrochemicals S.R.L. the property, plant and equipment that was stated at revalued amounts, being the fair value less any accumulated depreciation and impairment loss have been restated to the cost model for comparative disclosure.

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives, between 3 to 60 years.
In 2012 the Group reassessed the useful lives for the refinery assets held in Rompetrol Rafinare (Petromidia and Vega) and for the gas station assets and intangible assets held by Rompetrol Downstream. The new useful lives were applied starting January 1, 2012.

At each balance sheet date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Inventories, including work-in-process are stated at the lower of cost and net realisable value. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. The following cost formulas were used to determine the cost applicable to different types of inventories:
• the weighted average method for purchased crude oil and petroleum products
• the first-in-first-out (FIFO) for supplies and materials.
Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash within remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Sales of goods are recognised when delivery has taken place and transfer of significant risks and rewards has been completed. Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties and other sales taxes, rebates and discounts.

Revenue from rendering transportation services and other services is recognised when services are rendered.

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

Income tax charge consists of current and deferred taxes. The charge for the current tax is based on the results for the period as adjusted for non-deductible and non-taxable items The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

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

The Group determinates the classification of its financial assets and liabilities at initial recognition. Financial assets are recognised and derecognized on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the time frame established by the market concerned and are initially measured at cost, including transaction costs.

Group's financial assets include cash and cash equivalents, trade and other receivables, unquoted financial instruments, and derivative financial instruments. Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts and trade and other payables and derivative financial instruments. For each item the accounting policies on recognition and measurement are disclosed in this note. Management believe that the estimated fair values of these instruments approximate their carrying amounts.

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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Finance

Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	December 31, 2012 (thousand USD)	December 31, 2011 Restated (thousand USD)
Non-current assets		
Intangible assets	70,078,592	60,798,370
Goodwill	55,241,231	55,241,231
Property, plant and equipment	1,290,272,204	1,247,806,313
Available for sale investments	956,671	949,204
Investments in associates	20,136,565	19,919,983
Interest in Joint venture	16,677,257	19,566,950
Long-term receivable	12,736,649	14,259,033
Total non current assets	**1,466,099,169**	**1,418,541,084**
Current assets		
Inventories, net	696,696,558	546,981,447
Trade and other receivables	962,484,445	670,611,954
Derivative financial instruments	2,672,639	5,690,146
Cash and cash equivalents	308,395,372	198,617,647
Total current assets	**1,970,249,014**	**1,421,901,194**
TOTAL ASSETS	**3,436,348,183**	**2,840,442,278**
Equity and liabilities		
Capital and reserves		
Issued capital	122,704	120,338
Share premium	2,631,512	2,631,512
Additional paid-in capital	2,017,699,790	1,100,000,000
Effect of transfers with equity holders	115,029,358	115,029,358
Retained earnings	(754,616,268)	(631,890,668)
Current year result	(76,781,549)	(121,621,246)
Translation reserve	9,791,282	1,415,028
Equity attributable to equity holders of the parent	**1,313,876,829**	**465,684,322**
Non Controlling interest	(246,084,879)	(166,263,543)
Total equity	**1,067,791,950**	**299,420,779**

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Finance
Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (contiuned)

	December 31, 2012 (thousand USD)	December 31, 2011 Restated (thousand USD)
Non-current liabilities		
Long-term borrowings from shareholders	-	896,000,000
Long-term borrowings from banks	253,566,905	2,823,265
Net obligations under finance lease	5,346,522	6,279,290
Deferred tax liabilities	21,816,340	28,297,076
Provisions	94,341,331	35,145,097
Other non-current liabilities	2,496,925	2,034,794
Total non-current liabilities	**377,568,023**	**970,579,522**
Current liabilities		
Trade and other payables	1,314,542,178	1,075,172,775
Derivative financial instruments	2,468,926	1,206,201
Net obligations under finance lease	1,267,954	3,232,603
Short-term borrowings banks	670,960,502	474,245,900
Short-term borrowings shareholders	-	13,304,927
Provisions - current portion	1,748,650	3,279,571
TOTAL CURRENT LIABILITIES	**1,990,988,210**	**1,570,441,977**
Total liabilities	**2,368,556,233**	**2,541,021,499**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,436,348,183**	**2,840,442,278**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2012 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements an unqualified audit opinion was issued.

