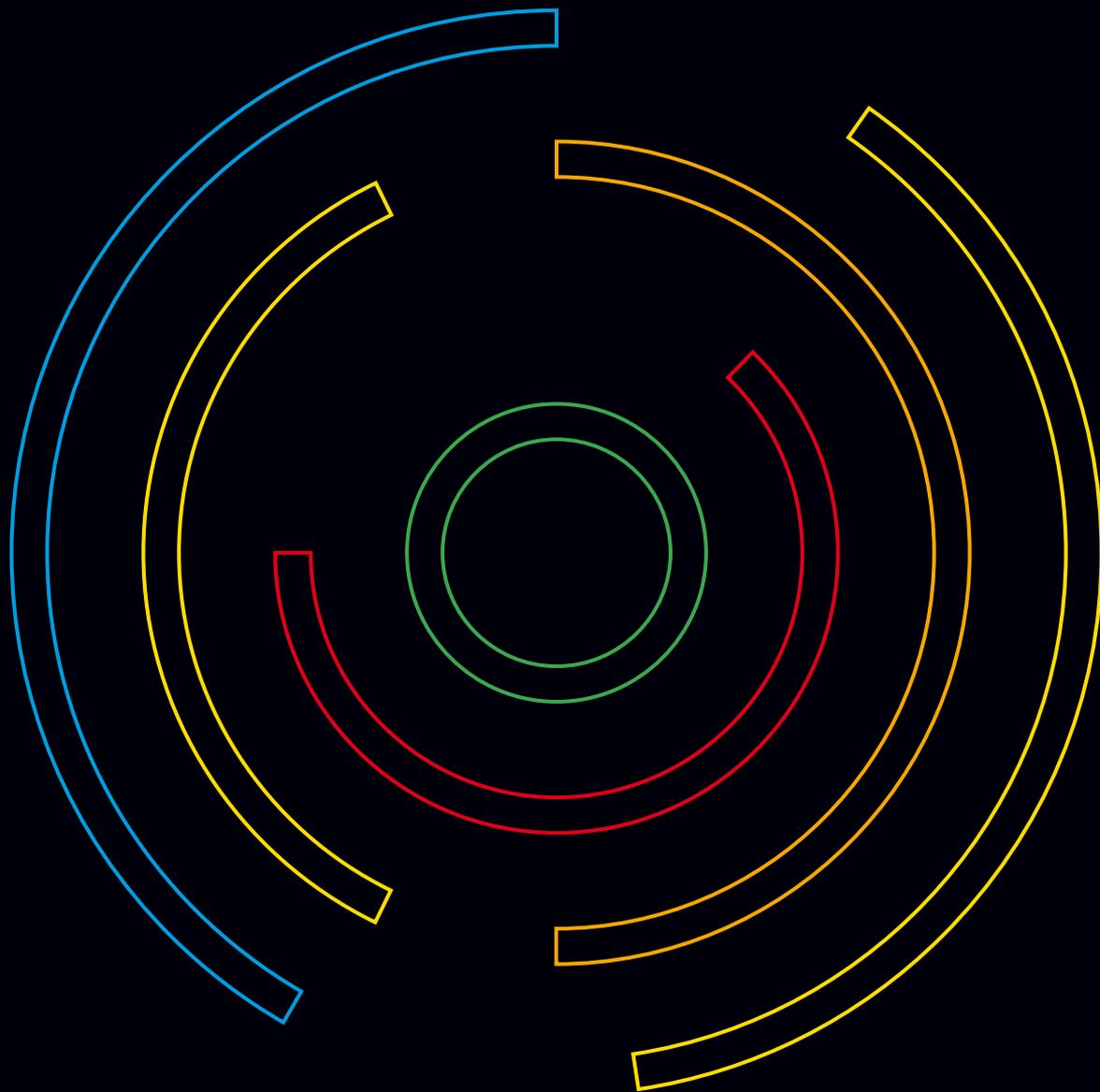


# Annual Report

## 2008





# Contents

<b>Letter from the General Manager</b>	5
<b>Business Units</b>	7
<b>Letter from the Chief Operating Officer</b>	8
Refining and Petrochemicals	9
Rompetrol Rafinare Constanța	11
Rompetrol Rafinare Vega Ploiești Refinery	14
Rompetrol Petrochemicals	16
<b>Trading</b>	19
Vector Energy AG	21
Byron Shipping Ltd.	21
Romanian Operations Division	22
Midia Marine Terminal	23
Rompetrol Logistics (primary)	23
<b>Retail</b>	25
Rompetrol Downstream	27
Dyneff Retail	28
Rompetrol Gas	30
Rompetrol Logistics (secondary)	31
Marketing	33
<b>Upstream</b>	37
Exploration & Production	39
Rompetrol Well Services (Petros)	40
Rompetrol Drilling & Workover	41
<b>Services Companies</b>	43
Rominserv	45
Palplast	47
Rominservices Therm S.A. Mangalia	48
Rompetrol Quality Control	49
Ecomaster	52
FinGroup	52
Global Security Sistem	53
<b>Support Services</b>	55
<b>Corporate Social Responsibility</b>	59
<b>Corporate Governance</b>	61
<b>Consolidation and efficiency on external market</b>	65
The Netherlands	66
Romania	66
France	66
Spain	66
Bulgaria	66
Switzerland	66
Russia	67
Moldova	67
Georgia	67
Ukraine	68
Kazakhstan	68
<b>Analysis of the Financial Results</b>	69
Abbreviated Consolidated Financial Statements	74
Summary of Significant Accounting Policies	78
Auditor's Report	80
<b>Distribution Map of the Rompetrol Group in Romania</b>	82



# Letter from the General Manager

Dear shareholders and partners,

For the Rompetrol Group, 2008 was a period of consolidating its regional operations, by developing productive means for employing the company resources, but also by increasing efficiency of its operations, in order to adapt, as much as possible, company activity to the market needs.

We have taken important steps towards the aforementioned trends, in a creative and passionate manner, with the direct support of our shareholders and our employees. The general economic framework has determined us to reevaluate our resources and our activities, in order to maintain a productive structure made of professionals who can be flexible and who can adjust to any challenges.

After no more than one year of cooperation with KazMunayGaz, the majority shareholder, we have succeeded both in finalizing projects of major strategic importance, and in continuing investments that support our goal to become one of the top ten companies in the European oil and gas processing industry.

It was the year when we started to develop the energy bridge structure initiated in 2005, when we purchased Dyneff Group and continued in 2007, through the transaction with KazMunayGaz. Since we had access to both the Western retail market and to the Eastern resources, our infrastructure needed to be strengthened in order for Rompetrol to become the leading company in the geographic arch, stretching from the Caspian Sea (Kazakhstan, Georgia), the Black Sea (Ukraine, Moldova, Romania, Bulgaria) to Western Europe (France and Spain).

To this end, the completion of our own marine terminal and the modernization of Midia Harbour Berth 9 support the development of trading activities and represent the best proof of cooperation between the Rompetrol Group and KazMunayGaz as to the efficient development of logistic capacities for the transportation of crude oil and other petroleum products in Romania and on international markets.

With a yearly transit capacity of maximum 24 million tons of crude oil, the oil terminal can allow the mooring of ships with a maximum capacity of 160,000 dwt, the loading/unloading operations being carried out through a floating landing system that ensures connection to crude oil tank fleet of the Petromidia refinery. This route shortens the crude oil access route by approximately 33 kilometers, achieving significant cost cuts.

The new Black Sea terminal and the one held by KazMunayGaz in the Batumi harbour (Georgia) offers the Group a strategic role and shall ensure the European Union's energetic safety by creating an alternative route.

In the context of increasing volumes of transited crude oil, the Petromidia refinery, which is the Group's main asset, registered a historical record last year of 4.2 million tons of processed crude oil, as compared to 3.7 million tons in 2007 and 1.15 million tons in 2000, prior to its takeover by Rompetrol.

Apart from the operational efficiency achieved by the refinery, another important goal was continuous product improvement and by the end of 2008 the company was producing Euro 5 products only. Thus, the traded fuel range is compliant with the quality and environmental standards in force in the European Union, which led to the consolidation of Rompetrol's position and presence on the traditional markets in the oil industry.

These results triggered a constant development of the distribution network, both by completing certain investments (own stations, Express), and by launching innovating products and services, the Rompetrol network holding approximately 900 distribution stations, of which more than 600 in Romania. We have consolidated our position on the regional and international market, as 2008 was the year when we began our distribution activity in the Spanish retail sector, by concluding our first 4 partnerships under the Dyneff brand, and a year of significant achievements in Georgia, where the company became one of the largest fuel distributors.

I am proud of these results that represent the efforts of more than 9000 employees of the Rompetrol Group, who have understood and creatively supported the Company objectives. This is why, for our customers, the Rompetrol brand, through the services and products it provides, primarily equals confidence.

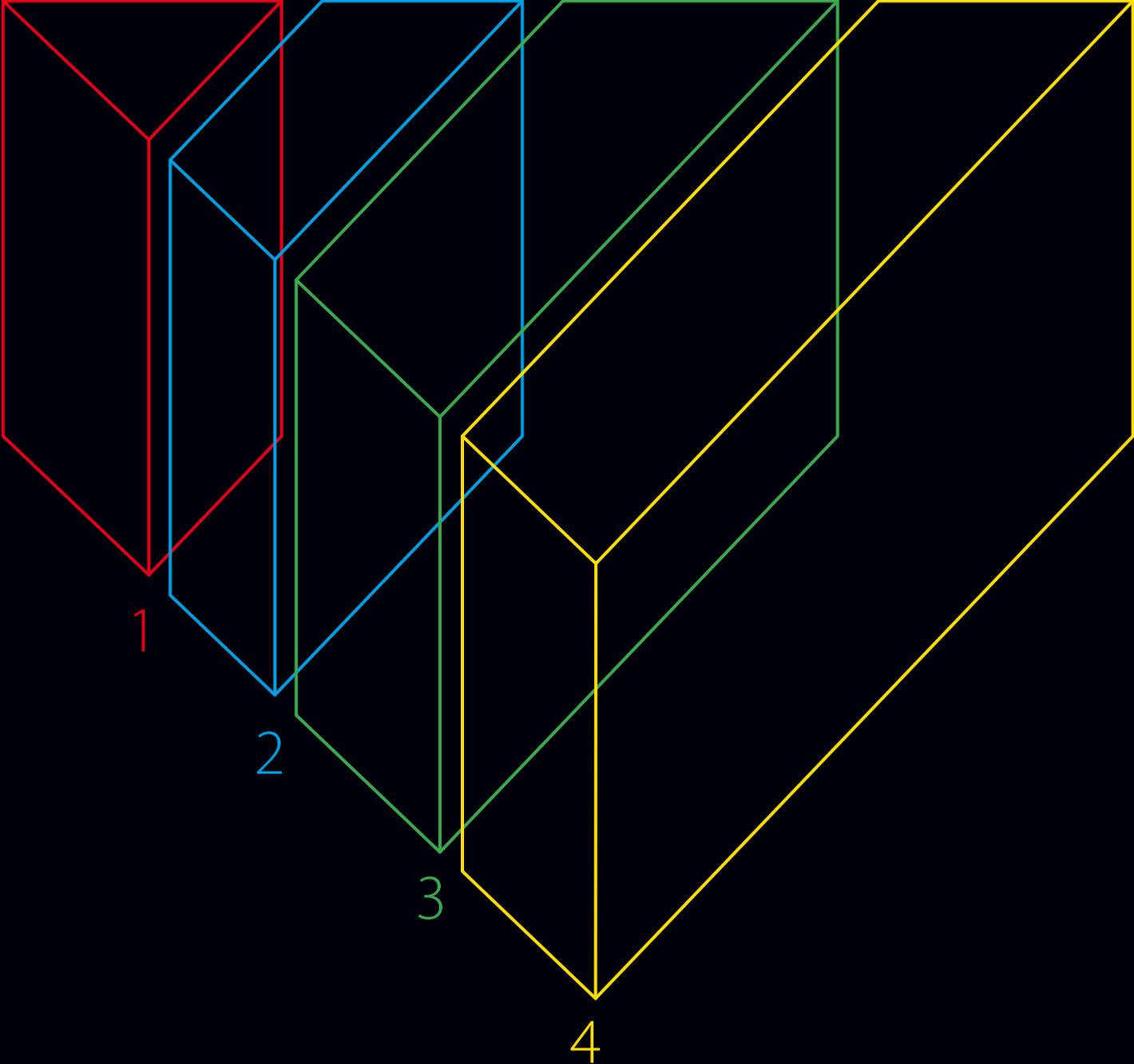
It is also with great pleasure that I inform you that we have enjoyed the same support from KazMunayGaz, our majority shareholder, who committed to the Company's operational and strategic development, thus contributing to the strengthening of cross-company synergies.

Dinu Patriciu,  
General Manager



# Business Units

Refining and Petrochemicals  
Trading  
Retail  
Upstream



# Letter from the Chief Operating Officer

The Rompetrol Group completed 2008 with many accomplishments, which will bring their contribution to developing and consolidating the company operations, within the unfavorable international economic framework. The evolution of the oil price on the international market, as well as the limited access to the financing means, have affected not only our industry, but the entire economy.

Increasing productivity of our activity, by cutting costs, by optimizing processes, and by reorganizing our activities, has been the main priority of our process concerning the appropriate distribution of all our resources.

The great challenge of the Rompetrol Group was to achieve its performance goals, even under such circumstances, in order to be able to adapt its strategy and its business plans for the years to come.

As concerns its achievements for 2008, the activity in the refinery segment was mostly bent towards increasing the capacity for processing raw materials to 4.5 million tons, this being the largest quantity ever processed by the refinery, and towards increasing the transit capacity for oil/oil products.

Thus, besides completing several important investments, like the Midia Marine Terminal, and the expansion and upgrading of Berth 9, the goals of the refinery also targeted important cuts in energy consumption and technological losses. All of the aforementioned achievements support the company short-term strategy to be ranked among the first 25 refineries in Europe.

The Vega Ploiești Refinery has continued to diversify its product portfolio by launching the „100 Vega products” project, but also by consolidating its activity of special product manufacturing.

The largest expansion in 2008 was recorded by the local retail segment. At the end of the year, the company owned over 450 distribution stations and a market share of 24 percent.

These results were supported by the continuous development of our distribution network, achieved both by completing several investments (Rompetrol stations, Expres), and by launching innovative products and services: the Fill&Go Fixed Unit, a fuel tank with a capacity of 9 cubic metres, and of 20 cubic metres, located directly on the customer's premises, or the Advanced Quality Control system, a unique system which guarantees the quality of the Rompetrol fuels from the gate of the refinery to the customer's tank.

2008 was marked by the beginning of the distribution activity on the retail segment in Spain, initiated by opening the first 4 Partner partnerships, under the Dyneff brand.

These trends were supported by consolidating and developing the trading activity, through Vector Energy, which has recorded an increase of over 35 percent as concerns the volume of traded products and an increase of 42 percent for the product exports.

Among the new responsibilities undertaken by Vector Energy there is also the coordination of the fuel sales towards the Group subsidiaries (Bulgaria, Georgia, Ukraine), the productivity improvement as concerns product stocks, and the continuity of the process for consolidating the relationship with Dyneff France and Dyneff Spain, which allowed for obtaining certain advantageous terms regarding product provision.

As for the service companies, they have become trusted partners for several customers outside the Group, as well as platforms for development for the non-core segment, in certain regions. For example, Ecomaster, the company providing ecological services, has become the first provider of integrated services on the hazardous waste management services market.

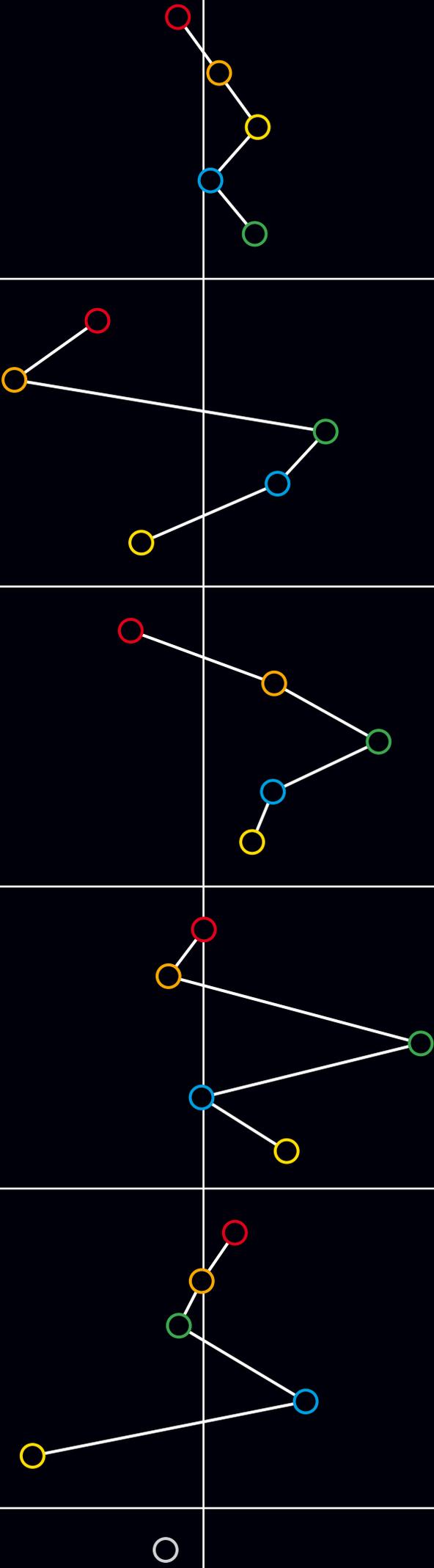
In 2008, Rominserv took the first step towards expanding its activity in the Republic of Kazakhstan, by incorporating a new (subsidiary) company, namely Rominserv Kazakhstan S.R.L. The experience acquired during its seven years in the business, within the two refineries of the Rompetrol Group, is a great advantage for its cooperation with KazMunayGaz, for the provision of industrial maintenance services, for project management, and for technical and technological development.

As a medium-term strategy, the Rompetrol Group aims at creating a long-term useful competitive advantage, by defining an integrated downstream network, and by focusing its strategy and its business plans on a new approach, that of a company focusing on marketing and sales.

I strongly believe that these goals will be successfully implemented, with the help of the team of specialists who, during the latest years, have contributed to the development of this company, and who have been through such difficult periods in the evolution of the Rompetrol Group before, and I also have the satisfaction of certain personal achievements.

Dan Ionescu,  
Chief Operating Officer

# Refining and Petrochemicals



# Refining and Petrochemicals Business Unit



**Cosmin Cocean**  
Refining and Petrochemicals  
Vice-President

*"The operational performances of the refinery segment are the outcome of the investments made until present time, which are meant to sustain the strategic directions of the Rompetrol Group. The increase in the refinery's production capacity, as well as the reduction of technological losses and energy consumptions support the company's objective to position the Petromidia Refinery among the top 25 refineries in Europe."*

The Refinery and Petrochemicals Business Unit was set up in order to optimize the synergies between the Rompetrol Group processing companies, and to increase their operational efficiency. The main objective of the Refinery and Petrochemicals Division is that of becoming the most productive, efficient and innovating system in Central and South-Eastern Europe.

***The Business Unit includes two operational entities:***

- Rompetrol Rafinare Constanța (Petromidia Refinery and Vega Ploiești Refinery)
- Rompetrol Petrochemicals

# Romp petrol Rafinare – Petromidia Refinery

## **2008 Key Achievements:**

- *expanding the crude oil and petroleum product transit capacity in the Black Sea;*
- *aligning the production and obtained products to the internal and international quality and environment specifications (Euro 5);*
- *processing a record quantity of raw materials (approx. 4.4 million tons), the largest quantity ever processed by the refinery;*
- *continuing the “2010 Refinery Investments Program”.*

In 2008, Rompetrol Rafinare’s activity focused on increasing the raw material processing capacity and the raw material/petroleum product transit capacity, while also aiming at achieving a significant reduction in energy consumption and technological losses.

In order to develop the Rompetrol Group’s trading activities in the region, the company has completed the construction of its own marine terminal, as well as the modernization of Midia Harbor Berth 9, investments that will have a strategic role in the consolidation of the connection between the crude oil resources in the East and the retail markets in the West.

With a maximum transit capacity of 24 million tons of crude oil per year, the oil terminal can accommodate ships of up to 160,000 dwt\* (deadweight tons), the loading/unloading operations being performed through a floating mooring system that ensures access to the crude oil tank fleet of the Petromidia refinery. This route shortens the crude oil route by approximately 33 kilometers shorter, triggering important cost reductions of at least USD 4-5/ton.

Romp petrol Rafinare has allotted more than USD 40 million for the modernization of the crude oil tank fleet under maximum technological efficiency and environmental safety conditions, according to the international regulations in force. On a long term, the Rompetrol Group intends to develop the Petromidia platform storage capacities from the 500,000 tons at present time up to 1.5 million tons of crude oil. Along with the new Black Sea terminal and with the one held by KazMunayGaz in the Batumi Harbor (Georgia), the Rompetrol Group and its main shareholder KazMunayGaz laid the premises for ensuring EU energetic safety by creating an alternative route.

In December 2008, Rompetrol Rafinare has also completed the works designed to expand the petroleum product transit capacity through Berth 9 by approximately 350 percent (from 90,000 tons/month to 310,000 tons/month) related to the. The project will allow for the mooring of ships with a maximum capacity of 25,000 dwt (depending on the draught), and the construction of a berth dedicated to the operation of barges (Berth 9C) will allow for the optimization of berths 9A and 9B. In the context of the increase in the transited crude oil quantities, the company registered a crude oil processing record – 4.2 million tons (4.4 million tons of raw materials), 3.7 million tons in 2007 and 1.15 million tons in 2000 prior to the takeover by the Rompetrol Group.

Apart from the operational efficiency achieved by the refinery, the company also continued the technological process optimization. Thus, in 2008, the lowest energy consumption was registered, 13 percent less than in 2007, as well as the lowest technological losses, which decreased by 20 percent, and the implementation of the advanced process control systems (APC – DAV) began. In December, Rompetrol Rafinare started the production/distribution of Euro 5 gasoline, following certain investments in the

range of Euro 5 fuels amounting to more than USD 40 million, being the first local company to produce and trade Euro 5 fuels, ever since 2003. Rompetrol Rafinare continued the projects previously initiated and grouped in the “2010 Refinery investments program”.

Thus, in 2008, an agreement was signed with Technip Netherlands for the supply of technology, know-how, engineering, technological equipment and machinery for the new hydrogen plant. With a capacity of 40,000 cubic meters/hour, the new plant has a completion deadline of 30 months and shall ensure 99.98 percent purity hydrogen for the technological flow. At the same time, it shall deliver, for the internal use of the platform, approximately 40 tons/hour high pressure steam.

The new plant is part of the complex investment project undertaken by the refinery until 2010, which aims at ranking among the top 25 refineries in Europe, and reaching a refining capacity of 5 million tons. This will also play an important part in the refinery’s fuel production transition from Euro 4 and Euro 5 standards to Euro 5 standards only.

To all these, we can add:

## **Modernization of the electrical system**

In order to increase the level of electrical safety in supplying power to technological equipment, the company allotted in 2008 approximately USD 3.3 million for projects related to the modernization of power stations and of switchboards.

## **Increasing steam production capacity**

As part of a project amounting to approximately USD 600,000, the high pressure steam generation reserve capacity at the CO Boiler was put into operation, increasing the steam generation capacity from 82 to 85 tons/h.

The installation of oxygen analyzers on the main ovens in the Refinery has allowed for a better burning processes control, enhancing the overall power efficiency.

## **Dump 3 three-phase sludge separation plant**

At the beginning of 2008, dump 3 three-phase sludge separation plant was commissioned, with the purpose of emptying sludge dump 3 according to the provisions under the Integrated Environment Authorization.

## **Quality**

### **Products manufactured by Rompetrol Rafinare**

All automotive fuels traded in 2008 (Lead-free Euro Plus gasoline, Premium E4 gasoline, lead-free Euro Super 98 gasoline, Efix gasoline, Super Euro 4 diesel, Efix Diesel, Euro 5 diesel, LPG fuels) were inspected by the representatives of the Romanian Automotive Registry (RAR), based on the monitoring plan; The documents (Compliance Certificate, License) allowing for the introduction of these products on the market were obtained.

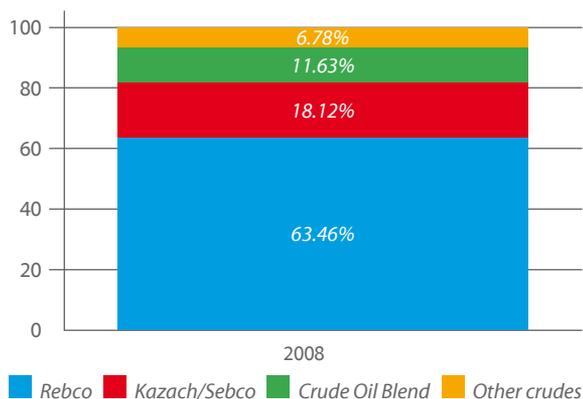
### Product monitoring and RID/ADR inspections

The quality of the supplied products was permanently monitored upon acceptance, on the manufacture chain, and at delivery so as to ensure compliance with the legal and company requirements.

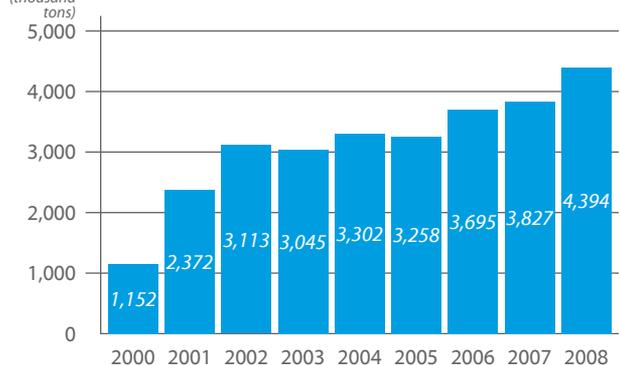
### Representative products and outputs

Last year, Rompetrol Rafinare registered an increase by approximately 15 percent in the processed raw material quantities, from approximately 3.8 in 2007 to approximately 4.4 million tons. The same growth indicator was registered in terms of production output, reaching 4.24 million tons of finished petroleum products in 2008.

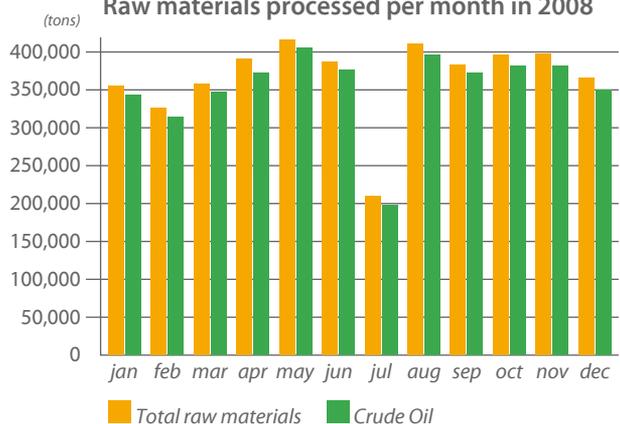
Breakdown of processed crude oil in 2008



Raw material quantities processed per year



Raw materials processed per month in 2008

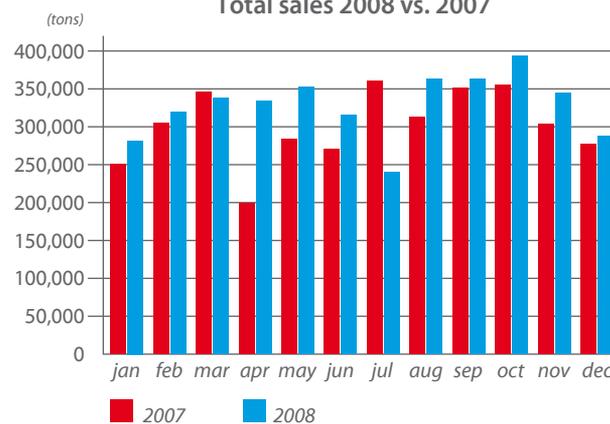


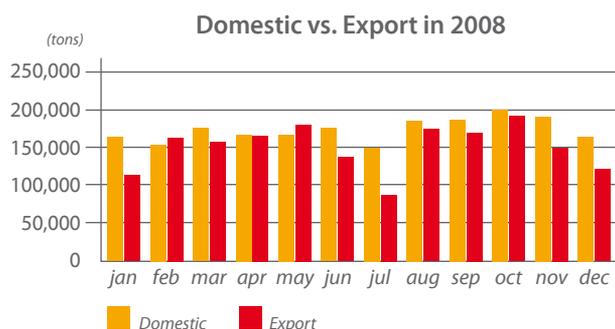
Total raw materials (tons)	Crude oil (tons)	Other raw materials (tons)
<b>4,394,405</b>	<b>4,237,376</b>	<b>157,028</b>
2008 Output	Tons	Percentage
<b>Total raw materials submitted</b>	<b>4,394,405</b>	<b>100</b>
Crude oil	4,237,376	96.43
Other raw materials	157,028	3.57
<b>Finished products</b>	<b>4,243,863</b>	<b>96.57</b>
<b>Gasoline</b>	<b>1,351,532</b>	<b>30.76</b>
Automotive	1,197,178	27.24
Lead-free Euro gasoline	1,041,137	23.69
COR 92 natural gasoline	156,041	3.55
Chemical processing gasoline	154,354	3.51
<b>Diesel</b>	<b>1,575,034</b>	<b>35.84</b>
Automotive	1,552,622	35.33
Oil	115,921	2.64
Jet A1 oil	105,881	2.41
Heavy solvent	10,041	0.23
Light liquid fuel	16,283	0.37
Fuel oil	126,542	2.88
Liquefied petroleum gas	234,195	5.33
Propylene	106,310	2.42
<b>Other finished products</b>	<b>718,046</b>	<b>16.34</b>
<b>Semi-finished products</b>	<b>4,761</b>	<b>0.11</b>
<b>Total consumption</b>	<b>145,780</b>	<b>3.32</b>

### Retail market

In 2008, the trading division has intensified its efforts to optimize the raw material purchasing and finished product sales operations, registering a continuous increase of the supplied crude oil volumes by 17 percent as compared to 2007 and an increase in the sale of finished products (by approx. 9 percent). Crude oil purchases are carried out through Vector Energy. The range of products traded is compliant with the quality and environmental standards in force in the European Union, which enables Rompetrol Rafinare to consolidate its position and presence on traditional reference markets in the oil field.

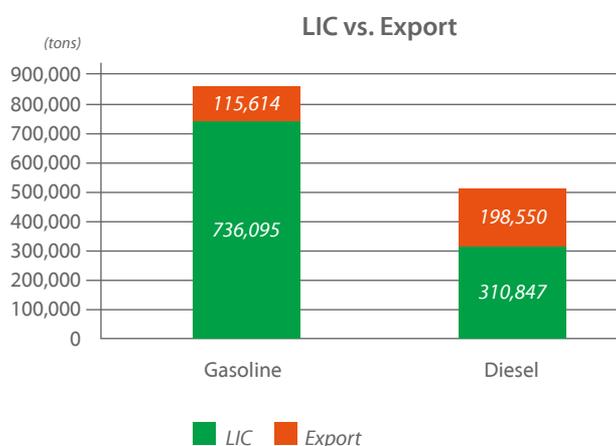
Total sales 2008 vs. 2007





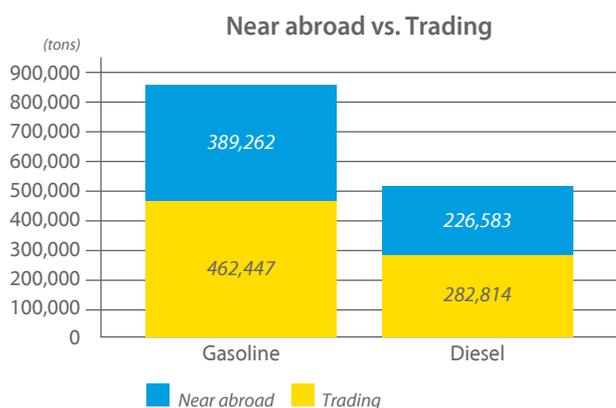
On the retail market, the sales on the two distribution channels, domestic and external were relatively balanced, the Romanian market absorbing approximately 53 percent of the total volume of finished products traded by Rompetrol Rafinare. The sales of Rompetrol products on the domestic market exceeded the values reached in 2007 in the context of an increase in the motor vehicle fuel demand, as a consequence of the significant increase of automotive fleets in 2008.

On the external market, the products were sold to both intra and extra community customers. The intra-community sales represented approximately 29 percent of the total sales on the external market. Most automotive fuel sales were directed to the non-community space.



\*LIC = intra-community distribution

The automotive fuel sales on the external markets exceeded the values registered in 2007, most of the delivered volumes being distributed on the regional markets, having as main destinations: Turkey, Georgia, Ukraine, Moldova, Bulgaria, Greece, Serbia. From the total volume of automotive fuels distributed on the external market, approximately 45 percent were delivered to Rompetrol's subsidiaries (Moldova, Bulgaria, Georgia, Ukraine).



The main customers on the domestic market were: Rompetrol Downstream, Rompetrol Gas SRL, Rompetrol Petrochemicals, Air BP Sales, Air Total Romania. The main external customers were: Vector Energy, The Rompetrol Group, Rompetrol Moldova, Master Chem, Loratel Trading, Transamonina.

#### 2009 Key Objectives:

- reaching the DUPONT ZERO level 3 in terms of labor accidents;
- reducing power consumption by 6 percent;
- increasing the equipment usage level to 97 percent;
- reducing technological losses to 0.6 percent;
- developing professional skills;
- completing the major development projects by Q3 2010.

# Rompetrol Rafinare - Vega Ploiești Refinery

In 2008, the activity of the Vega Ploiești company focused, again, on the diversification of the product portfolio by launching the "100 Vega products" project, as well as on strengthening the special product generation activity (normal hexane, environmental-friendly solvents, road and special bitumen, "heating oil" fuels etc.), thus continuing its strategy is to turn the company into a niche products refinery for special value-added products.

## 2008 Key Achievements:

- processing of largest raw material quantity ever, equaling approximately 300,000 tons;
- the expansion on the markets in the region, which triggered export increases by 27 percent as compared to 2007;
- the diversification of the product portfolio by launching the "100 Vega products" project, in order to attain an important position on the retail market. The first step to this end was the launching of a new product, called "Ardent", used to light up fire if barbecue grills and chimneys;
- Rompetrol Rafinare – Vega Refinery produced the ADD8 additive, used for the manufacture of a new premium fuel, ALTO 101.

## 2008 Major Technological Achievements

### Setting up mixing facilities for the production of the octane-booster additive

Vega Refinery completed in 2008, within a short period of time, the mixing facilities for the production of the ADD 8 octane-booster additive (according to a receipt created within Rompetrol), which is the basis for obtaining the ALTO 101 gasoline, a premium product in the range of Rompetrol fuels.

### Technological process automation

In order to reduce power consumption and maintenance costs, frequency converters were mounted on the pump drive motors. The project for the implementation of the "Plant Information" program was also started, a program which ensures the collection of data directly from the local DCSs of the plants and enables on-line information access. Access to the process data of all plants and equipment is thus ensured.

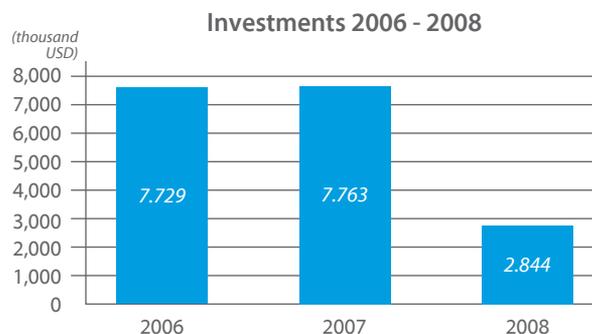
### Environment projects

#### Technological channel rehabilitation

In order to comply with the environment authorization requirements, technological channels rehabilitation operations were carried out, thus eliminating the possibility of polluting the soil with petroleum goods.

#### Water consumption reduction

In order to reduce cooling water consumption and, implicitly, maintenance costs, the company has completed in 2008 the modernization of control panel for the 2nd tower. The total investments related to these projects amounted to more than USD 178,000.



### Representative products and outputs

The raw material quantity processed in 2008 by the Vega Refinery increased by approximately 11 percent as compared to 2007, reaching a volume of approximately 300,000 tons – the highest registered in the past three years. This was supplemented by a 23 percent increase in the extensive capitalization of raw materials, from USD 644/ton in 2007 to USD 790/ton in 2008.



The Vega Refinery production is structured into special product groups:

- Solvents: ecologic solvents – Rompetrol SE, light solvents and n-hexane
- White spirit and Oils
- Fuels
- Bitumen

Vega Refinery is the only n-Hexane manufacturer in Eastern Europe, a product which is used in the production of polypropylene and the extraction of vegetal oils in the food industry.

Vega Refinery is also the unique manufacturer in Romania of:

- Ecologic solvents – Rompetrol SE – ensuring low toxicity levels through the reduction of sulphur and aromatic hydrocarbons contents.
- Special bitumen, used in the production of bituminous mastic and for waterproofing works in constructions, metallic pipe anti-corrosion protection.

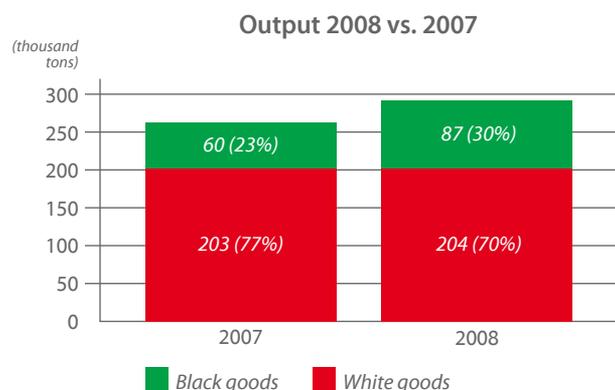
Vega Refinery also produces polymer-modified road bitumen, used on a large scale in the pavement of highly circulated roads.

Ecologic heating fuels are also obtained in the refinery. The quality of these fuels complies with European standards, being equal to the quality level of any Heating Oil product traded in Western European countries.

In 2008, the Refinery increased its black product output in the total production, which enabled the company to consolidate its presence on the domestic market, especially on the bitumen market, as well as to align to the market requirements.

**2009 Key Objectives:**

- turning Vega Refinery into an active participant on the retail market;
- launching new niche products dedicated to the retail market (hypermarkets, specialized stores, distribution networks) and the B2B segment;
- continuing the investment program, in order to strengthen its position on the retail market, by launching the "ADD8M additive production plant" project (gasoline additive);
- implementing the Plant Information (PI) system for production monitoring;
- compliance with environmental requirements by continuing the industrial processing of the sludge in storage pits for waste removal purposes.



**Retail market**

Sales have registered an increase by approximately 6 percent as compared to the previous year, as a consequence of the diversification of the range of products compliant with the European quality and environmental standards in force. This enabled Rompetrol Rafinare – Vega Refinery to consolidate its position and presence, triggering a 27 percent increase in the distribution of oil products on the external reference market.

# Rompetro Petrochemicals

## 2008 Key Achievements:

- 24.9 percent increase in the quantity of sold petrochemicals;
- 21.6 percent polymers production increase;
- 36 percent turnover increase.

In 2008, Rompetro Petrochemicals maintained the positive trend registered over the past few years.

2008 represented, for Rompetro Petrochemicals, a 21.6 percent increase in polymer production from 161,718 tons in 2007 to 196,586 tons in 2008. In terms of traded finished products, there was a 24.9 percent increase in 2008 as compared to 2007, with a sales volume of 231,708 tons in 2008, as compared to 185,519 tons in 2007.

These record achievements were obtained in the context of diminishing margins between finished products prices and raw material costs, and the fluctuation of the petrochemicals market registered in the second half of the year. However, the company's turnover increased by 36 percent as compared to 2007, from USD 264,338,680 in 2007 to USD 358,678,456 in 2008.

In 2008, the company's activity focused on stabilizing the retail market and identifying new HDPE markets. As a consequence of market requirements, the HDPE plant capacity was tested for the implementation in the production structure of two new thin film types. The licenses were purchased in 2008, and the implementation of the know-how in the equipment will follow shortly.

The Extrusion Solutions, Blow Solutions, Injection Solutions processing methods were maintained, while company's objective was to adapt its portfolio structure to the specialized market requirements. Rompetro Petrochemicals aims at becoming the leading petrochemicals company in Romania, operating in the major players' league in the region.

## 2008 Major technological achievements

Rompetro Petrochemicals upgraded the stabilizer dosing system in the PP plant, which lead to quality maintenance within the limits of the product's technical specifications.

Another achievement is the completion of the project for the liquid fraction purification and separation from the hydrogen supplied to the PP and HDPE plants, as it contributed to the stabilization of polymerization reactions.

In order to lower operational process incidents risk, the Company continued, in 2008, the quality and labor safety improvement program, targeting the development of an operating safety management and culture.

## Production

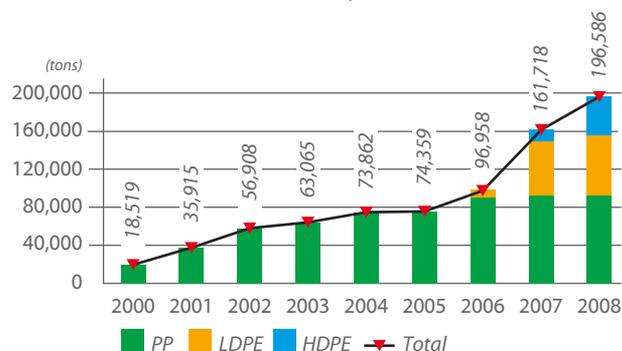
In 2008, polymers production, which is the company's main activity, increased by 21.6 percent:

- Polypropylene production (PP) was maintained above 91,000 to/year
- High density polyethylene production (HDPE) increased by 10 percent from 57,905 tons in 2007 to 63,834 tons in 2008.

In May 2008, the high density polyethylene production processes reached 180 tons/day from 200 tons/day.

- The low density polyethylene production (LDPE) was of 41,368 tons.

## 2000 - 2008 Polymers Production



## Commercial

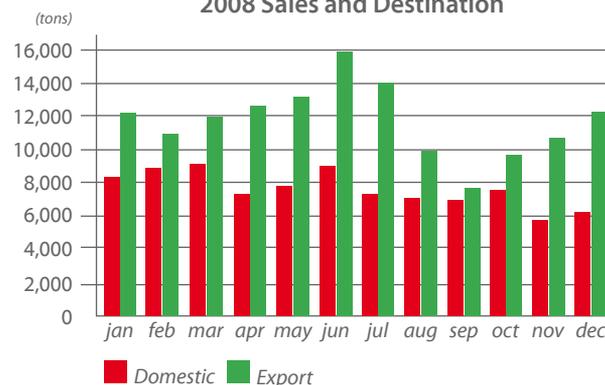
Rompetro Petrochemicals is the only PP manufacturer and one of the main LDPE and HDPE producers in Romania.

Thus, in 2008, the market share of Rompetro Petrochemicals in the domestic market was of 64.09 percent with PP, 21.29 percent with LDPE and 10.35 percent with HDPE (according to the data supplied by the National Statistics Institute for 2008).

The recommissioning of the LDPE and HDPE plants triggered an increase in Rompetro Petrochemicals' market share in the domestic market, and, at the same time, the expansion on the neighboring markets through the company's dealers, thus securing the trading of significant quantities of finished products. The company's development strategy, promoting a culture based on customer satisfaction and loyalty, ensures a competitive position, both on the domestic and on the regional market – Black Sea and Mediterranean Sea area, Central and Eastern Europe – a market where Rompetro Petrochemicals became an important player.

One of the Rompetro Petrochemicals' main competitive advantages is the direct access to all (road, sea, railway) transport routes, which facilitated the addition of new destinations from Central Europe, Western Europe, Asia and the Middle East, as well as the consolidation of the company's position on the regional market (Ukraine, Poland, Russia, Macedonia, Serbia, Slovenia, Hungary, etc).

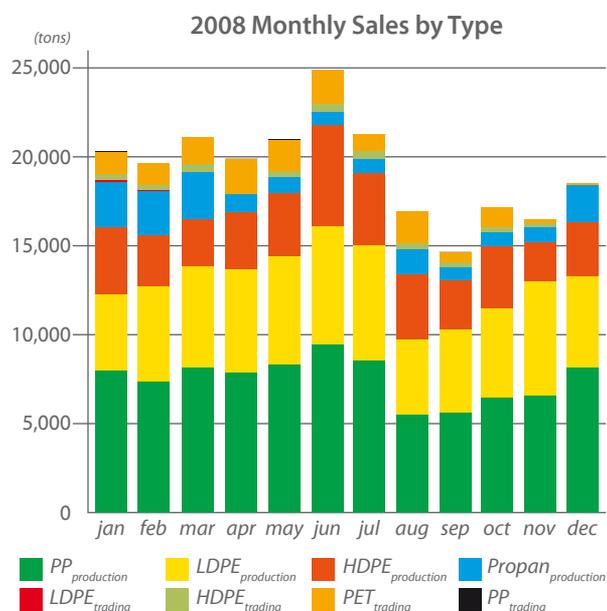
## 2008 Sales and Destination



As compared to the previous year, own production sales have increased by 25.3 percent in 2008.



Apart from own products, the company is also carrying out an intense campaign for the trading of a wide range of petrochemical products that are not currently included in the production portfolio of Rompetrol Petrochemicals, but for which there is high demand on the Romanian market: special polypropylene sorts, high density polyethylene (HDPE), low density polyethylene (LDPE) and PET.



### Quality

In 2008, Rompetrol Petrochemicals managed through the quality of the provided services to qualify LDPE and HDPE sorts, together with the world leader on the polymers market, Dow, with which it concluded a long term partnership.

The "Technical Assistance on Customer premises" service enabled the collection of real time data on the behavior of the company's products during processing operations.

Furthermore, the range of tests performed by the Petrochemicals Laboratory was extended through the application of the new laboratory techniques due to the purchase of new equipment, to the updating of standards and application of the laws in force.

The specific QHSE activities carried out within the company ensured the following:

- maintaining the certification of the quality management, environment, health and labor safety systems (ISO 9001, 14001);
- certification of the labor health and safety management system according to BS OHSAS 18001:2007;
- maintaining the DUPONT safety culture improvement program.