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Finance
Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED INCOME STATEMENT

	2012 (thousand USD)	2011 Restated (thousand USD)
Continuing operations		
Revenue	9,259,018,700	6,886,017,721
Cost of sales	(8,818,041,722)	(6,537,136,217)
Gross profit	**440,976,978**	**348,881,504**
Selling and distribution expenses	(337,056,519)	(284,355,211)
General and administrative expenses	(130,564,207)	(153,032,837)
Other operating expenses, net	(68,741,738)	(94,928,136)
Operating profit/(loss)	**(95,385,486)**	**(183,434,680)**
Finance cost	(59,312,365)	(60,727,387)
Finance income	7,688,841	7,444,394
Net foreign exchange (losses)/gains	(7,339,346)	4,017,091
Share of profits of associates	898,493	669,103
Share of profit/(losses) of joint ventures	(3,246,714)	(2,587,276)
Loss before income tax	**(156,696,577)**	**(234,618,755)**
Income tax	750,883	(2,144,681)
Net loss for the year	**(155,945,694)**	**(236,763,436)**
Attributable to:		
Equity holders of the parent	(76,781,549)	(121,621,246)
Non-controlling interests	(79,164,145)	(115,142,190)

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2012 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements an unqualified audit opinion was issued.

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Finance
Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED STATEMENT OF CASH FLOW

	2012 (thousand USD)	2011 Restated (thousand USD)
Loss before tax	**(156,696,577)**	
		(234,618,755)
Adjustments for:		
Depreciation and amortization	104,950,401	
Reserves for receivables and inventories and write-offs	62,604,587	137,031,691
Impairment and provisions for property plant and equipment	604,103	40,450,969
Other provisions	59,865,893	61,707,196
Retirement benefit charged to equity	623,575	(1,467,798)
Late payment interest	5,503,538	(610,241)
Interest expense, commission and bank charges and collection discounts	45,413,963	3,383,986
Interest expense shareholders	8,394,864	44,038,475
Finance income	(7,688,841)	13,304,926
Net loss from non-current assets disposals and write-off	(178,881)	(7,444,394)
Net result from sale of investments	-	(793,935)
Unrealised losses/(gains) from derivatives on petroleum products	8,949,183	(80,357)
Realized losses/(gains) from derivatives on petroleum products	16,627,624	(2,546,174)
Share in profits of associates	(898,493)	63,768,720
Share in profits of joint venture	3,246,714	(669,103)
Unrealised foreign exchange (gain)/loss on monetary items	1,045,499	2,587,276
Operating profit before working capital changes	**152,367,152**	11,898,024
		129,940,506
Net working capital changes in:		
Receivables and prepayments	(342,940,846)	
Inventories	(156,104,071)	(72,664,536)
Trade and other payables	269,790,711	63,278,742
Change in working capital	**(229,254,206)**	118,252,526
		108,866,732
Income tax paid	(1,740,211)	
Cash payments for derivatives, net	(21,180,573)	(6,390,659)
		(71,201,395)
Net cash provided by operating activities	**(99,807,838)**	
		161,245,184

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Finance
Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED STATEMENT OF CASH FLOW (continued)