All measures stipulated under the action plan for 2008 (attached to the Integrated Environmental Authorization) were also implemented.

The Authorization regarding greenhouse gas emissions was obtained for 2008-2012, along with the Environmental Authorization for Berth 9 Terminal.

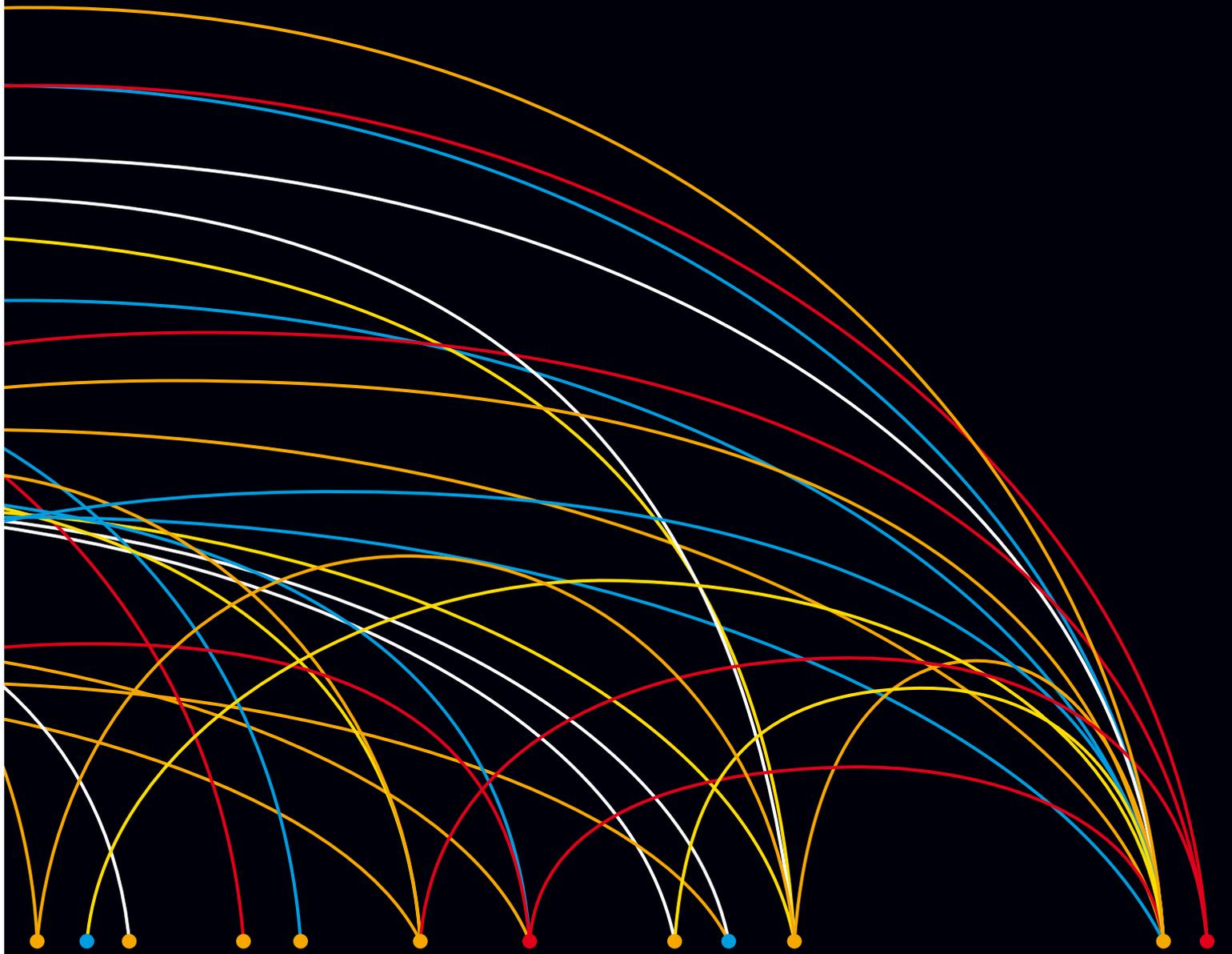
Greenhouse gas emissions 2008 complied with the allotted values (National allocation plan). No environmental safety penalties/sanctions were applied.

From a commercial point of view, for 2009 the company aims to increase its market shares. In order to support this objective, the company shall embrace a new approach, including the continuous development of a customized offer, depending on customer requirements.

### 2009 Key Objectives:

- operation at maximum capacity of the PP, LDPE, HDPE polymers plants;
- reducing manufacture costs;
- adapting production to market requirements;
- increasing the quality of products, by reducing non-conformities.





# Trading

# Trading Business Unit



Dan Ionescu  
COO and Trading Business Unit Leader

*"The finalization of the new marine terminal in 2008 provides new development opportunities for the trading segment of the Group and ensures the strengthening of Rompetrol's presence in the Black Sea and Mediterranean Sea areas. By enhancing and increasing the efficiency of the supply flow with raw materials and finished products, Rompetrol has become a link between the oil resources in the East and the Western markets, while contributing to the creation of an alternative route for the energetic security of the European Union."*

The Trading Business Unit is aimed at the surveillance of the raw material and end products inside the Rompetrol Group and it is active from the Caspian Sea area to the West side of the Mediterranean Sea.

***The Trading Business Unit includes the following operational entities:***

- *Vector Energy AG*
- *Byron Shipping Ltd*
- *Midia Marine Terminal*
- *Romania operations division*
- *Rompetrol Logistics – logistics for primary distribution (railway)*

# Vector Energy AG

## 2008 Key Achievements:

- increase by over 35 percent of the volume of sold products;
- increase by 42 percent of product exports.

Company Vector Energy AG, supply and trade entity of the Rompetrol Group, has further enhanced the process of synergy consolidation and optimization inside the Group in 2008.

In 2008, the company having its main office in Zug (Switzerland) has registered an increase by approx. 35 percent of the volume of sold products as compared to 2007, when it registered a total level of 1.6 million tons, and their value doubled, from more than USD 547 million in 2007 to USD 1.14 billion last year. In the same period, the company export of products increased by 42 percent, from 0.9 million metric tons in 2007 to 1.29 million tons last year.

The new responsibilities undertaken by the company in 2008 include the fuel sale coordination towards the Group subsidiaries (Bulgaria, Georgia, Ukraine), by integrating operations in the activity flows of Vector Energy, increasing effectiveness of the product stock level in Midia and Constanța by creating a dedicated team, as well as consolidation of the relationship with Dyneff France and Dyneff Spain, which allowed us to obtain very advantageous conditions for product supply.

In order to optimize the raw material supply of the Group member companies, and their sales of end products, Vector Energy decided to create a dedicated team in the company and to create the Maritime Transportation department. The new team is also responsible for developing/implementing new processes, such as selection of optimum oil mixes, establishing limit stocks of raw material/end products etc.

The total oil volume delivered by the company in order to ensure the oil needs of Rompetrol refinery increased last year by 13 percent, from 3.78 million tons in 2007 to 4.27 million tons.

For 2009, Vector Energy wants to triple the operated volumes by extending the Trading activities. In order to achieve this objective, the company identified and signed various commercial agreements with various field partners in Strasbourg.

The company also intends to continue with development of the synergies with Rompetrol Refinery in order to improve the capacities for Euro 5 fuel production, by identifying and delivering optimum oil mixes, by optimizing sold volumes and obtained margins, but also by implementing an effective stock management.

Further to the transfer of the Group treasury from Amsterdam (Netherlands, headquarters of Rompetrol Group) to Zug (Switzerland, headquarters of Vector Energy), Vector Energy will hold an important role in the effectiveness of cash flows in the whole Rompetrol Group.

# Byron Shipping Ltd.

Byron Shipping Ltd, transportation subsidiary of Vector Energy, has registered an increase of over 36 percent last year as compared to 2007, for volumes shipped through the 4 oil tankers (2 oil, 2 products), from approx. 3.5 million tons to 4.77 million.

In the same period, the net result registered by the company amounted to USD 8.7 million, as compared to the USD 0.26 million obtained in 2007. The positive effects of the fixed rate contracts negotiated and signed in 2007 (irrespective of the market evolution), as well as the ascending evolution on the profile market, were the main factors that led to achieving of these operational and financial performances.

In 2008, the oil tankers operated by Byron Shipping have continued to ensure the transfer of oil and products, on behalf of both Vector and other companies belonging to the Rompetrol Group, as well

as for some partners outside the Group. The activity outside the Group represented approximately 40 percent of the total income registered by the company in 2008.

The company used one of the product tankers, Emocean, exclusively for activities outside the group; its income for 2008 amounted to over USD 6.7 million, and the net result was USD 0.76 million. At the same time, the two Aframax ships, Clipper and Concord, had a net result of approximately USD 9.6 million.

At the end of 2006, Byron signed contracts that led to rental of four modern double tank oil tankers by time charter, each for three years. The ships rented for a long period are part of the corporative strategy to control the volume shipped by the Rompetrol Group through Byron Shipping and implements the best practice in the field.

## Shipped volumes 2007 vs. 2008

Tanker	2007				2008			
	Vector	Rompetrol	Others	Total	Vector	Rompetrol	Others	Total
Emocean	10,500	-	307,150	317,650	-	-	3,010	3,010
Decocean	99,296	174,406	16,743	290,445	152,275	68,208	32,548	253,031
Clipper	402,245	-	793,576	1,195,821	698,799	-	1,595,730	2,294,529
Concord	507,929	-	1,186,846	1,694,775	1,102,205	-	1,115,360	2,217,565
TOTAL (mt)	1,019,970	174,406	2,304,315	3,498,691	1,953,279	68,208	2,746,648	4,768,135

## The time charter fleet includes:

MS Emocean	DWT 12.222	Oil tanker for chemical products IMO2
MS Devocean	DWT 12.222	Oil tanker for chemical products IMO2
NS Clipper	DWT 105.703	Aframax 1A
NS Concord	DWT 105.902	Aframax 1A

In 2009, Byron Shipping will continue to optimize the maritime transport activities, one of the ways for achieving this objective being the increase of the usage level of the oil tankers for activities outside the group. In this respect, the company intends to attract in 2009 approximately 50 percent of the total revenues of operations outside the group.

# Trading Romania operations division

In 2008, the trading activity run by the Group in Romania had an ascending trend, being supported both by the 13 percent increase of the supplied oil volume, as compared to 2007, and by an increase of approximately 9 percent of the end products sale.

At the end of the last year, Rompetrol Refinery started to produce Euro 5 gasoline (sulphur in a concentration smaller than 10 ppm), following some total investments corresponding to the Euro 5 fuels range of more than USD 40 million. The company has produced and sold Euro 5 diesel ever since 2005.

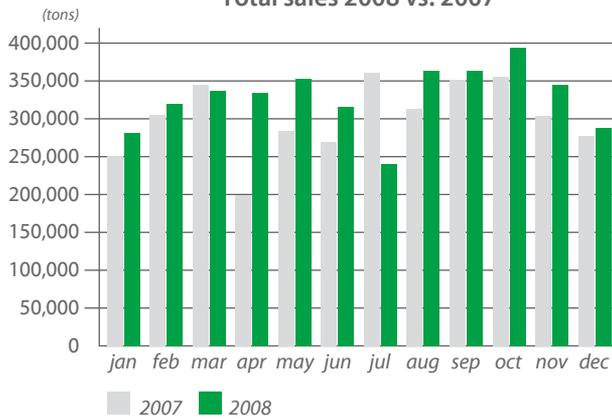
The range of sold products complies with the quality and environment standards in force in the European Union, thus supporting the position and the presence consolidation of Rompetrol Refinery on the traditional reference markets. The oil acquisitions were run in 2008 exclusively through Vector Energy.

The fuel sale on the two distribution channels, the internal and external ones, were relatively balanced, the Romanian market used approx. 53 percent of the total volumes of sold end products. The Rompetrol products sales on the internal market were higher as compared to 2007, due to the increase of fuel demand, as a result of significant growth in the number of vehicles in 2008, which led to an important increase of fuel sales sold in gas stations.

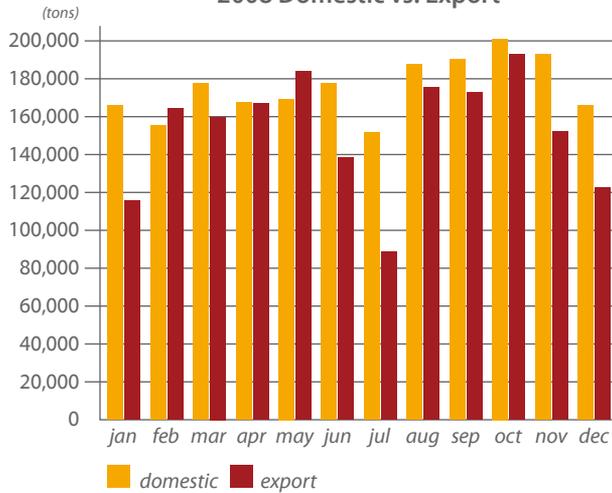
On the external market, sales were designated both for community space and for non-community space. The sales inside the community space represented approx. 29 percent of the total sales on the external market. Most fuels sales were designated for non-community space.

Fuel sale on the external markets were higher as compared to 2007, most of the volumes were sent to countries such as Turkey, Georgia, Ukraine, Moldova, Bulgaria, Greece and Serbia.

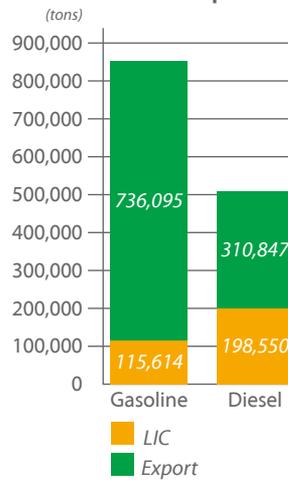
**Total sales 2008 vs. 2007**



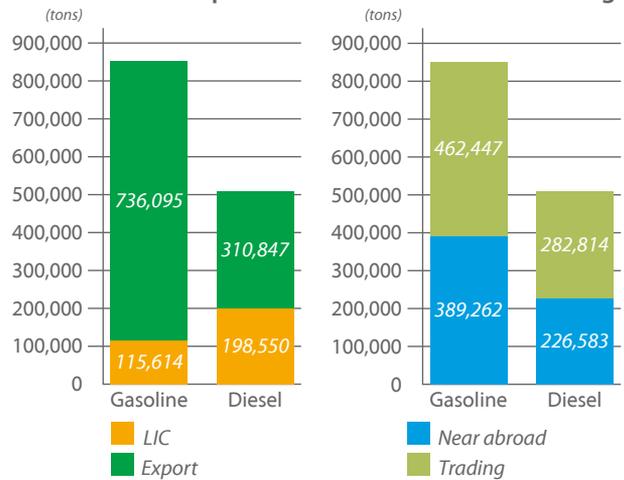
**2008 Domestic vs. Export**



**2008 LIC vs. Export**



**2008 Near abroad vs. Trading**



## 2009 Forecasts and Development Tendencies

For 2009, the Group's Trading Operation Division aims at developing the sale of oil products, both by consolidation of actual markets, and by extending on new ones. The division also estimated that, for this year, the percentage of sales on the internal market will be larger than the percentage for external market.

# Midia Marine Terminal

Midia Marine Terminal, subsidiary of Vector Energy AG, has continued in 2008 to consolidate the link between the Eastern oil resources and the Western markets, the presence of KazMunayGaz and Rompetrol within the geographical arch linking the Caspian Sea area (Kazakhstan, Georgia), Black Sea area (Ukraine, Moldova, Romania, Bulgaria) to Western Europe (France and Spain).

In this respect, in December the company has completed the construction of a new off-shore oil terminal in the Black Sea, 8.7 km far from Petromidia Refinery. The new terminal allows both achieving oil supply cost reductions of approx. USD 4-5/ton, by reducing the distance by approx. 33 km, as compared to the track through Constanța harbour and by eliminating the technological losses, and offers the necessary framework for developing the Rompetrol Group trading activities in the region.

With an annual transit capacity of maximum 24 million tons of oil, the new terminal may host ships with a maximum capacity of 165,000 tdw; the load/unload operations are carried on through a floating docking system that connects to the oil reservoirs of the refinery through a submarine and land pipe. Apart from the oil supply of the refinery, the new investment will have an important role in supporting the development plans of the

Group's trading activities; for this year, the trading volumes operated through BUOY are estimated to 0.9 million tons.

In order to optimize the transfer flow of oil and oil products corresponding to the Petromidia platform, Rompetrol Refinery and Rompetrol Petrochemicals, in 2008 the company took over both the operation of the tanks park of Rompetrol Refinery and the field operations through decks 1-4 and 9 of Midia harbour. The total volume level operated by the Midia Marine Terminal between July and December amounted to 427,000 tons through decks 1-4 and respectively over 502,000 tons through deck 9.

In 2008, the main refinery of the Group, Rompetrol Refinery assigned more than USD 40 million for the modernization of the oil tank park with maximum technological efficiency and environmental protection, the Group's long-term intentions are to increase the storage capacities corresponding to Petromidia platform, from the current amount of 500,000 to 1.5 million tons of oil.

Midia Marine Terminal SRL was established in 2007, but the operational activity was actually begun in 2008.

# Rompetrol Logistics

## 2008 Key Achievements:

- increase of railway transport volume with 20 percent;
- increase of railway transport level for companies outside the group with 250 percent;
- commencement of railway solid product transport (coke, sulphur).

Rompetrol Logistics, the logistics division of Rompetrol Group, has continued in 2008 as well to develop the field services (railways, auto, maritime), by identifying and eliminating the losses on the track, by improving the quality and the security of the transported goods, by optimizing the distribution routes, as well as by modernizing and developing the rolling stock. In 2008, the company registered an increase of 10 percent of the total transported volumes as compared to 2007.

On the railway, Rompetrol Logistics has registered an increase of the transport volume with 20 percent as compared to 2007, to 1.96 million tons. Out of this, the fuels represented approximately 88.2 percent.

For the partners outside the Group, the level of transported volumes amounted to 448,000 tons, an increase of more than 250 percent as compared to the indicator in 2007.

In 2008, the company extended its rolling stock park, by increasing by 20 percent the number of wagons and by 26 percent of the rented engines. By the end of the year, Rompetrol Logistics operated a number of 847 wagons and 19 engines (electric and diesel).

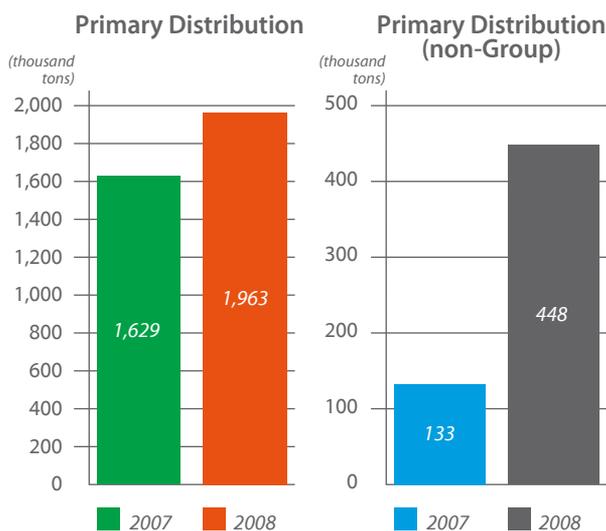
By renting 70 dedicated wagons, the company has also endured, since November, the transport of coke/sulphur, from Petromidia refinery to destinations such as Constanța Port, Slatina or Titu.

The Rompetrol Group, through Rompetrol Logistics, has held, since 2004, the right to manage the railway tracks Dorobanțu-Năvodari-Capu Midia, Dorobanțu-Romcim Medgidia and Capu Midia-Sitorman, in total length of 49 kilometres. In order to maintain maximum operation safety, but also to increase the transport speed,

the company has continued in 2008 the rehabilitation works of the operated railway, the total value of investments was of USD 5.2 million.

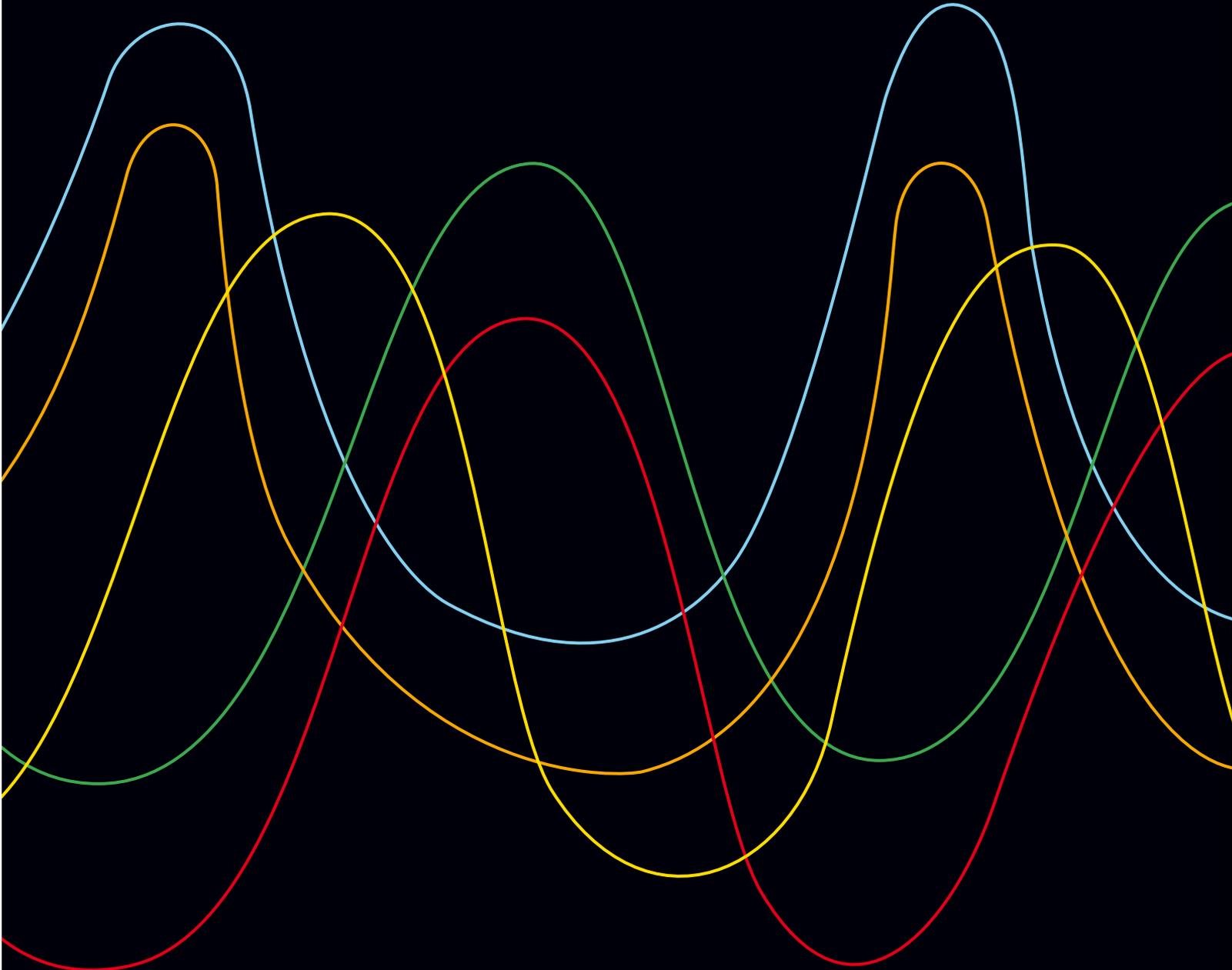
For 2009, the Group's logistics division intends to obtain a 10 percent increase of the total volume of products transported on the railway. The company intends as well to increase to 30 percent the transports of refinery solid products.

On a long term, the company intends to build an engine yard in the Dobrogea area in order to ensure maintenance and use of all types of engines (electric and diesel), and to develop the two own stations. Also, in order to optimize the transport flows of oil products from the Group's refineries to the internal and external clients, Rompetrol Logistics intends to create a dispatch department within the company.





# Retail



# Retail Business Unit



Eric Kish  
Retail Vice-President

*"The two main development directions aimed both to extend the fuel distribution network and to increase the quality of the provided products, by implementing a unique system in Romania for monitoring fuel quality throughout the entire logistic chain.*

*These efforts are supported by the application of innovative concepts and by the use of the latest technologies, as Rompetrol activities are thought as a continuous development and improvement process."*

Retail Business Unit is one of the central structures of TRG which obtains for its products and services an increased rate of profitability. The main objective of the Rompetrol Group is to become a market leader in Romania and a top player in other markets where it operates, rising the Rompetrol brand value. In this regard, the Retail Division, through a dynamic strategy and management, supports the development of distribution networks and the integration of other related commercial activities.

# Romp petrol

## Downstream

### 2008 Key Achievements:

- selling of Euro 5 gasoline;
- launching "Fill&Go Fixed Unit", with a capacity of 9 CBM / 20 CBM;
- implementation of the unique fuel quality control and monitoring system: "Advanced Quality Control";
- launching of the "Fill&Go Road Assist" service;
- launching of the "Winter Diesel" fuel;
- continuing the expansion of the distribution network: Rompetrol, Partner and Express stations;
- continuing the expansion of the "Hei" concept.

In 2008, Rompetrol Downstream registered the highest retail growth in the Rompetrol Group. Thus, at the end of the same year the company had a market share of 24 percent, while retail sales increased by 19 percent. These results were supported by the constant development of the distribution network, both through the completion of certain investments (own stations, Express stations), and the launching of new products and innovating services. Thus, at the end of 2008 the distribution network reached approximately 450 filling stations (117 own stations and 180 franchised), plus another 150 Express stations located in rural areas. In line with its strategy to improve its offer for products and services, the Company launched a new product, Fill&Go Fix Unit, a fuel tank with a capacity of 9 CBM or 20 CBM, located directly on the customer's premises. Dedicated to medium to large-sized companies, the new product offers enhanced fuel supply control, being extremely useful even for companies which operate heavy machineries or have no road access etc. Both types operate with Fill&Go supply systems (card, ring), and the data is available in the Fill&Go Fuel Control application. At the end of 2008, Rompetrol already had a number of 118 operational tanks with a capacity of 20 CBM and 38 with a capacity of 9 CBM. 2008 was also the year when the Fill&Go Road Assist service was launched under the umbrella of Fill&Go. This service is available to all Fill&Go customers (both legal entities and individuals) and it provides towing and road assistance services. The service is available 24/7 all over the country.

Another technological performance achieved by Rompetrol in 2008 was the starting of Euro 5 gasoline production (sulphur concentration below 10 ppm), following a total investment of more than USD 40 million in the range of Euro 5 fuels. Rompetrol Downstream is the first company in Romania trading Euro 5 diesel, ever since 2003. The second premium product launched in 2008 was Winter Diesel, which ensures engine operation even under difficult winter conditions, at temperatures as low as -35°C.

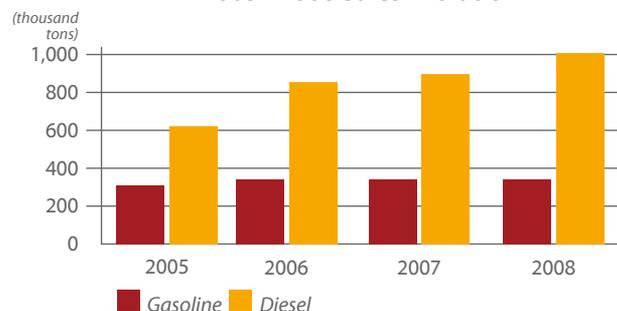
Advanced Quality Control was another key achievement, meant to monitor and control fuel quality along the entire logistics chain, from the refinery to the customer's tank. This system, which is unique in Romania, is based on the molecular marking of fuels, on an electronic sealing system used for transportation vehicles, as well as for storage spaces, coordinated by a unique control center, located at the headquarters. This system almost entirely eliminates the risk of fuel quality alteration. The investment in the Advanced Quality Control system amounted to approximately USD 7 million. On the wholesale segment, fuel sales are carried out through 6 storehouses (Arad, Craiova, Mogoșoaia, Șimleul Silvaniei, Vatra Dornei, Zărnești). Due to their strategic location, the storehouse network operationally covers the entire territory of the country. From here, the fuels are locally transported to the company's own distribution network, but also to important transport and construction companies.

### 2009 Key Objectives:

- increasing the market share by 3 percent;
- continuing the expansion of the distribution network;
- initiating the QProTek-t fuel guarantee program;
- launching premium fuels (ALTO);
- initiating a customer loyalty program, dedicated to individuals, customers of Rompetrol;
- launching the Rompetrol Operations Center (ROC).

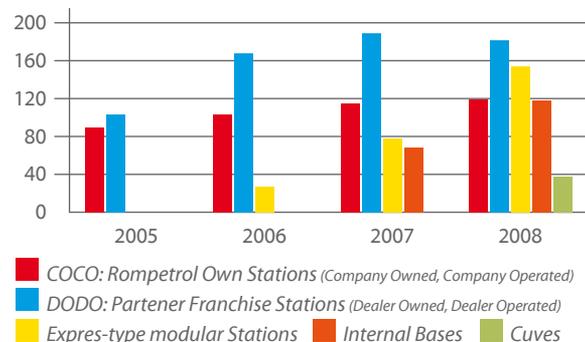
In 2009, Rompetrol Downstream aims at increasing its market share by 3 percent, considering the forecasted market stagnation or even an estimated 10-15 percent decrease over the following 12 months. The company's main plans also include launching of products and services that are adapted to the market requirements, while further expanding the gas station network.

2005 - 2008 Sales Evolution



At the same time, under the premises of continuous investments in quality, Rompetrol shall launch in 2009 two types of premium fuels, belonging to the ALTO product range, meant to enhance engine performance. Alto 101 gasoline will represent a benchmark to this end, as will Alto 55 diesel fuel. These top fuels are dedicated to Rompetrol customers, who are already used to high quality standards.

Number of fuel distribution stations in Romania



In order to fully monitor the filling stations, in 2009 Rompetrol Downstream will launch the Rompetrol Operations Center (ROC). This center will be a premiere for the industry in Romania and will ensure real-time monitoring and management of fuel transport and distribution operations, as well as of the activities carried out through the stations. Apart from ROC, Rompetrol also intends to launch in 2009 the QProTek-t program to guarantee fuel quality in gas stations.

# Dyneff

## Dyneff Franța

### Economic situation in France

2008 was marked by a general decrease in fuel consumption on the French market (- 2.8 percent) and by a reduction in the number of distribution stations, at a national level. This downfall was also favored by the new increasingly strict rules and regulations entered into force (the number of fuel distribution stations at national level decreased by 311).

National French economy faced a significant slowdown in 2008. Starting October, the economic and stock exchange crisis, which began more than one year ago in the USA in the mortgage loan sector, started to show. At the same time, limited access to loans and the limitations on collaterals for credit risk coverage had strongly affected French companies and B2B sales.

The only segment to report an increase in the number of gas stations (by 81) was that of hypermarkets and supermarkets. Thus, there was a change in their weight in the market total (58 percent gas stations belonging to hypermarket and supermarket networks / 42 percent gas stations belonging to traditional oil companies).

#### 2008 Key Achievements:

- turnover increase by more than 10 percent;
- development of new types of partnerships: "commissionaire" (agent) and "acheteur ferme" (firm buyer);
- increasing the trade margin by 18 percent, on the retail segment;
- launching of the internal bases: Cuve Chantier, Mini Cuve and Flexi Service.

In 2008, the gas station network owned by Dyneff consisted of 158 distribution units operating under 2 different brands: Dyneff stations, located along national roads, and Rompetrol stations, located along highways and main transport routes.

Considering the general economic context, the distribution stations owned by Dyneff (34 stations) are affected by the market conditions, reporting a sales volume decrease by 6.7 percent.

At the same time, the signing of the partnership agreement with Carrefour, the promotional campaigns carried out in the Hei store network (which generated a 4.5 percent turnover increase per station per each campaign), as well as the positive evolution of restaurant results under the Brioche Dorée brand (3 restaurants) lead to a turnover increase by more than 10 percent. The development of the partner stations network (84 percent of the distribution stations under the Dyneff brand) is based on establishing new types of partnerships:

- The "commissionaire" contract: Dyneff maintains the ownership over the traded petroleum goods stock, and the operating company receives commission fees according to the sales.
- The "acheteur ferme" contract: the stock ownership is transferred from Dyneff to the operating company upon delivery of the product to the station.

These new contracts, as well as the economic feasibility review for each station in the network generated 11 percent gains.

In 2008, the Dyneff network joins the network of international stations accepting UTA cards for payment, thus allowing for the capturing of an additional segment of customers, mostly represented by goods transport operators by road and more.

The range of services associated to the Fill&Go card was also expanded, by enhancing control as a consequence of introducing new remote customizable limits and by increasing card accessibility. As far as the wholesale activity is concerned, the market shares were maintained, despite the difficult context throughout 2008. Some of the main factors influencing the company's activity were:

- the closing of numerous fuel distribution stations on the French territory;
- the development of hypermarket and supermarket fuel distribution chains;
- the decreasing purchasing power of customers as a consequence of the reduction or even cancellation of the security level for credit risk coverage;
- the global drop in petroleum goods consumption.

The wholesale activity – trading sales – is affected by the new policy of procurement centers, whose strategy is to directly manage the obligations related to the payment of the General Tax on Polluting Activities (TGAP – Taxe Generale sur les Activites Polluantes) imposed by the state.

Through the retail activity (distribution to small and medium-size customers through a network of 10 agencies located in the south of France) Dyneff has registered an 18 percent trade margin increase, while the sales volumes decreased by 4 percent, as a consequence of the general market conditions. In 2008, the offer for the customers owning tanks (internal bases) was diversified by launching 3 new packages: Cuve Chantier, Mini Cuve and Flexi Service. A total number of 312 contracts were signed in 2008, representing a monthly average of 26 installations.

In terms of logistics, the readjustment of stock levels allowed for the reduction of infrastructure costs associated to primary storehouses. Furthermore, important investments were made in order to increase storehouse operation safety, thus ensuring enhanced safety for road logistics and storage: setting up of inspections, safety checks and specialized training for drivers and implementation of safety compliance controls and protocols, truck fleet renewal.

Additionally, an amount equal to EUR 2,454,000 was invested in 2008 in the Port-la-Nouvelle storehouse, in order to increase safety.

In 2009, Dyneff aims to increase its retail activity, based on the positive trend of the volumes and margins obtained by partner stations network, as well as on maintaining the volumes and margins registered in Rompetrol's own station network at a constant level.

The purpose of the Rompetrol Partner network development is to sign new "commissionaire" and "acheteur ferme" contracts. The partnership with operating companies will also be expanded on the store segment.

Biofuel distribution shall be expanded by increasing the number of E85 biofuel distribution units and launching E10-Lead-free 95 - the new biofuel that can contain up to 10 percent ethanol or 22 percent ETBE.

The network of own stations will be expanded, as the company intends to open 4 new gas stations in 2009, and to launch two innovating distribution concepts: the Dyneff Xpress mobile

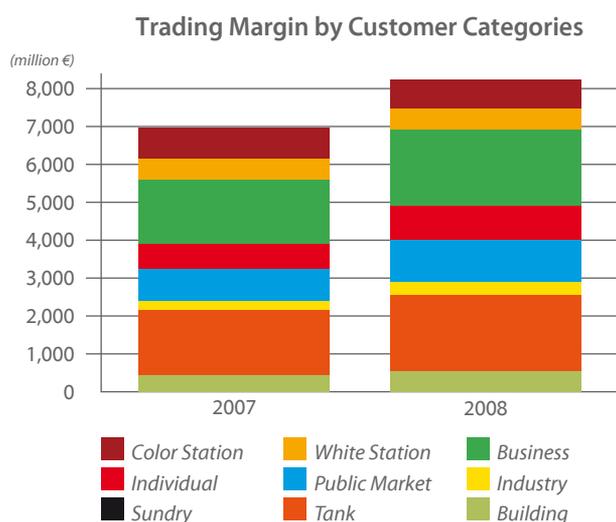
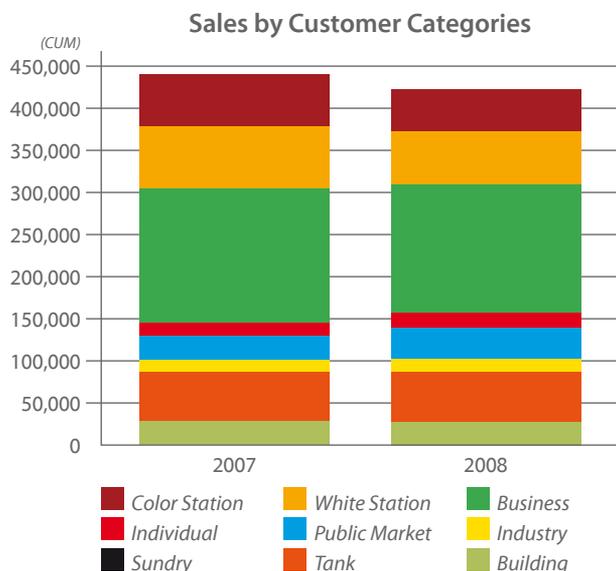
distribution station and the Fill&Go Internal Base.

In 2009, Dyneff will implement the Rompetrol brand expansion plan in the French highway network. A number of approximately 60 projects will be proposed for the tenders initiated by the highway managing companies within the 2010 concession renewal program. At the same time, since 2008 Dyneff has began the Rompetrol station re-branding activity based on the principle of eco-friendly construction and sustainable development, together with architects specializing in the oil field. As far as the retail activity is concerned, Dyneff plans to increase the volumes and margins by strengthening its B2B partnerships and expanding the B2C database by concluding long-term partnerships.

Thus, the B2B will be diversified, and commercial distribution will be expanded through the creation of new secondary storehouses. The scope of wholesale activities will be further expanded to North-Eastern France, Paris and Aquitaine regions. This will allow for the development of new storage facilities and will meet the needs of customers such as transporters or resellers.

**2009 Key Objectives:**

- launching of the new biofuel E10-Lead-free 95;
- opening 4 new stations;
- launching two new innovating distribution concepts on the market: Dyneff Xpress mobile distribution station and Fill&Go internal base;
- expanding the wholesale segment to North-Eastern France.



**Dyneff Spain**

**Market context in 2008**

In January and February, the Spanish market registered the first relevant increase in the price per barrel (USD 110 gross), which generated a boost in pump prices. Fuel prices reached their peak in July, with a staggering USD 148/barrel.

2008 was marked by a general fuel consumption drop in Spain, similar to the situation in France, (-3 percent diesel / -6 percent gasoline). The considerable crude oil price fluctuations, the limited access to loans and the limitations on collaterals for credit risk coverage negatively affected Spanish companies and B2B sales.

The wholesale activity was expanded in the Castilla and Mancha areas, to compensate the drop in sales on this segment, caused by the overall decrease in petroleum product consumption.

The retail activity (deliveries to small and medium-size customers, purchasing small volumes) also expanded to three new geographical areas: Girona, Valencia and Bilbao. Based on the experience and results already obtained on the French market, the tank-type distribution station will be launched on the Spanish market.

The year 2008 is marked by the beginning of the distribution activity on the Retail segment, through the conclusion of the first 4 Partner-type partnerships under the Dyneff brand.

**2008 Key Achievements:**

- expanding the retail and wholesale activities;
- opening of four Rompetrol Partner stations.

**2009 Key Objectives:**

- in 2009, Dyneff will continue to develop its distribution activity on the Retail segment, by introducing the Fill&Go card on the Spanish market, and by building / purchasing the first own stations along important transport routes;
- the Wholesale and Retail distribution activities shall be consolidated in the development areas where such activities are already present and shall be supported mainly by the commercial development of its offer for customers who own tanks.

# Rompetrol Gas

## 2008 Key Achievements:

- takeover of industry-related assets belonging to the Crimbo group;
- purchasing the majority stake in MoldInterGaz Moldova;
- opening a new liquefied petroleum gas bottling plant.

2008 marked an activity expansion for Rompetrol Gas, as the company got closer to its main objective, i.e. becoming the market leader on the GPL segment in Romania.

Rompetrol Gas focused its strategic programs on 2 main directions:

- consolidating the retail network at a national level, thus obtaining a 40 percent increase in retail sales volumes in 2008 as compared to 2007, determining a 10 percent market share, as compared to 7 percent in 2007;
- strengthening its trader position on regional markets – Rompetrol Gas ensured its access to additional supply resources, which allows for the conclusion of new sales contracts, under profitable conditions, with companies in Bulgaria, Moldova, Serbia, Albania, Montenegro, while satisfying the domestic market demands.

By taking over 150 GPL stations belonging to the Crimbo Group, the Company currently operates more than 220 GPL stations, more than 5,000 gas cylinder distribution units and 2 GPL bottling plants in Constanța and Arad. The transaction supports the company's objective for 2008 of strengthening and developing its activities both in Romania, by completing this year overall investments amounting to more than USD 20 million, and in the region, by purchasing in July the majority stake in MoldInterGaz Moldova.

Through this takeover, Rompetrol Gas enters a fast growing market, which can be used to further expand its GPL distribution in the countries where the Rompetrol Group is already active in other segments (Georgia, Ukraine etc). Its strategic location, between Europe and Asia, can also support the continuous supply of these markets at competitive prices.

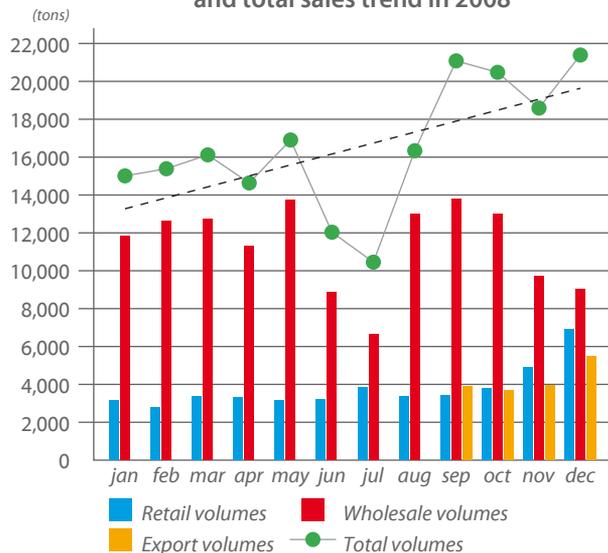
The market share increase program was also applied for the cylinders segment, which registered a 3 percent increase in 2008, as compared to 2007. This was achieved through the cylinder stock renewal, the development of the distribution network at a national level and the launching of the loyalty programs "Cylinders with guarantee certificates" and "Home delivery".

One of the major investments made by Rompetrol Gas in 2008 is the opening of a new liquefied petroleum gas (GPL) bottling plant, in the Vladimirescu commune (15 km away from Arad). The investment amounts to a total of more than USD 10 million, allowing for the own production capacity to double and for Rompetrol products to be also sold in the West part of Romania. The new plant in Arad features a bottling capacity of 20,000 tons of GPL per year.

Another direction in the company's development was the takeover of GPL export activities and the management of all GPL production sales activities at the Petromidia refinery. Thus, deliveries were made both for the domestic market, and the EU market.

At the same time, the conclusion of the gas purchasing agreement with TengizChevrOil, Kazakhstan, brought more flexibility in the context of a dynamic market.

Breakdown of sales by channels and total sales trend in 2008



## 2009 Key Objectives:

- strengthening its market leader position on the retail auto gas segment;
- continuing the programs initiated in 2008 at national level, on the cylinders segment;
- country-wide development of sales on the propane segment, mainly among industrial customers;
- obtaining a 20 percent market share on the retail segment, up by 10 percent as compared to 2008;
- reducing operating costs per ton sold, through logistic optimization, process monitoring and automation projects;
- opening the bottling and storage plant in Bacău, with a storage capacity of 1,500 cubic meters and a bottling capacity of 20,000 to/year;
- maximizing profits in distribution channels, due to the main trader position that Rompetrol Gas holds on the regional market.

# Rompetrol Logistics

## 2008 Key Achievements:

- development of the tanker fleet by purchasing 35 new units;
- increasing transported volumes by 10 percent, as compared to 2007.

Rompetrol Logistics is a member company of the Rompetrol Group providing transportation services for petroleum products. One of the main objectives attained in 2008, was the renewal of the tanker fleet by purchasing 35 new units, under a program initiated in 2007. The new tankers allow for the transportation of a useful load approximately 10 percent higher than the industry average (36 CBM, as compared to 32 CBM). These new tankers feature sizes adapted to Rompetrol's portfolio and products distribution, being equipped with electronic flow meters with volume compensation according to temperature and electronic seals, securing the transported products from the point of view of quality.

The quantity of petroleum products registered a 10 percent increase of transported volumes, from 566,000 tons in 2007 to 621,000 tons in 2008. From the total quantities transported in 2008, 75 percent were diesel, 20 percent gasoline, and the remaining 5 percent GPL.

In 2008, Rompetrol Logistics updated the technical standard for its own and subcontracted fleet, in order to comply with environmental protection and operational traceability requirements. The mechanisms that made this possible are the vapor recovery plant, according to COV2 regulations, and the volume compensation systems for volumes unloaded at 15 degrees.

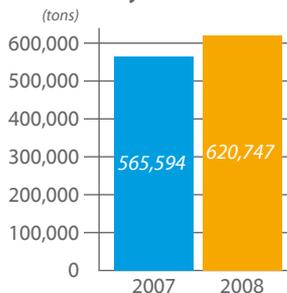
As far as the modernization of the old tanker fleet is concerned, Rompetrol Logistics has purchased 4 tankers with a capacity of 12,000 liters and 2 with a capacity of 7,000 liters.

Rompetrol Logistics is expecting an approximately 4 percent rise in transported volumes, by increasing operational output, materialized in transport price cuts.