	2012 (thousand USD)	2011 Restated (thousand USD)
Cash flows from investing activities		
Purchase of property, plant and equipment	(132,678,060)	
Purchase of intangible assets	(18,688,994)	(227,077,317)
Changes in payables for capital expenditures	(38,761,105)	(22,514,633)
Dividends received from associated companies	196,160	28,128,184
Proceeds from sale of property, plant and equipment	589,139	75,477
Cash of subsidiaries being disposed off	-	1,165,955
Proceeds from liquidation/sales of subsidiaries/investments	-	(177,654)
Consideration paid for acquisition of non-controlling interest	-	1,200,000
Consideration paid for Joint Venture	-	(550,000)
		(14,833,270)
Net cash used in investing activities	**(189,342,860)**	
		(234,583,258)
Cash flows from financing activities		
Interest and bank charges paid	(45,413,964)	
Interest and other financial income	7,688,841	(51,105,824)
Movement long term loans from banks	250,743,640	7,444,394
Movement in short-term borrowings	188,807,323	(2,915,774)
Repayments of finance leases	(2,897,417)	107,712,305
Net cash from financing activities	**398,928,423**	(10,103,801)
		51,031,300
(Decrease)/Increase in cash and cash equivalents	**109,777,725**	
		(22,306,774)
Cash and cash equivalents at the beginning of period	198,617,647	
		220,924,420
Cash and cash equivalents at the end of the period	**308,395,372**	
		198,617,647

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2012 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements an unqualified audit opinion was issued.

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Finance
Abbreviated financial statements derived from the consolidated financial statements as of 31 December 2012

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued capital	Share premium	Retained earnings Restated	Additional paid-in capital	Effect of transfer with equity holders	Translation reserve	Non-controlling interest Restated	Total equity
December 31, 2011	**120,338**	**2,631,512**	**(753,511,914)**	**1,100,000,000**	**1,415,028**	**1,415,028**	**(166,263,543)**	**299,420,779**
Net loss for 2012	-	-	(76,781,549)	-	-	-	(79,164,145)	**(155,945,694)**
Other comprehensive income	2,366	-	(1,104,354)	-	8,376,254	8,376,254	-	7,274,266
Total comprehensive income	**2,366**	-	**(77,885,903)**	-	**8,376,254**	**8,376,254**	**(79,164,145)**	**(148,671,428)**
Dividends payable to minority shareholders	-	-	-	-	-	-	(657,191)	**(657,191)**
Hybrid loan	-	-	-	917,699,790	-	-	-	**917,699,790**
December 31, 2012	**122,704**	**(2,631,512)**	**(831,397,817)**	**2,017,699,790**	**9,791,282**	**9,791,282**	**(246,084,879)**	**1,067,791,950**

Measurement Unit: thousand USD

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended 31 December 2012 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements an unqualified audit opinion was issued.

11 Audit letter

ERNST & YOUNG

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Auditor's report

Introduction

We have audited whether the accompanying abbreviated financial statements of The Rompetrol Group N.V., for the year December 31, 2012 have been derived consistently from the audited financial statements of The Rompetrol Group N.V., for the year 31 December 2012. In the auditor's report dated February 27, 2013 issued by Ernst & Young Accountants LLP, Amsterdam, The Netherlands (signed by J.J. Vernooij), an unqualified opinion on these financial statements was expressed. Management is responsible for the preparation of the abbreviated financial statements in accordance with the accounting policies as applied in the consolidated financial statements of The Rompetrol Group N.V. Our responsibility is to express an opinion on these abbreviated financial statements.

Scope

We conducted our audit in accordance with International Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance that the abbreviated financial statements have been derived consistently from the consolidated financial statements.

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

Opinion

In our opinion, these abbreviated financial statements have been derived consistently, in all material respects, from the consolidated financial statements of The Rompetrol Group N.V. for the year ended December 31, 2012.

ERNST & YOUNG

Emphasis of matter

For a better understanding of the Group's financial position and results and the scope of the audit, we emphasize that the abbreviated financial statements should be read in conjunction with the full financial statements, from which the abbreviated financial statements were derived and the unqualified auditor's report issued by Ernst & Young Accountants LLP, Amsterdam, The Netherlands (dated February 27, 2013). Our opinion is not qualified in respect of this matter.

Ernst & Young

Ernst & Young Assurance Services S.R.L.

Bucharest, Romania
June 17, 2013

www.rompetrol.com