## 2009 Key Objectives:

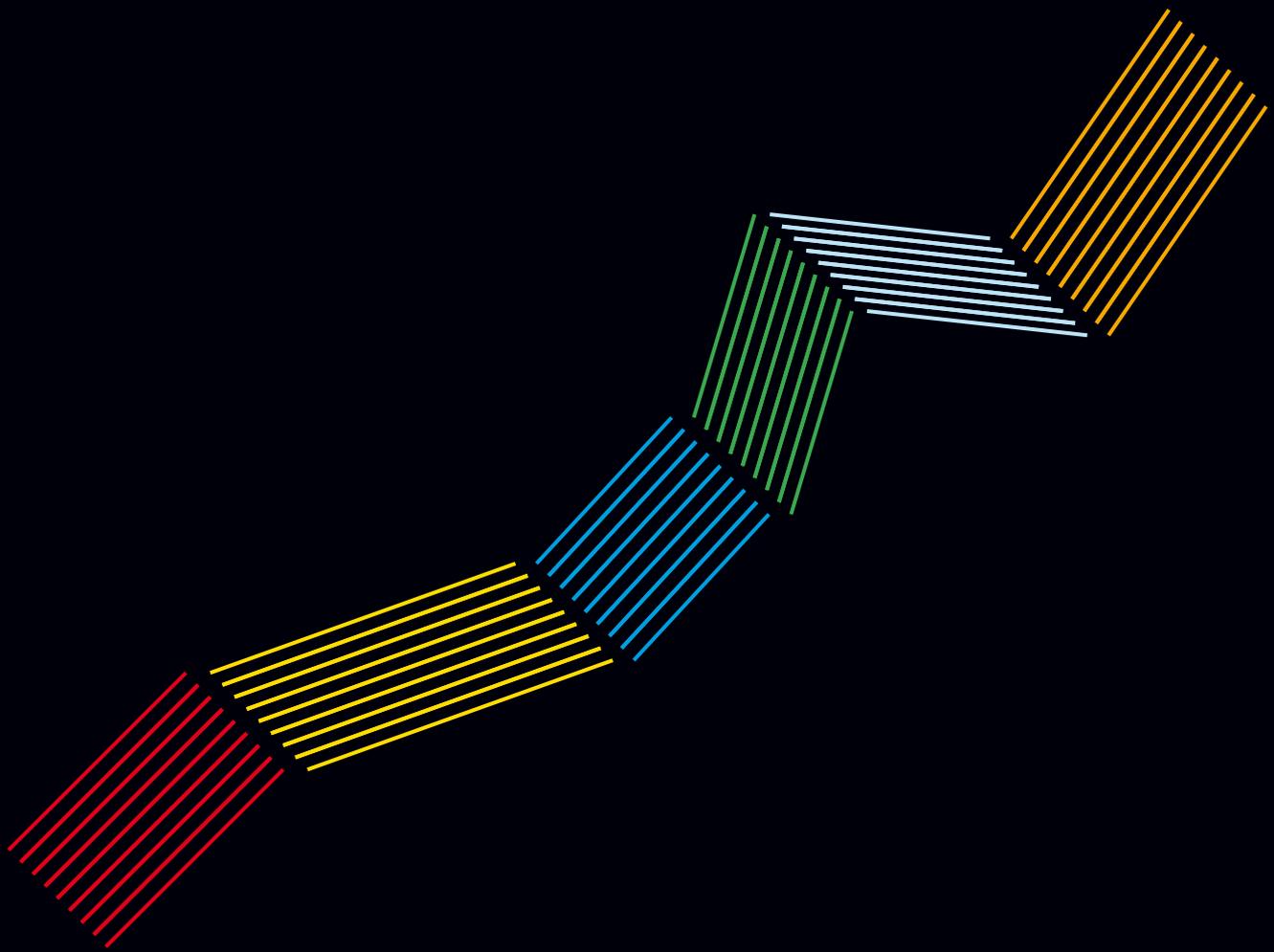
- increasing the transported volumes by 4 percent;
- enhancing operational efficiency, by reducing the number of subcontractors and optimizing distribution routes.

## Secondary Distribution





# Marketing



# Marketing



Sorin Blaga  
Marketing and Communication Vice-President

*"The company continued to develop new integrated business solutions, by launching innovative products, and to increase the value of the current services and products, in accordance with the specific market requirements."*

## Developing the Brand Portfolio for Products and Services

In 2008, the retail segment was complemented with new products designed for car fleets, the Fill&Go Fixed Unit tank of 9 and 20 CBM, which can be placed on the premises of customer companies, and the company delivers the fuel within 24 hours after receiving the order.

A road assistance service was launched under the same Fill&Go brand: Fill & Go Road Assist.

In terms of product quality, Rompetrol started to manufacture Euro 5 gasoline (sulphur concentration of less than 10 ppm), at the end of 2008, while the company has been manufacturing and selling Euro 5 diesel fuel since 2005. Furthermore, the Advanced Quality Control system has been developed and implemented, a unique system which guarantees fuel quality from the gate of the refinery to the customer's tank.

These actions supports the company's goal to increase customer fidelity and to extend its market share, capitalizing the visibility of the Rompetrol brand.

At corporate level, we continue to provide the necessary support to operational units, in order to:

- understand consumer needs and market development trends;
- align the local brand-building strategy to the general strategy, ensuring consistent and coherent co-operation;
- identify existing opportunities and define the strategy for building a competitive advantage;
- define the perspective on the value-related promise for the relevant market segments, in order to increase the market share and secure the competitive advantage;
- develop new strategic programs/projects, able to support the targeted goals, including the management of stores and restaurants within the service stations;
- implement the communication strategy, as well as validate its effectiveness.

The company's constant efforts and investments are proven by the brand portfolio of the Rompetrol Group, which encloses:

- Rompetrol - on all the markets it operates on
- Dyneff - in France and Spain
- Efix - fuel brand on the medium price segment, which includes two products: Euro 6 Gasoline, with an octane value of 95, and Euro 5 Diesel
- Fill&Go - brand designed for services, which has two components: Fill&Go Personal and Fill&Go Corporate
- Hei - store and restaurant concept
- Eurobitum – polymer-modified bitumen, a product of Rompetrol Rafinare (Vega refinery)
- Blow Solutions, Injection Solutions, Extrusion Solutions – product and service packages offered to customers by Rompetrol Petrochemicals
- Propane Power Station – propane brand of Rompetrol Gas
- Calor - liquid fuel for thermal power plants, sold by Romcalor

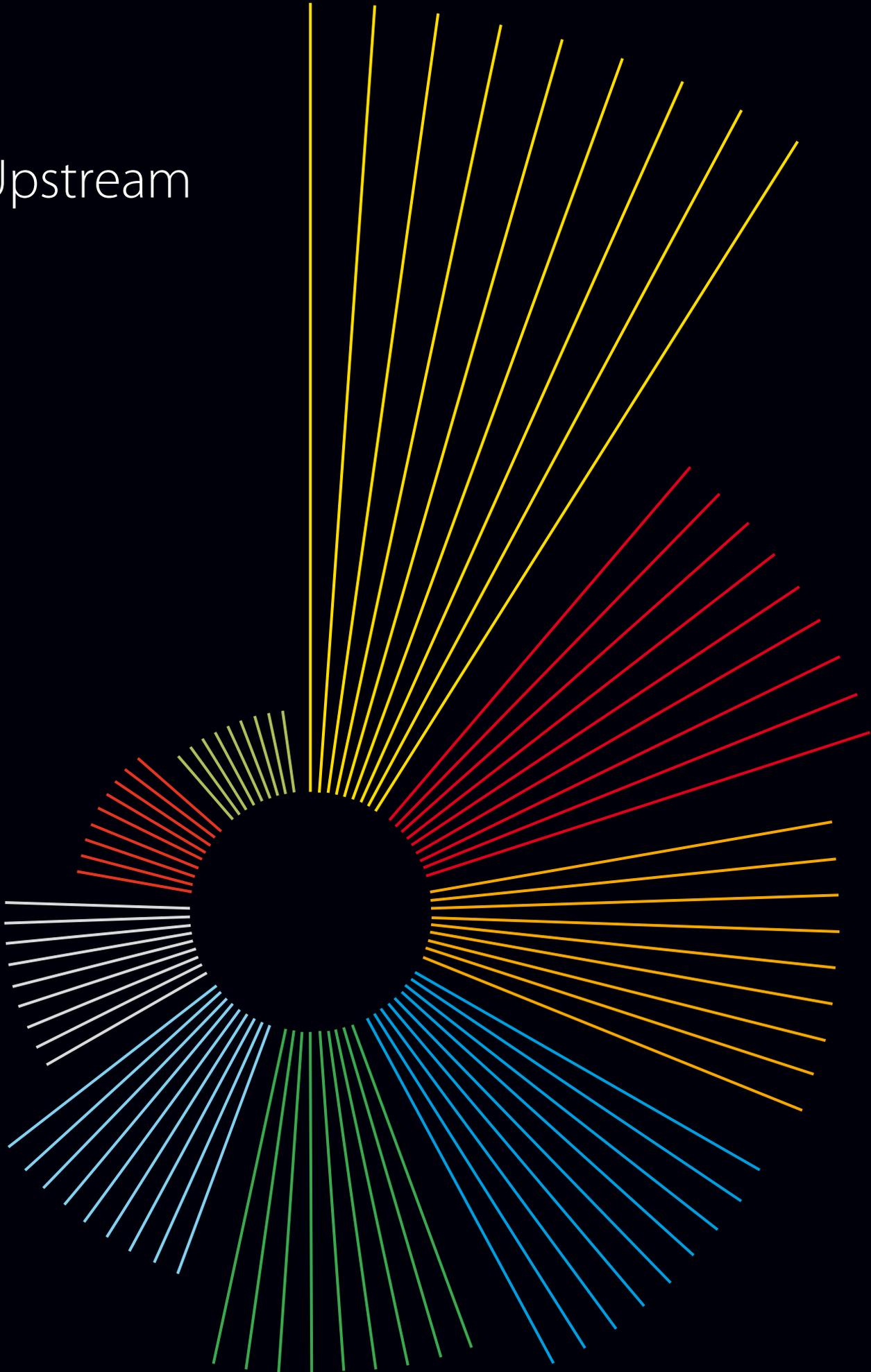
The process of communicating the company's values has continued the 3 episode series of the campaign "The Shortest Way from the Idea to Success", initiated in 2007, by maintaining the same features that characterize our business: innovation for products and services, responsibility towards the consumer and the environment we work in.

The corporate image campaign was complemented by a significant number of campaigns promoting the products in service stations, which aimed at maintaining and increasing the sales, as the oil price at international level and the fuel production cost have determined an increase in the pump price.

For 2009, the company will continue to consolidate its existing brands, and will further expand its portfolio, with products such as premium fuels, Alto 101 gasoline and Alto 55 diesel, as well as with a new model for the fuel distribution stations.



# Upstream



# Upstream Business Unit



**Titov Buzescu**  
Services companies and support functions

*"The global decrease in hydrocarbons consumption, as well as oil price variations have influenced the exploration and production activity, as well as the related services, drilling services, special well services, work over and commissioning. The general tendency of the Upstream business unit was to consolidate operations, in the context of increased competition and operational technical requirements in the oil services industry in this sector."*

The Upstream Business Unit covers The Rompetrol Group's drilling, workover and well completion, special well services and exploration and production (E&P, Rompetrol Well Services-Petros, and Drilling and Well Services Department).

**Companies:**

- Exploration and Production Division
- Rompetrol Well Services
- Drilling Division

*Upstream is active in Romania, Kazakhstan, the Middle East, North Africa and Latin America.*

# Rompetrol

## Exploration and Production

### **2008 Key Achievements:**

- completing several stages of the exploration programs started on the concessions in Romania (Zegujani block and Satu Mare block);
- finalizing the 2D seismic acquisition projects, covering more than 1,350 km (Satu Mare block – over 1,100 km and Zegujani block – 250km).

For the Exploration and Production division, the year 2008 represented the end of certain crucial stages of the exploration programs in Zegujani and Satu Mare blocks. On the Zegujani block, Rompetrol S.A., as operator, has reported in March 2008 the finalization of oil operations for the first stage of exploration, which lasted 3 years and consisted of:

- implementation of a 2D seismic acquisition program for a total of 250 km;
- reprocessing and interpreting of more than 500 km of existing 2D seismic data;
- drilling of an exploration well to a depth of 1360 m.

Following these operations, the structural and layer display of the area was defined and a gas accumulation was identified, but with no economic value.

As regards the Satu Mare block, the year 2008 represented the completion of the interpretation of an important 2D seismic acquisition volume (more than 1100 km). The geological research materialized in identifying an area with immediate perspectives in the assessment of the block's geological potential.

The Exploration Production team has continued in 2008 its consultancy and logistic support activity, during certain external contracts in field engineering. USD 1,35 mil. were invested in the exploration and production activity in 2008.

One of the most important objectives for 2008 was to attract new partners with financial and technical potential. This was necessary in order to fulfill the obligations undertaken in the Concession agreements signed with the National Agency for Mineral Resources (ANRM) and division of exploration risks.

Therefore, two farm-out agreements were signed with Zeta Petroleum UK – Great Britain and Winstar Resources Ltd. (Canada). Based on these agreements, Rompetrol S.A. transferred 35 percent of the exploration rights and obligations in Zegujani Nord block to Zeta Petroleum Ltd. (UK) – Great Britain. Other 25 percent of the exploration rights and obligations in Satu Mare block were transferred to Winstar Resources Ltd. (Canada).

### **2009 Key Objectives:**

- exploration of Greșu, Nereju and Focșani blocks, by ensuring a 2D seismic acquisition;
- development of projects in Russia, Caspian region, Middle East and Northern Africa.

For 2009, the priorities of the Exploration and Production division are related to the Greșu, Nereju and Focșani exploration blocks, by financing and ensuring of a 2D seismic acquisition of approx. 300 km. The Greșu, Nereju and Focșani blocks are an attractive perspective, considering the probability of an important geological discovery.

Another constant concern for the Exploration and Production Division will be to identify new opportunities by participating in exploration and development projects that are in their advanced stages in the following areas: Russia, Caspian region, Middle East and Northern Africa.

# Rompetro Well Services

## 2008 Key Achievements:

- increase in the operating profit by more than 45 percent;
- consolidation of the market share in Romania and diversification of the range of services provided in Eastern Europe;
- increase by more than 20 percent of the international operations revenues;
- continuing the update and modernization program for equipment and technologies.

Rompetro Well Services (RWS) offers a wide range of specialized services for oil and natural gas wells in Romania, Caspian region and Balkan Peninsula. In 2008, the company achieved a turnover increase by more than 16 percent, as compared to the previous year. An important strategic objective was to consolidate the company's market share in Romania, given the circumstances of an ever more competitive environment and the increasingly demanding operational technical requirements in the oil services industry in the Upstream segment.

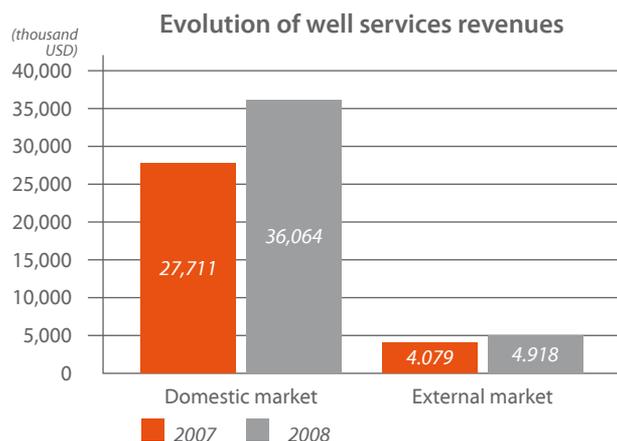
In 2008, RWS continued the modernization of the technologies used for specialized well services, with an emphasis on cementing, nitrogen stimulation and well consolidation. The company purchased high performance equipment, endowed with operations monitoring, control and automation systems, thus allowing the implementation of operations optimization and cost control programs. At the present time, over 60 percent of the equipment used by RWS for well services are manufactured in the past 5 years and include hi-tech technologies in the oil services industry.

The external operations were extended especially in the Balkan Peninsula (Bulgaria, Greece and Turkey), and generated an increase in the international operations revenues by more than 20 percent. Moreover, the process of concentrating and increasing the efficiency of operational bases in Kazakhstan was started, which aims at reducing the starting/stopping time of the equipment, as well as the logistic and administrative costs.

During 2008, the number of customers in Romania and on the external markets on which RWS operates, has exceeded 100 operators and contractors.

## Forecasts and development trends

The global decrease of hydrocarbons demand and maintenance of the oil price under USD 50/barrel led to an accentuated decrease in the exploration and production activity. That also caused the fall



of demand for special well services, both in Romania and in most countries that produce oil and gas.

Moreover, we expect the crude oil price to be maintained at relatively low levels during the entire 2009. Thus, this element can determine a significant decrease of investments in the Upstream sector, and implicitly of the drilling activity and the special services associated to drilling.

## 2009 Key Objectives:

- developing operations in Romania and Kazakhstan;
- continuing the investment program for the sustainable modernization of services;
- expanding operations in the Balkan Peninsula.

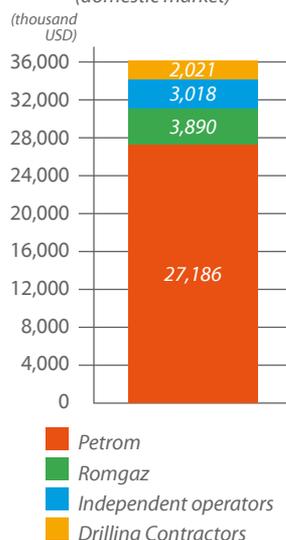
The actual conditions are characterized mostly by rapid market changes and by a decrease in the demand for services related to investments in new wells. Meanwhile, we expect the overhaul demand for wells that are currently in production to be maintained. Therefore, the main objective of RWS is to increase operational flexibility. Rompetro Well Services aims to ensure equipment versatility and logistic flexibility, so that it can quickly respond to the changes in the service demand structure, both on the domestic market and in Kazakhstan.

In 2009, RWS intends to continue the process of renewing the equipment fleet and modernization of its operational technologies. The investments shall be oriented towards developing the services related to the repairs and maintenance of the wells under production, therefore responding to the current market trends. Therefore, the company will continue the modernization of the acidizing, consolidation and equipping services for oil and gas wells.

The development of external operations shall focus on the Balkan Peninsula, area in which the operations can be managed with minimal costs from the main office in Ploiești. At the same time, we aim to extend the customer database of the RWS office in Kazakhstan and to maintain the market share for equipment sales in Turkmenistan.

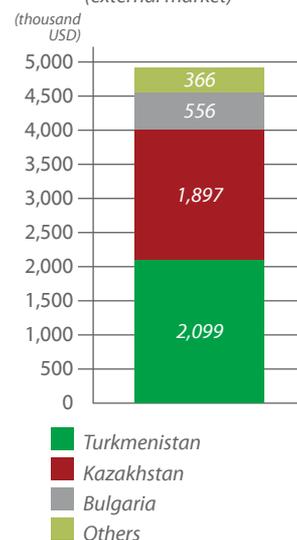
## Customer Breakdown

(domestic market)



## Customer Breakdown

(external market)



# Rompetrol

## Drilling and Workover

### 2008 Key Achievements:

- turnover increase by 23 percent;
- doubling of the net profit, up to USD 1,350,000;
- increasing investments by 70 percent.

For 2008, the strategy of the Drilling and Workover Division was to consolidate its activities in Northern Africa (Libya), as well as to extend mud-logging services to Hungary, Bulgaria and Romania. These achievements resulted in a turnover increase by 23 percent, supported by important investments in high performance equipment, operations effectiveness increase and cost monitoring, that generated the doubling of the company's net profit, reaching USD 1,350,000.

In 2008, the company bought a mud-logging plant, thus ensuring the development of such operations in Bulgaria and Romania, both at sea and on land.

Apart from this plant, the company invested in equipment, tools and transportation means, therefore increasing the value of investments by more than 70 percent as compared to the previous year, so adapting to the highly competitive context in the oil and gas industry.

Rompetrol Drilling and Workover has been a member of the International Association of Drilling Contractors (IADC) since 1985, and a member of the Romanian Association of Drilling Contractors (ACFR) and complies with the quality standards ISO 9001 and 14001, certified by Germanischer Lloyd.

For 2009, when it celebrates its 35th anniversary, Rompetrol Drilling and Workover shall maintain and identify the most effective ways to consolidate its activity, in the context of the world financial crisis and economic recession which deeply affect the oil and gas industry.

### 2009 Key Objectives:

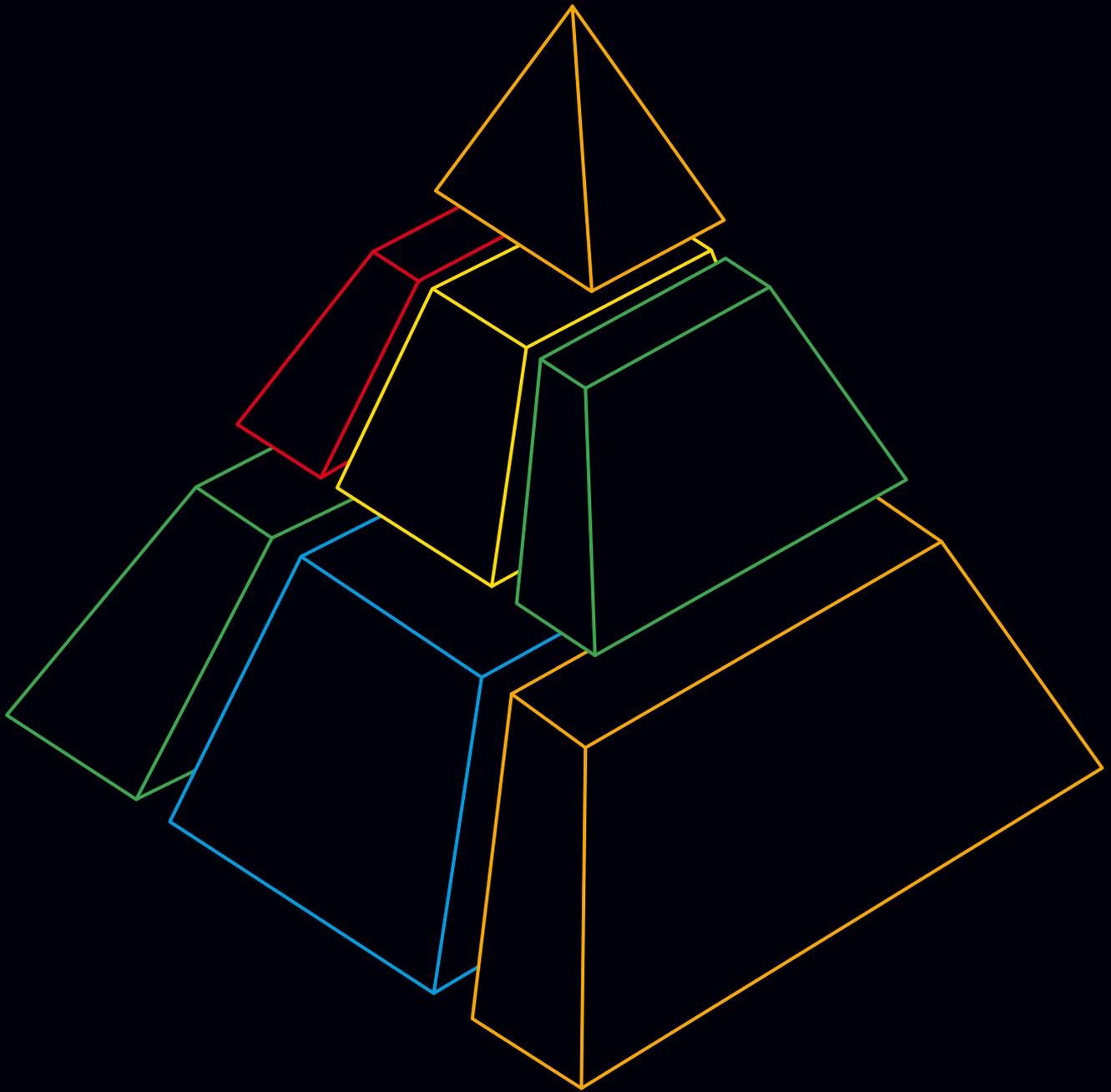
- development of consultancy services;
- continuation of the intensive staff training programs and of an effective performances management plan;
- maintaining the international QHSE standards and obtaining the ISO 18001 integrated certification.

Revenues 2007 vs 2008





# Services Companies



# Services Companies



Titov Buzescu  
Services companies and support functions

*"The activity carried out by service companies represents an important contribution to the development of the Rompetrol Group and the increase in the efficiency of its operations, as well as a profitable alternative for external companies. These companies, auxiliary to oil and gas production and distribution, have registered a turnover of USD 250 billion, with a great potential on a short term."*

# Rominserv

## **2008 Key Achievements:**

- record turnover of USD 185 million
- completion of important projects for the development of the trading segment: Increase of transit capacities through Midia Harbor Berth 9 and Midia Marine Terminal;
- achieving a minimum level of 97.81 percent mechanic availability for all plants within Petromidia and Vega refineries;
- record boost in industrial valves sales;
- setting up a new subsidiary Rominserv Kazahstan S.R.L.

Rominserv, the general contractor of the Rompetrol Group, registered in 2008 a record turnover of USD 185 million (preliminary unaudited figures), up by 56.5 percent as compared to 2007. From this total figure, USD 15.3 million represented sales to companies outside the Rompetrol Group, a 35.4 percent increase as compared to the previous year's results.

In 2008, Rominserv completed a number of 203 projects for the Rompetrol Group, representing investments in plants and facilities in the oil refining and petrochemical sector, crude oil and petroleum product storage and transit facilities in the trading sector, as well as in the modernization and construction of fuel distribution stations in the retail sector.

Thus, one of the most important projects is "Expanding the transit capacity through Midia Harbor Berth 9", following which new loading/unloading and transit facilities were created, which allow for an increase in petroleum product import/export volumes from 90,000 to/month to 310,000 to/month.

Another vital strategic investment of the Rompetrol Group was the "Midia Marine Terminal". For this project, Rominserv provided the design, material and equipment procurement, as well as construction and assembly operations for the tank fleet. The overall storage capacity was increased by approximately 21,000 CBM through the redesigning, reconstruction and modernization of the existing 50,000 CBM tank fleet for crude oil storage. A new loading/unloading large diameter (1000-1200 mm) pipe system was also put in place, all crude oil import/export operations in the tank fleet being managed through a high performance automation system fitted with equipment that ensures the integrated and safe operation of the entire terminal system.

Within the Vega Refinery, Rominserv built and commissioned the plant for obtaining the additives needed in the production of 100 octane gasoline, as well as a number of projects that caused energy consumption to decrease by 30 percent (modernization of steam tanks and cooling water wells).

Rominserv provides the maintenance services for the two refineries, Petromidia and Vega, as well as for the petrochemical plants on the Năvodari platform.

In this field, Rominserv continued in 2008 the reorganization process of the entire maintenance activity, in order to position the Petromidia Refinery among the top 25 European refineries.

This project aimed at the development and implementation of a scheduled maintenance system, based on predictive and preventive maintenance methods, analysis of results and application of relevant measures.

In 2008, Rominserv coordinated the activities during the technological stop scheduled for July, which aimed mainly at changing the catalysts in the main reactors of the Petromidia Refinery. Inspections and checks for renewing the ISCIR authorization of the relevant equipment and maintenance works that can only be performed when installations are at rest were also carried out during this period.

In 2008, Rominserv managed to achieve a 97.81 percent mechanic availability of the plants on the two platforms – the most important maintenance indicator – thus exceeding the 97.0 percent target (for the Petromidia refinery).

The industrial projects carried out by Rominserv for Rompetrol Downstream supported the development pace of the retail segment by building new gas stations, modernizing the existing gas stations and those in the Rompetrol Partner network, as well as manufacturing and setting up "Expres" stations and "Internal bases".

In 2008, Rominserv carried out the technological modernization and replacement of old signs for 15 Partner stations, built 9 new gas stations according to "Hei" standards and modernized other 4 stations.

In addition to the industrial services provided in the retail segment, Rominserv also carried out projects on the external market for member companies of the Group. Thus, 2 HEI stations were built for Rompetrol Bulgaria.

The projects for „Expres" and "Internal base" fuel distribution units were carried on simultaneously. By the end of 2008, 155 Expres stations were operational, of which one in Georgia. The "Internal bases" project reached a number of 121 gas stations in 2008, also expanding on the external market (5 gas stations for Rompetrol Bulgaria and 1 for Rompetrol Moldova). On-site assembly, commissioning, and maintenance works for these gas stations are provided by Rominserv.

In 2008, the Rominserv business unit "Rominserv Valves Iaifo Zalău", considerably improved its economic results, by continuously increasing the efficiency of technological processes and by adapting products to customer needs.

Industrial valves at Rominserv Valves Iaifo registered the highest sales volume in 2008, since its takeover by Rominserv, in November 2004. The total sales in cast iron and steel industrial valves amounted to USD 12.5 million, up by 17 percent as compared to 2007 results. Export sales increased as well by 27 percent in 2008 as compared to 2007, with Germany, Italy and Austria as main export destinations.

Apart from industrial valves, the Zalău business unit also deals with the assembly of Expres stations and Internal bases, the production volume thereof being 39 percent greater in 2008.

In 2008, the total value of investments completed within Rominserv Valves amounted to USD 745,000, which was used to purchase specialized devices that allow for on-site valve repairs on the customer's premises, as well as high performance devices required in the production activity. The investments related to soil, environment and waste water protection, which were stipulated under the action plan of the Integrated Environmental Authorization were also completed.

**2009 Key Objectives:**

- continuing the projects under the "2010 Investment Package" of the Petromidia Refinery (Mild Hydrocracking Plant, rehabilitation and modernization of the Catalytic Cracking Plant, construction of a Hydrogen Plant, modernization and upgrade of the Coking Plant);
- construction of 4 new gas stations along the "Sun Highway";
- development of the activity of Rominserv Kazakhstan, by carrying out projects within KazMunayGaz refineries and reinforcement exports.

In 2009, Rominserv will continue the projects of the strategic development programme of the Petromidia Refinery, respectively the Mild Hydrocracking Plant, the rehabilitation and modernization of the Catalytic Cracking Plant, the construction of a Hydrogen Plant, the rehabilitation, modernization and construction of new facilities at the Gas Sweetening and Sulphur Recovery Unit, as well as of the Amine Plants.

The project for the modernization and update of the Coking Plant at the Petromidia Refinery shall also be initiated, ensuring that the requirements under the compliance program regarding emission levels, operational personnel safety, technological consumption reduction and output increase are met.

Within the Vega Refinery, the paint thinner and liquid fire starter (ultra-fire) bottling plant shall be completed, as part of the "100 Vega products" project, with a great sales potential on the retail market, while expanding the production facilities in order to diversify the range of fuel additives, within the aforementioned project.

As regards the storage and transit facilities in the trading sector, a new development stage shall be continued in 2009 for the Midia Marine Terminal integrated system, by executing works aimed to increase the crude oil pumping capacities up to 7,000 CBM per hour.

The implementation of modern maintenance methods shall also continue in 2009 through the development of a strategic plan, considering:

- the use of risk analysis principles in prioritizing maintenance works;
- the expansion of the predictive maintenance programmes for the process control and command equipment;
- the improvement of equipment reliability, through the development of maintenance techniques and methods, according to the "reliability based maintenance" principle.

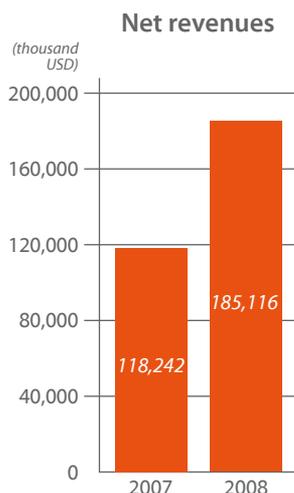
These measures are meant to increase the mechanic availability of all plants, while reducing maintenance-related costs.

In 2009, the main objective of the Rominserv team in charge with the development of Rompetrol Downstream's own fuel distribution station network is to build 4 new gas stations along the Sun Highway.

Moreover, the "Expres" stations and "Internal bases" projects shall be further developed for the Rompetrol Group entities abroad.

Throughout 2009, Rominserv Valves Zalāu shall assimilate in its production flow a series of new high pressure products - Pn400 shut-off valves, with sizes ranging between DN15 and DN50. The sleeve valve size range shall also be extended, by introducing the DN1000 valve.

In 2008, Rominserv made a first step towards expanding its activity to Kazakhstan, by setting up a new subsidiary named Rominserv



Kazakhstan S.R.L. The experience acquired throughout its seven-year activity within the two Rompetrol Group refineries represents a significant advantage in the cooperation with KazMunayGaz, the Rompetrol Group majority shareholder, for the supply of industrial maintenance, project management, technical and technological development services.

In 2009, Rominserv Kazakhstan S.R.L. shall serve as a gateway for projects carried out in the two KazMunayGaz Refineries, Atyrau and Shymkent, but also for the cooperation with other member companies of the KazMunayGaz Group, such as KazTransGaz and KazTransOil.

Furthermore, an important part of the activity of this subsidiary will be the trade in industrial valves produced by Rominserv Valves Zalāu, both for the works contracted by Rominserv Kazakhstan S.R.L. and for other customers on this market.

The projects in the two KazMunayGaz refineries aim at the modernization and update of existing plants with the purpose of increasing the refining capacity, enhancing product quality, reducing specific utilities consumption and complying with the new environmental regulations, fields in which Rominserv possesses the required know-how as a result of having implemented similar projects in the Petromidia Refinery.

# Palplast

## 2008 Key Achievements:

- the increase of sales of fittings and irrigations systems by 160 percent;
- the development of a new irrigation facility model.

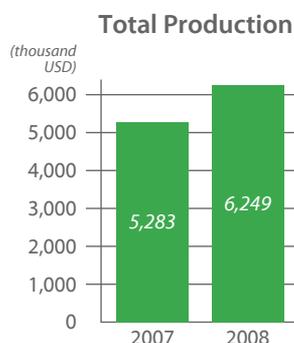
S.C. PALPLAST S.A. produces a complete range of high-density polyethylene pipes and fittings with applicability in the fields of distributing water, gas, crude oil, irrigations, sewerages and protection of optic fiber cables.

Besides these products, Palplast offers irrigation systems through sprinklers and dripping, as well as through joining services or rehabilitation of the centralized irrigation systems.

In 2008, the main objectives of the company Palplast were both the development of new products and the adaptation of the offered services and the modernization of the working equipment with an effect in reducing the production costs. The dynamics in the field of irrigations determined the diversification of the range of the products/accessories related to this field, so that Palplast created their own model of an irrigation facility on hose reel irrigation equipment becoming concurrently an authorized distributor for varied products: Marani hose reel irrigation equipments, Tega fittings and Acuster welding equipments.

In such conditions, the level of the fitting production increased by 107.36 percent, an interval in which the total volume of the sales of irrigation equipments and fittings systems was by 160 percent higher versus 2007.

In regard to rendering the activity efficient, Palplast recorded a reduction of the manufacturing cost by 6 percent-15 percent due to the investments performed in modernizing the technologies, as well as a drop of the expenses by 70 percent further to the replacement of old working equipment.



In the year 2008 versus the year 2007 was noticed an increase of the production by 18.28 percent.



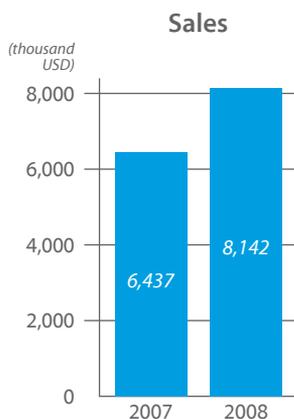
Increase of the fitting production by 107.36 percent in the year 2008 versus 2007.

## 2009 Key Objectives:

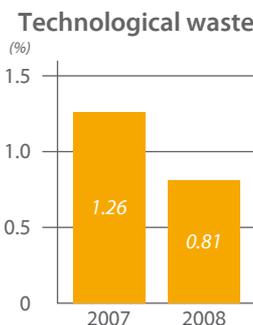
- determination of strategic partnerships in view of supplementing the product range;
- free of charge consultancy services in view of obtaining funds distributed for agriculture;
- accomplishment of new products: special pipe for the protection of cables, pipe for the transport of crude oil, special tanks.

In 2009, the corporate strategy is that of developing strategic partnerships to complete the current range, among which PVC products and raw materials, but also the offering of free of charge consultancy services for farmers in order to obtain the funds distributed for agriculture.

Having also regard to the market demand, Palplast shall complete the type of offered products by manufacturing three new products, i.e.: special pipe for the protection cables, oil crude oil pipes improved due to use of new additives and special tanks for the oil industry that should ensure a better permeability of the aromatic hydrocarbons.



Increase of the sales by 26.49 percent versus the year 2007.



At the pipe production in the year 2008, technological wastes were reduced by 64.28 percent versus the year 2007.

# Rominservices Therm S.A.

## Mangalia

### 2008 Key Achievements:

- takeover of the 3 new power stations for management;
- rehabilitation of 90 percent of the thermal networks for the distribution of thermal power and implicitly the connection of the related blocks to the network;
- reduction by 10 percent of the annual fuel consumption due to the modernization of the infrastructure of the power supply system.

Rominservices Therm is the main producer and supplier of hot water and thermal heating agent from Mangalia.

In 2008, the corporate strategy of the company was to render efficient the operations by modernizing the production units and this enabled the increase of the quality of the services offered to the corporate clients. Such measures led to the interruption of the disconnections from the centralized district heating system and the current production capacities operate at the maximal parameters.

The public-private partnership between Rominserv, the general contractor of The Rompetrol Group and the Local Council Mangalia observes the development and innovation standard established by Rompetrol.

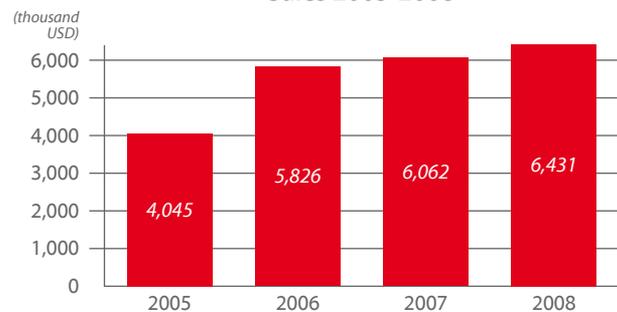
One of the technical solutions which the Company continues to implement is the assembly of solar panels, an action compliant with the European policies of using reusable energies in order to fulfill the scopes on the preservation of power and sustainable development.

Thus, by assembling 650 sqm solar panels, the Company ensures 25 percent from the hot water production based on solar power.

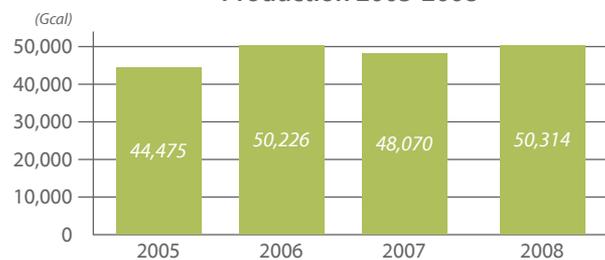
### 2009 Key Objectives:

- the decrease of the operating costs by modernizing yet other two thermal power stations and rehabilitating 100 percent of the thermal networks for the distribution of thermal power;
- the increase of the income by performing repair works at the clients' networks and facilities;
- the reduction of the specific fuel consumption by 2 percent, having a positive impact both upon the operational efficiency and upon the environment by reducing gas emissions;
- the implementation of a remote operating system of the main thermal power stations comprising the management of the specific processes by a reduced staff number (dispatch office), a fact that shall contribute to the reduction of the operating costs by USD 30,000 p.a.

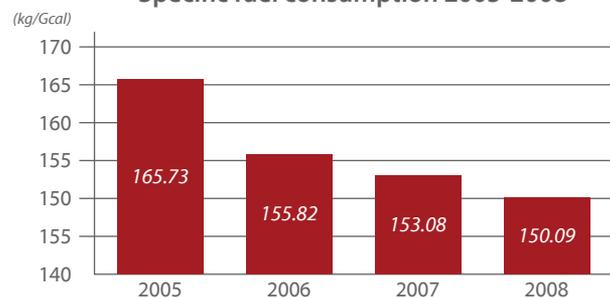
Sales 2005-2008



Production 2005-2008



Specific fuel consumption 2005-2008



# Rompetrol Quality Control

## **2008 Key Achievements:**

- *collaboration with the largest local steel works, Arcelor Mittal, in regard to the environment factors. Collaboration with the largest local steel company, Arcelor Mittal, in regard to monitoring the environment factors;*
- *procurement of the quality certificates ISO 9001, ISO 14001 and QHSAS 18001. Certification procurement for the integrated management system: quality (ISO 9001), environment (ISO 14001) and workplace safety (QHSAS 18001);*
- *finalization of the process of computerizing the activity from the laboratories by implementing LIMS (LABORATORY INFORMATION MANAGEMENT SYSTEM). finalizing the process of laboratory activity computerization by implementing LIMS (LABORATORY INFORMATION MANAGEMENT SYSTEM);*
- *the development of contracts with the Ministry of Economy and Finances in regard to observing the conditions of the European Union for the implementation on the market from Romania of gasoline and diesel oil, as well as the performance of analyses for the determination of the sulfur content from liquid fuels. The development of contracts with the Ministry of Economy and Finances in regard to respecting the European Union conditions for the entrance of gasoline and diesel fuel on the Romanian market, as well as to perform analyses for determining the sulfur content from liquid fuels.*

Rompetrol Quality Control - R.Q.C. - laboratory division of The Rompetrol Group supported in 2008 as well the constant effort of the Company to identify and implement the safest and most efficient methods of environment protection and assurance of the product quality.

The results obtained by RQC, determined by the accuracy of the processes and the results of the performed analyses, underpinned the conclusion of partnerships with significant companies from varied activity fields. Thus, the conclusion of the contract for monitoring of the environment factors with ARCELOR MITTAL Galați, the largest steel works from Romania, meant both an increase of the corporate income, as well as the consolidation of the position of RQC on the market of industrial analyses.

The objective of RQC to win and maintain the trust of the clients and of the organizations interested in the competence and quality of the supplied services, was accomplished in 2008 by obtaining the quality certificates ISO 9001, ISO 14001 and QHSAS 18001, thus ensuring the premises of a continuous development on the specific market.

At the level of the operational optimization, the Company launched in the year 2008, the computerization process of the activity from the laboratories by implementing LIMS (LABORATORY INFORMATION MANAGEMENT SYSTEM), a process enabling the obtaining of information in real time, their transmission and analysis with a high accuracy degree. Regarding the operational optimization, the company launched in 2008 the laboratory activity computerization process by implementing LIMS (LABORATORY INFORMATION MANAGEMENT SYSTEM), a process enabling to obtain, transmit and analyze real time information with a high accuracy degree.

In 2008, RQC continued the collaboration with the Ministry of Economy and Finances in the project of European financing

“Qualitative and quantitative monitoring system for gasoline and diesel oil”. The project comprises the taking of samples, verifications regarding the observance of the conditions of the European Union on introducing gasoline and diesel oil on the market from Romania. The Company also signed with the Ministry of Economy and Finances a contract for the performance of analyses to determine the content of sulfur in liquid fuels.

RQC continues to be a competent partner for the most significant independent inspection companies activating in the Constanța port platform, in terms of specific analyses of imported/exported petroleum products through the port of Constanța. The Environment Laboratories have become a more and more requested alternative by companies from Dobrogea region, for monitoring the specific environment factors (waters, air, soil), but also from other regions of the country, while currently analyses are performed for customers from the regions of Banat, Muntenia, Oltenia and Southern Moldova.

## **The types of analyses performed by RQC:**

- complete analyses of the oil products (crude oil, gasoline, diesel oils, LPG, kerosene, oil fractions, coke and oil sulfur, ecological fuels (biodiesel), bitumen, etc.) Complete oil products analyses (crude oil, gasoline, diesel oils, LPG, kerosene, petroleum cuts, coke and petroleum sulfur, ecological fuels (biodiesel), bitumen, etc.);
- complete water analyses (chemically impure water, process water, drinkable water, drainage water, cooling water, softened water, desalinated water, boiler water, pool water, steam, condense water, underground water, etc.) Complete water analyses (contaminated chemical water, processing water, drinkable water, drainage water, cooling water, softened water, desalting water, boiler water, swimming-pool water, steam, condense water, underground water, etc.);
- complete soil analyses (industrial soils, farm soils, and industrial mud) Complete soil analyses (industrial soils, agricultural soils, and industrial mud);
- complete air analyses (physical and chemical toxic emissions from the air of the working places and protected areas by determining the corresponding concentrations) Complete air analyses (physical and chemical toxic substances from the working places air and from protected areas by determining the corresponding concentrations);
- explosion metering analyses (to determine the existence of the explosion danger at work with open fire in industrial environments and in closed vessels).Explosion metering analyses (determining explosion hazard potential when working with open fire in industrial spaces and closed vessels);
- medical and bio-toxicological analyses (to quantitatively and qualitatively determine varied specific components) Medical and bio-toxicological analyses (for quantitative and qualitative determination of various specific components);
- analysis of physical and chemical toxic emissions at working places (by observing the provisions of the applicable labor protection norms);
- analyses of weather factors, environment and specific microclimates;
- mechanical and technological trials for metals and welded joints
- metallographic analyses (microscopic and macroscopic analyses of metal materials, welded joints and thermoplastic materials)
- chemical analyses on metal materials.

The 6 RQC laboratories are accredited according to the standard SR EN ISO 17025:2005, a certification granted by the Romanian Accreditation Association (RENAR), the only institution at national level certifying the standards of laboratory activities. Hence, analyses performed by RQC are acknowledged in over 70 from the entire world that signed the agreements for international acknowledgement (I.L.A.C., M.L.A., E.A.) concluded by RENAR. The 6 RQC laboratories are accredited according to the standard SR EN ISO 17025:2005, a certification granted by the Romanian Accreditation Association (RENAR), the only national institution certifying the standards of laboratory activities. Hence, analyses performed by RQC are recognized in over 70 countries, subscribers of the agreements for international acknowledgement (I.L.A.C., M.L.A., E.A.) concluded by RENAR.

By continuing the accreditation process of the methods for the new analyses and consolidation of relations with international research centers (Spain, England, the Netherlands, the USA), RQC managed to ensure quality services to all clients, both to those within The Rompetrol Group (biodiesel analyses, analyses for the determination of the quality of products with a low sulfur content – below 10 ppm) and of those outside the Group, especially in the field of environment protection (determination of the benzene content in water, air and soil). By continuing the accreditation process of the new analyses methods and consolidating the relationships with international research centers (Spain, England, Netherlands, USA), RQC managed to render quality services to all customers, both within The Rompetrol Group (biodiesel analyses, quality analyses of products with a low sulfur content – below 10 ppm) and non-group customers, especially in the field of environment protection (determination of the benzene content in water, air and soil).

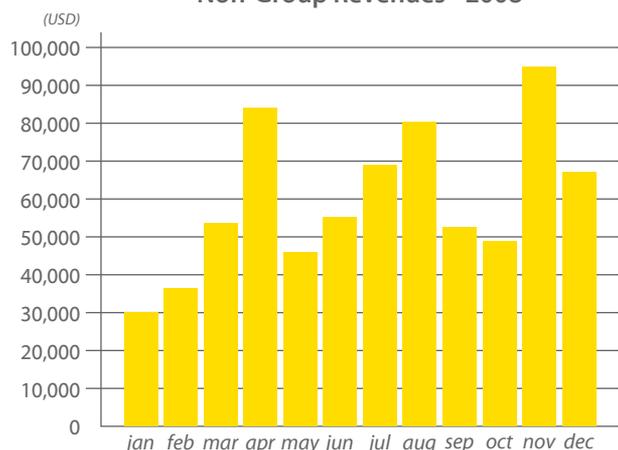
**2009 Key Objectives:**

- in 2009, RQC will continue the development and modernization process by implementing new quality standards, as well as by purchasing efficient state-of-the-art equipment and by the computerization of the entire laboratory activity (LIMS). In 2009, RQC will continue the development and modernization process by implementing new quality standards, as well as by purchasing efficient (state-of-the-art) equipment and by applying information technology to the entire laboratory activity (LIMS).

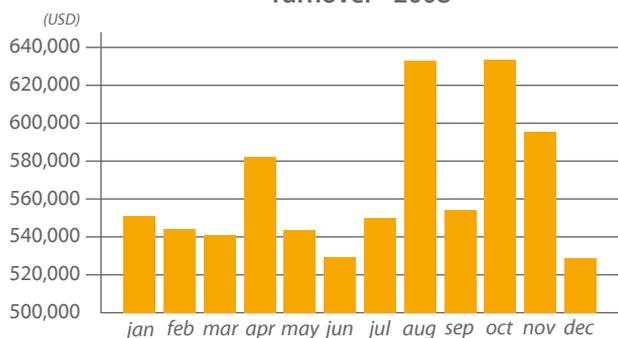
**The development plan for 2009 includes:**

- the improvement and rendering efficient of the activity carried out in accordance with the requirements and norms of the European Union after finalizing the implementation of LIMS. improving and rendering more efficiency to the laboratory activity, in accordance with the requirements and standards of the European Union, after finalizing the implementation of LIMS;
- the extension of the research activity in the field of non-polluting or less polluting (ecologic) power sources. extension of the research activity in the field of non-polluting or less polluting (ecologic) energy sources;
- the introduction in the current list of offered services of the analysis of bio-ethanol, an ecologic product that is to be inserted in the fuels as an alternative for the reduction of emissions of greenhouse gas originating from transports, as well as of the analyses with the counting of particles for oil. introduction in the current list of offered services of particles counting analyses for petroleum and bio-ethanol analyses, an ecologic product that is to be inserted in the fuels as an alternative for the reduction of greenhouse gas emissions originating from transports;
- the procurement from the Ministry of Public Health of the approval for the performance of drinkable water analyses within the environment laboratory (Năvodari) and of the determinations of professional toxic emissions for the environment laboratory located on the Vega Ploiești platform. Acquiring the Public Health Ministry approval for the performance of drinkable water analyses within the environment laboratory (Năvodari) and for the determinations of professional toxic emissions for the environment laboratory located on the Ploiești Vega platform;
- the maintenance and extension of the accreditation and acknowledgement for the new analysis methods and quantitative and qualitative inspection services at oil products and environment in order to consolidate the relations with the non-group clients already existing in the portfolio and the attraction of new clients. the maintenance and extension of the accreditation and acknowledgement for the new analysis methods and quantitative and qualitative inspection services for petroleum products and environment, in order to consolidate the relationships with the non-group clients already existing in the portfolio and to attract new customers.

**Non-Group Revenues - 2008**



**Turnover - 2008**



# Ecomaster

## 2008 Key Achievements:

- Ecomaster designs the first platform of integrated environment services on Romanian market;
- the development of unique environment technologies on the domestic market – TREAT;
- starting the environmental remediation of Lagoon 3, Petromidia refinery;
- the development of the network for the collection of used oils at national level.

The development strategy of the Ecomaster operations in the year 2008 aimed at capitalizing the technical capabilities and the experience gathered in the 7 years of activity on the market of industrial ecology services. Thus, the company Ecomaster became the first and sole supplier of integrated services on the market of services for the management of hazardous wastes.

Integrated services proposed by Ecomaster are adaptable to the actual needs of each company, enabling the environmental specialist input, who should ensure the waste management in a unitary and simple manner.

## The Ecomaster's integrated waste management services include:

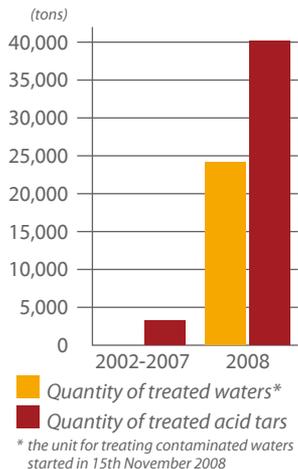
- environment consultancy (PLAN)
- compliant collection and disposal of wastes (COLLECT & DEPOSIT)
- treatment of hazardous wastes (TREAT)
- integrated management of wastewaters (CLEAN)

The new services offered by the Ecomaster specialists are supported by the implementation of efficient new developed technologies, as well as the commencement of building own treatment and landfill units for industrial waste.

Through TREAT service, Ecomaster provides waste generators with 2 unique environment technologies on the domestic market, that enables the treatment of acid tars and highly contaminated waters with organic impurities. The treatment of these hazardous waste, in their solid and liquid phase, bring them to non-hazardous phase or compliant waters to be treated in wastewater plants.

The Ecomaster R&D team developed these technologies starting from the need of eliminating the "historic" wastes from the Vega Refinery from Ploiești.

## Treatment of acid tars and contaminated waters



In terms of technological efficiency, Ecomaster managed to treat, with its own technologies, over 40.135 tons of acid tars at Vega refinery (during the second semester of 2008) and 3.250 tons of highly contaminated waters from lagoons (in the final quarter of 2008). For comparison, in the entire period 2002-2007 there have been processed only 24.000 tons of acid tars using other technologies. The new processing rithm proved the Ecomaster's technologies advantage: large volumes to be treated at efficient costs. One of the significant projects carried out by the Company is the ecologization of Lagoon 3, within the Petromidia refinery. Ecomaster operates the sludge dehydrating facility, set into operation in 2008

in order to ecologize the sludge lagoon with a capacity of 120,000 CBM, as well as to recover the oil product. The sludge is subject to centrifugation to obtain the three final products: oil product, solid sludge, wastewater. In 2008, over 24,000 CBM of sludge have been processed. A strategic priority for the Company was the development of COLLECT service, through network extension at national level for the collection of used oils, as well as for other types of industrial waste. For such purpose, there were concluded strategic partnerships with the main producers and importers of mineral oils and new collection capacities were ensured. The COLLECT service collected over 3,800 tons of used oils by maintaining and even extending the client portfolio by 8.8 percent. By the wastewater management service – CLEAR - Ecomaster ensures the operation of the wastewaters treatment plant on the Petromidia platform, annually treating over 10 million CBM of wastewaters, out of which 20 percent waters generated by companies outside The Rompetrol Group.

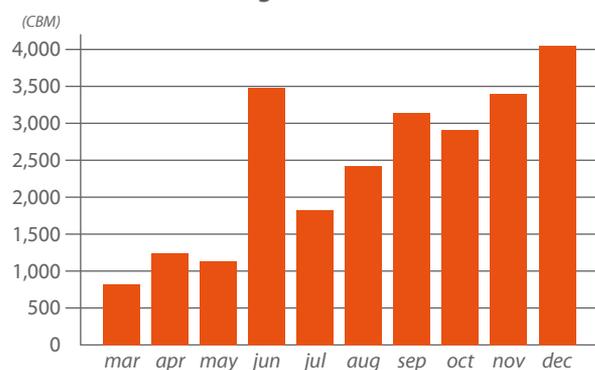
## 2009 Key Objectives:

- the extension of the application scope of the Ecomaster's environment technologies;
- Ecopark – the development of an ecological park with facilities for landfill and treating for industrial waste.

In 2009, Ecomaster aims at imposing on the domestic market the own services and newly developed technologies, as a viable alternative for Western technologies and seek for their implementation in similar projects for other companies.

By mobile facilities that may be placed "in situ", as well as by the capacity to adapt the treatment receipt to the characteristics of distinct waste, the Ecomaster technologies may be successfully implemented also for other types of tars or sludge. Ecomaster objective is to extend the application sphere of such services, from treating the waste obtained from the refining process of crude oil to such from the chemical and petrochemical industries, metallurgic and automotive industry. A major investment carried out by Ecomaster in the year 2009 will be the Ecopark project, an ecologic park with facilities for the storing and treatment of industrial waste. The finalization of the project supposes the integration and extension of the services offered to clients and this will enable the increase of the market share, as well as the increase of the non-group revenues to a level of 40 percent out of total revenues. By continuing the investments, Ecomaster shall integrate the actual structure of the network for the collection of waste oil with the facilities from Ecopark, aiming that by end of 2010 the industrial waste collection structure should also be extended at national level, ensuring thus a constant COLLECTION flow of waste for treatment and final elimination.

## Oil sludge treatment - 2008



# FinGroup

## 2008 Key Achievements:

- the sale of a number of 9600 Fill&Go Credit and Beauty Made Easy cards;
- adhesion to the Credit Office;
- development of a sales network.

IFN FinGroup Credit SA is a financial company offering crediting products to individuals. After the launch of the first two credit cards, Fill&Go Credit and Beauty Made Easy, in 2007, the FinGroup team recorded at the end of the year 2008 a volume of 9800 sold cards, out of which 7400 Fill&Go Credit and 2400 Beauty Made Easy.

Out of the 9600 issued cards, 90 percent are frequently used by clients.

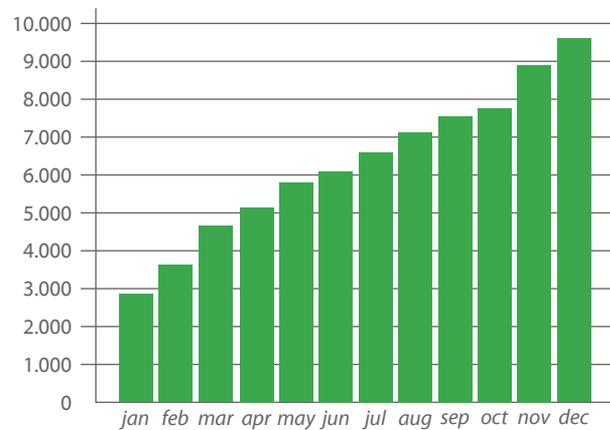
The value of the granted credits reached at the end of the year 2008 the value of EUR 7 million.

FinGroup adhered in 2008 to the Credit Office, ensuring thus a better management of the client portfolio. The Company concurrently aimed at the increase of the number of clients by extending and diversifying the sales network. Thus, besides the own agent team, the Company signed collaboration contracts with companies specialized in the intermediation of financial services (brokers, telemarketing companies).

Zonal representatives who should manage more efficiently the activity of the collaborators from the country were also employed.

For 2009, the objectives of FinGroup aim at improving the characteristics of the products and developing the partner trader network, so that the clients should benefit not only of crediting lines, but also of a consistent service and benefit parcel.

Issued cards - 2008



# Global Security Sistem

## **2008 Key Achievements:**

- *the execution of the security system from BERTH 9 of the Midia Năvodari Port;*
- *the assurance of the security and fire extinguishing services within the Central Dispatch Office for the monitoring of the mobile EXPRES stations;*
- *the supply of security, installation and maintenance services for Lissa Draxlmaier Autopart Romania, one of the most significant international producers of electric components for the car industry.*

GLOBAL SECURITY SISTEM SA (GSS), member of The Rompetrol Group, is a company specialized in activities of security and design, installation and service for security systems. GSS is certified ISO 9001 by Germanisher Loyd and is a founding member of the Asociația Română a Industriei de Securitate (Romanian Association of the Security Industry).

In the year 2008, the activity of the company supported the development directions of the Group, participating in a series of significant projects. Thus, the company implemented the safety system from BERTH 9 of the Midia Năvodari Port, a new security system in compliance with the international standards of port infrastructure security.

GSS has a significant contribution within the development project of the Expres stations. Thus, GSS is the designer of the security and fire extinguishing architecture, supplies security and fire fighting equipment, ensures the protection for the installation of the station on site, the schooling of the operating personnel and handles the formalities for the authorization in regards to the security and emergency situations.

In the 2008 was set into operation the central dispatch office for the monitoring of such stations, an essential component being the reception, analysis and processing of security and fire alarms.

Another accomplishment is the procurement of the approval and license from the competent authorities in regard to the organization of qualification courses in the profession of firemen. This is an essential premise for the increase of the professionalism degree of employees from the services for emergency situations through training and qualification programs.

Besides the support provided to companies within The Rompetrol Group, the company concluded in 2008 contracts with important clients among which we remind the Embassies of the state of Kuwait from the Hague and Bucharest, the Mayoralty of the Chitila City (video street surveillance network);

GSS successfully participated in the tender for the supply of security services to Lissa Draxlmaier Autopart Romania, one of the most significant international producers of electric components for the car industry. The high quality services provided determined the extension of the offered services also in the field of setup and maintenance of the security systems.

## **2009 Key Objectives:**

- *implementation of the online video monitoring of the distribution stations;*
- *setting up of new civil firemen units.*

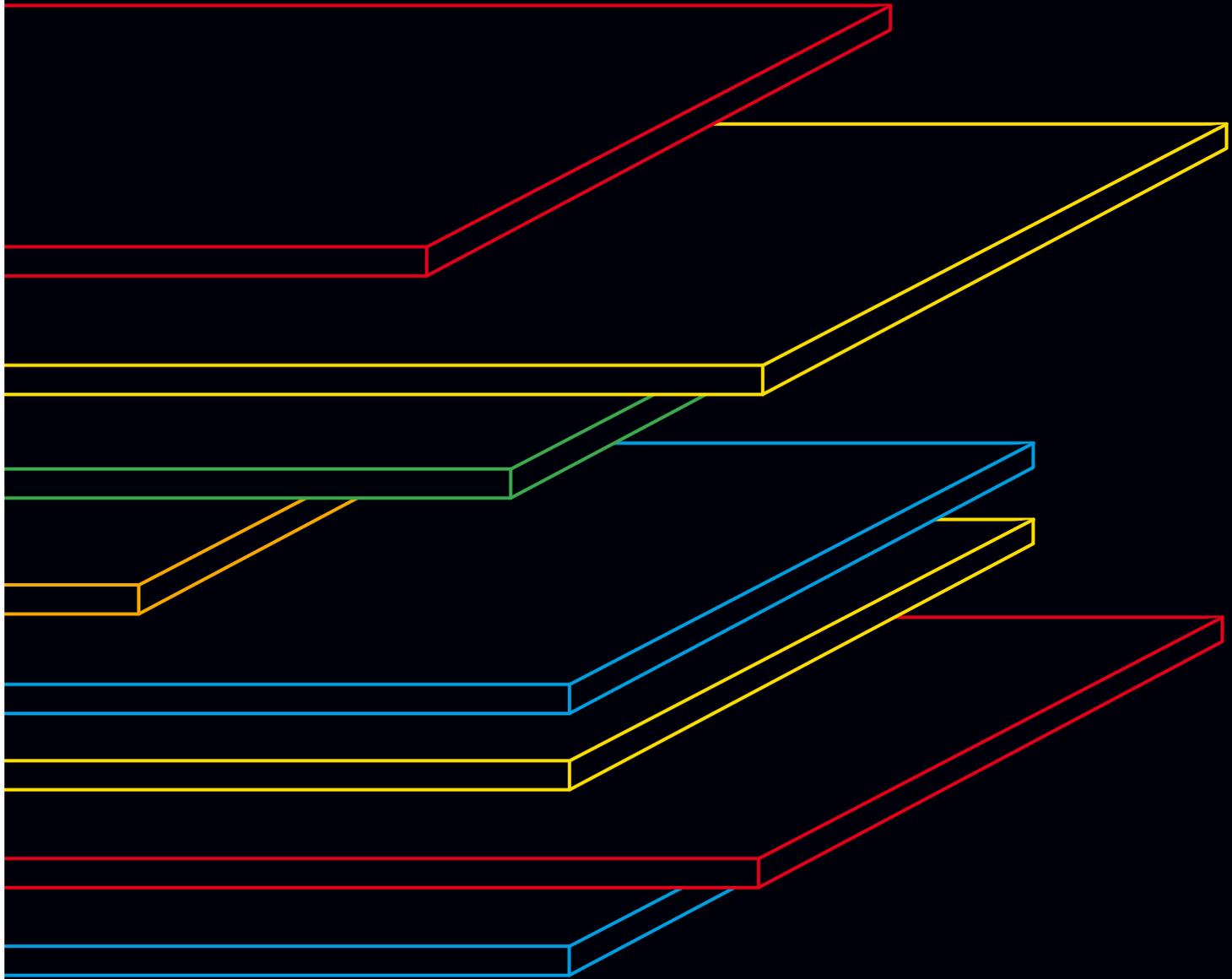
In the year 2009, GSS will continue to accomplish and finalize certain significant projects for the beneficiaries within The Rompetrol Group and it shall concurrently continue its non-group extension efforts by participating in tenders, both on the Romanian market and on the European one.

In the year 2009, the Company shall finalize the video monitoring process of the distribution stations within the central dispatch office, a project carried out in partnership with the Dutch company Spectator. This dispatch office will increase the quality of the actual monitoring and security services, enabling the extension of the client base.

In regard to the services for emergency situations, the Company estimates the setting up of a new civil firemen unit within the area of Bucharest.



# Support Services



# Support Services

The support services have sustained the Group's strategic directions, including staff reorganization and activities for increasing employee performances, as well as the implementation of some work processes and platforms that support enhanced communication and a better collaboration between organizations. In 2008, transparency continued to be the key element of the Group's continuous information flow to its shareholders, investors and the authorities, to its partners, customers and own employees.

## Consolidating the Group's image at internal and external level, through its Communication and Public Relations and Internal Communication Departments

In 2008, the Group's abilities to efficiently communicate with the external public, and internally, namely with over 9000 employees, were capitalized. Transparency remained, in 2008 also, the main element of the continuous information flow between the Group and its shareholders, investors, public authorities, partners, customers, and own employees. The development of business partnerships, as well as the new products and services, enjoyed immediate public exposure also due to the organization of specific events. Thus, the Group's operational units have been supported in implementing some communication campaigns, designed for a target public composed of business partners, financial communities, and public authorities.

The abovementioned departments have simultaneously coordinated the drafting of the Group's specialized publications, including brochures, presentations, annual reports, as well as other materials used for promoting the company's image, while ensuring and preparing Rompetrol's management participation in various conferences, seminars, business meetings, in the country and abroad.

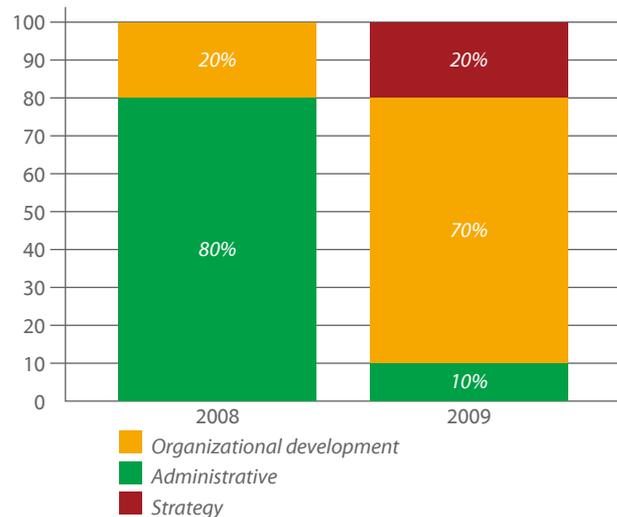
In order to make known and raise employee awareness on the Group's strategic and tactical plans, the Internal Communication Department has completed, together with the IT Department, two large projects: they have relaunched the intranet in a more flexible and accessible form and have consolidated the communication on the Petromidia platform, by upgrading the VOXPEM radio station. These projects, together with the drafting of the internal magazine, have simplified the exchange of relevant information, in order to motivate and involve employees in the life of the organization.

## Human Resources

The company's strategic goals have determined the reorganization of the support services, so as to ensure the continuity of the programs

initiated during the previous years, while ensuring permanent adaptation to the new requirements of the organization. Thus, in 2008, the Human Resources Department had a very important role in ensuring an efficient working environment. The most important projects implemented include: outsourcing the administrative and payroll services for all Group's companies in Romania, preparing the specific processes for implementing an integrated Human Resource Management System (HRIS), a system which the company expects to implement by the half of 2009. The performance management process was also continued in 2008, with a new phase consisting in the development of the best talent support structure, an action which was a consequence of an elaborate system for the assessment of professional abilities, developed over the past 2 years.

„Performance Management” focuses on employee results, correlated with the company's business goals. Another project initiated in 2008 is the succession plan, which focuses on training employees so as to successfully take another job within the organization. The purpose of this program is to ensure the long-term development of the company, and it is also a tool which helps employees understand the role and the importance of their contribution to the company.



In 2009, the Human Resources Department will support the Group's development strategy, by identifying and capitalizing on the abilities of employees, for the purpose of achieving personal goals, as well as the operational goals of the company.

#### Information Technology

In 2008, the IT Department continued to develop solutions to support requirements in various fields of activity of the company, and to implement extensive projects with a significant impact on the Group's activity. To this respect, the IT Department developed modern and efficient working tools, which allow for the improvement of the communication and of the co-operation between organizations. Moreover, important investments were made to improve the efficiency and the control of financial and accounting processes, and of the procurement processes, as well as to ensure the availability and reliability of the IT infrastructure, within a dynamic business environment.

The processes which are specific for Rompetrol business units had the same goals set at corporate level, namely increasing the efficiency of information flows - both by automatizations within business units, and by horizontally integrating the processes. In 2009, the IT Department sets out to develop projects that mainly target economic efficiency, and to continue the information flow automatization and optimization processes. The most important projects will simplify the integration of the financial and accounting data in all the Group's companies by implementing a unique, modern, and accessible consolidation, reporting, and budget platform, but also by standardizing the financial and accounting systems. The main goal of the IT Department is to ensure transparency of the data within the organization, and especially to facilitate real-time access to the information which is useful and necessary for the good performance of the activities.

#### QHSE

Rompetrol has always manifested its responsibility for integrating health, safety, and environment protection in its corporate strategy, thus acknowledging the commitment of all employees and collaborators to excellence in this field.

The process of disseminating the HSE policy, as well its values and goals at all levels determine the integration of this policy in all the activities and financial goals of each unit, being assessed according to indicators and targeted goals.

Thus, in 2008, the company carried out several projects of maximum technological and environment protection efficiency, in accordance with the international regulations in force (IPPC - European Directive concerning integrated pollution prevention and control).

One of the greatest achievements was the construction of a new offshore marine terminal in the Black Sea, a strategic project for the development of the activity of the Petromidia refinery. The technical project required several geotechnical and geophysical surveys for the pipe location, as well as all the environment data available regarding winds, waves, water temperature, and earthquakes.

Also, Rompetrol Rafinare has completed an extensive program for reducing volatile organic compound emissions into the air. To this respect, part of the company's tanks have been upgraded, by implementing a highly efficient technological solution. All the investments corresponding to these works amounted to approximately USD 2.5 million.

At the beginning of 2008, the sludge processing plant in Halda 3 was commissioned, and the purpose of this project was to empty it and transform it into a temporary storage location for non-hazardous waste, in accordance with the provisions of the Integrated Environment Permit.

Pursuant to these investments, amounting to USD 40 million, the process for producing EURO 5 gasoline was completed, and the

company started in 2005 to manufacture diesel fuel according to this standard. This measure will ensure an increase in the environment protection level by reducing the sulphur quantities resulting from fuels to 50 ppm (parts per million) - Euro 4 to 10 ppm - Euro 5.

For the same purpose of integrating the QHSE requirements in the company's vision, the Rompetrol Group has become a member of CONCAWE (Conservation of Clean Air and Water in Europe) - an international organization which performs researches on several aspects regarding environment protection in the field of oil products: fuel quality, CO<sub>2</sub> emissions, air and water quality, soil contamination, residues, issues concerning health and labour safety, as well as the management responsibility for oil products and trans-national oleoduct performance.

This acknowledgment has a great impact in terms of the company's alignment to the most important trends in the refining industry.

After the affiliation to CONCAWE, all the companies which are part of the Rompetrol Group shall also enjoy the support for the compliance with the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) European Directive. Consequently, all the chemical substances used for the business of the Group, from raw materials to gasoline and diesel, are registered and authorized.

The REACH Directive has replaced an entire set of rules and regulations regarding the existing substances, and the notification of new substances. The basic elements of REACH are registration and authorization.

These actions towards complying with the laws in the field and towards ensuring a safe work environment, are also designed for employees, by using several information media:

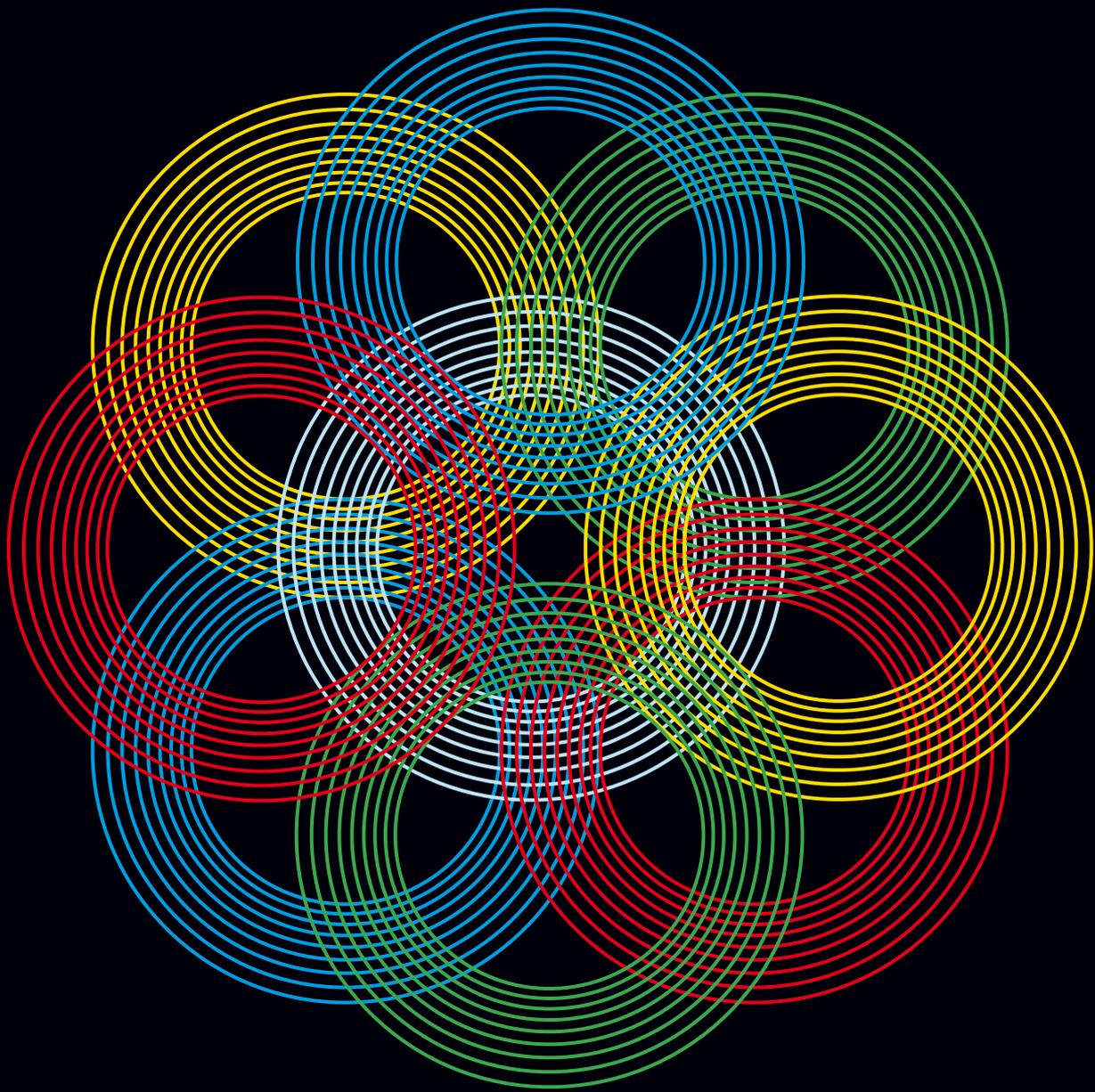
- HSE Info: periodical updates using different communication channels: radio, e-mail, posters, periodical trainings, electronic display;
- "Level 3". A show at radio Vox Pem, during which the actions of the subcommittees and other safety actions on-going at the Petromidia Platform are communicated;
- SMT (Safety Management Team) - assembly of the Excellence Committee and presentation of the activities of the safety subcommittees
- Safety Card, communication and reporting tool for all the Near Misses;
- Safety Alert, information and prevention tool for similar circumstances;
- In House training - organizing workshops on explaining the main health and labour safety procedures.
- Periodical visits of management members to the platforms of the two refineries.

In what concerns the relationship with certain publics targeted by the business of the company in the QHSE segment, a set of measures have also been implemented:

- Integrating contractor performance in the set of HSE indicators for each unit.
- Maintaining permanent communication channels with the regulatory agencies, with the media, and other interested parties.
- Maintaining open communication channels with the neighbouring communities, in order to continually inform them about the emergency plans
- Developing training programs within the communities where the company operates, in order to encourage their commitment towards preventive and emergency measures.
- Implementing educational health and environment programs, together with the neighbouring communities, as well as initiating actions for promoting their sustainable development.



# Social Responsibility



# Social Responsibility

Rompetrol has had the same consistent approach as regards the development of social responsibility programs, actively supporting the two main directions: education and youth development, by their involvement in activities within companies of the Group.

Therefore, on the Petromidia oil platform, the companies Rompetrol Rafinare, Petrochemicals and Rompetrol Quality Control have conducted in 2008 various programs for selecting students with high potential, offering them an organized environment in order for them to improve their abilities necessary for professional development.

## Students Practice Programs

Rompetrol Petrochemicals and Rompetrol Quality Control, in cooperation with "Ovidius" University in Constanța, Faculty of Physics, Chemistry and Oil technology, have conducted during June-July 2008 a practice program for students, with the purpose of identifying the best students for the Internship program. Therefore, 77 students carried out their practice within the Production and Laboratory department, 8 of them being selected for the 2008 Internship program.

## Internship 2008

This program consists of active practice within the company, for 2 months, finalized with an assessment, based on which a part of the participants are selected for the "Trainee" program.

The program, that took place between August – September 2008, included 20 students from "Ovidius" University, Constanța for Rompetrol Petrochemicals and 20 for Rompetrol Rafinare, selected from all university centers throughout the country (Bucharest, Cluj, Constanța, Iași and Ploiești).

2008 was the sixth consecutive year in which Rompetrol has organized and conducted this type of program, and the obtained results support its development in the years to come.

## 2008 Trainee Program

The Trainee Program represents the final selection stage of the most competent participants. Its duration is of 6 months, October – April, period during which the students have the possibility to put their knowledge into practice in various departments within the refinery/petrochemical units. This experience is followed by a final performance assessment and hiring the best in the organizing companies.

In 2008, Rompetrol Rafinare selected 10 students from five university centres (Bucharest, Cluj, Constanța, Iași and Ploiești). The same number of students were assigned to the production area of Rompetrol Petrochemicals, the participants being students from the Faculty of Physics, Chemistry and Oil Technology, "Ovidius" University in Constanța.

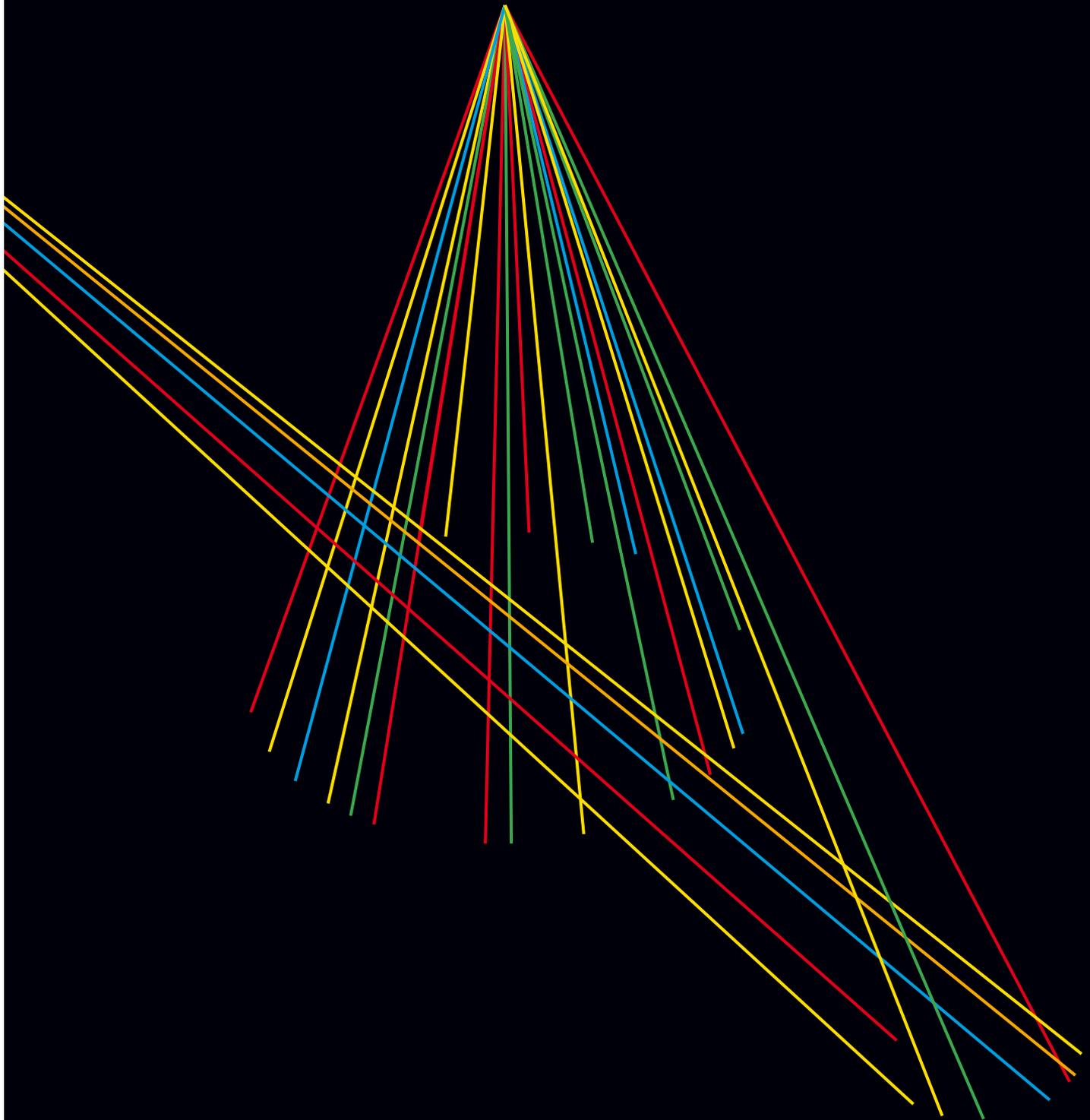
Rompetrol understood that the lack of resources affects the school performances of young people, and therefore decided to extend the practice program to highschool students. In cooperation with the "Lazăr Edeleanu" Highschool in Năvodari, Rompetrol Petrochemicals and Rompetrol Quality Control have offered the framework necessary for the practice training of 77 students in the Production and Laboratory departments.

It is a tradition for Rompetrol to collaborate with the OvidiuRom Association, in order to support educational programs in Romania. Therefore, in 2008, Rompetrol provided financial support for the charity event "Halloween Charity Ball", the collected amount being designed to support the "Every child in school" program, that aims to eliminate the school abandonment, which is a big problem, with serious long-term social and economic implications in Romania.

It was still in 2008 that the Rompetrol Group, in cooperation with Dinu Patriciu Foundation, supported the local authorities in Moldova, an area that was affected by floods, to rebuild the schools and kindergardens, the total donation amounting to Euro 300,000.

Rompetrol's involvement is based on the belief in the moral debt of every man, to support the education in all its forms, by investing on a long term in developing important resources that ensure society evolution.

# Corporate Governance



# Corporate Governance



Adrian Petruș  
Rompetrol Group CFO

*"Establishing clear action steps within the corporate governance process represents the basis of sound relations between shareholders, potential investors and employees, which inevitably leads to a high degree of transparency. The Rompetrol Group permanently assesses its own control mechanisms, in order to minimize the risks of daily activities and to comply with the Principles of Good Corporate Practice regarding the control and segregation of duties procedures."*

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 44 companies, joint stock or limited liability companies, headquartered in Romania, the Netherlands, Ukraine, Georgia, France, the Republic of Moldova, Russia etc. Thus, the statutory laws applicable to all 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 (internal regulations, etc.).

#### Shareholders

Rompetrol Group's majority shareholder is The Rompetrol Group N.V., headquartered in Amsterdam, the Netherlands.

#### Administration and decision rights

At the level of the Group's majority shareholder there is a unified management system. Thus, the TRG Board of Directors has eight members, of which one executive member (Chief Executive Officer – CEO) and seven non-executive members. The General Manager 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. As a statutory body, the Board of Directors reports to the General Assembly of Shareholders.

To support its activity, the Board of Directors has voted to set up specialist 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 decision right regarding the internal operations of each company is fragmented using the decision-making thresholds: CEO, Board of Directors, General Assembly of Shareholders.

#### Internal audit

The internal audit function is meant to offer shareholders and executive managers an independent assessment of:

- the effectiveness and efficiency of the business processes based on which the business units and the individual legal entities of Rompetrol Group are functioning;
- the way in which the company's assets are protected (fixed assets/capital investments, stocks, claims, liquidities);
- the credibility of figures (such as performance indicators, financial statements) derived from the operational and financial transactions of the Rompetrol Group.

The internal audit function reports to the executive manager and to the Audit Committee of the Board of Directors of the Rompetrol Group.

#### Performance planning and management

Within the Performance planning and management (PPM) department, the following processes were run:

- **5 year strategic plan update.** This has been approved by the Rompetrol Group Board of Directors in October 2008 and includes:
  - Establishing strategic objectives for 2009-2013, based on the analysis of the main external and internal influence factors;
  - Evaluation and prioritization of the main investment projects planned for this period, in order to fulfil the strategic objectives;
  - Analysis of the main economic indicators of profitability, liquidity and indebtedness resulting following the above forecasts;
  - Sensitivity analysis for result estimation and for adapting the strategy in case of a different evolution as compared to what has been established when the plan was drawn up.
- **Monthly Group Financial Outlook expansion including:**
  - Analysis of the main variations from the allotted budget, both for elements relating to market influence and for elements relating to internal decisions;
  - Standardization of reporting and presentation formats in order to facilitate the correction decision making;
  - Permanent collection and interpretation of the information needed for business strategy adaptation;
  - Improvement of the processes determining the optimal level of refinery production, as well as the optimal oil combination in order to maximize operational results;
  - Result adaptation and preparation of decisions in case of any significant changes in the market ('what if scenario analyses').
- **Capital Assurance Process (CAP):**
  - Launch of "Capex Report", which will improve the investment expense analysis as compared to the budget allotted to separate projects;
  - CAP process review in order to make the decisions more effective and to clarify the responsibilities inside the Group;

CAP was started in 2007, in order to assure a common frame for investment initiation, approval and implementation within the Rompetrol Group.

- **2009 budget allotment and 12 month activity planning.** The purposes of these actions are mainly the standardization and automation of the reporting processes at Group level and improvement of the budgetary control, including by implementing Cognoss (an IT system that will facilitate reduction of the time for consolidation, reporting, planning and result analysis).

#### Acquisitions of goods and services

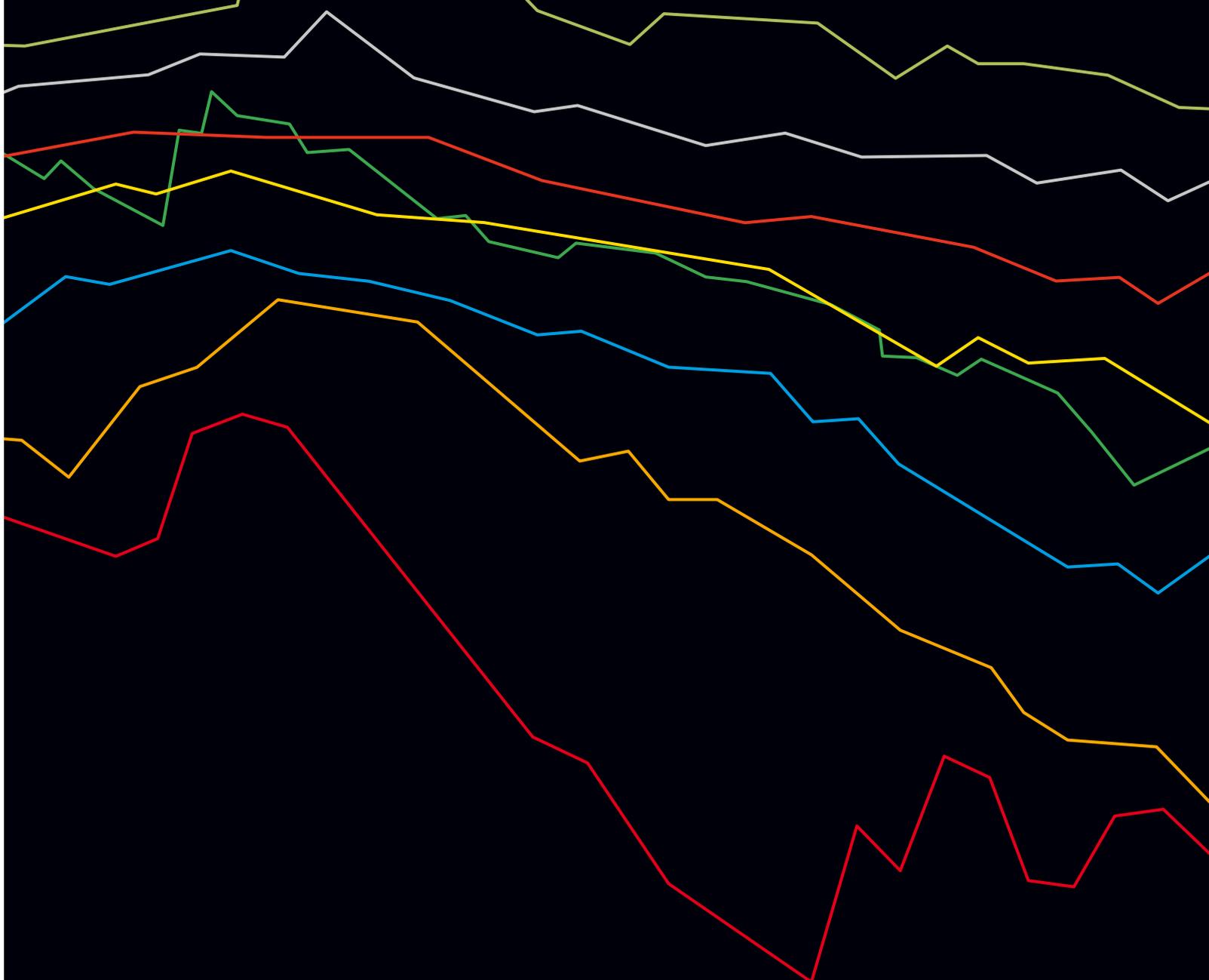
In this respect, the company has developed a new Acquisition Policy, applicable to all entities in Romania, so that the TRG acquisition process can be centralized and rendered more effective. Therefore, there have been established Survey Centres that will develop the capital investment and maintenance services, chemical product and catalyst acquisitions, IT and G&A.

The reorganization of the acquisition process of Rompetrol Group, based on the above mentioned categories, will ensure:

- reduction of the time dedicated to acquisition process;
- rendering activity more efficient further to information centralizing;
- implementation of computer technologies for processing systematization and analysis of acquisition requests.



# Consolidation and efficiency on external market



## Netherlands

Romp petrol group has become during its 11 years of existence a multinational oil company, based in Amsterdam, Netherlands, carrying on most of its operations in France, Romania, Spain and South-Eastern Europe. The Group carries on its main activities in the fields of refining and marketing/sale of petroleum products, but also operates under additional operations – exploration and production, oil services, EPCM, transportation, etc.

Rapid development in recent years has generated the need for effective coordination to allow subsequent consolidation of all operations. Thus, the activities of the Board of Directors, as well as some of the essential management functions are carried out at its headquarters in Amsterdam.

## Romania

The most significant expansion of the Rompetrol Group took place on the Romanian market, being the main point of international development in Europe, thus marking the transition from a local medium-sized company to a Pan-European company.

In Romania, Rompetrol Group provides management services, coordinates the work of the two refineries, Rompetrol Rafinare (Petromidia) and Vega, operates the petrochemical unit located on the Petromidia platform and performs retail activities, industrial services and industrial production.

The diversity of activities resulted in a reorganization of operations in Business Units, most of them holding assets in Romania. The presentation of these operations will be detailed in this Annual Report.

## France

The Rompetrol Group has strengthened its position on the French market by adapting its strategy to the specificity of the market and the customers' needs in the area.

The permanent ability to provide quality services, by creating and developing bridges between the oil resources of the East and the market outlets in the West, the energetic security of Europe, was very important for the regional development of the Group.

Thus, at the end of 2008, the network of stations belonging to Dyneff had 158 distribution points operated under the two different brands: Dyneff stations situated on national roads and Rompetrol stations located on motorways and main transport routes.

In 2009, Dyneff aims to intensify activity on the retail segment, based on the positive evolution of volumes and margins achieved by the network of partner stations, as well as the constant maintenance of the volumes and margins recorded in the network of its own stations.

Dyneff will also implement a plan to expand the Rompetrol brand on the network of motorways in France.

Its network of stations will be extended, forecasts saying that 4 new stations are to be opened and two innovative products are to be launched on the market: the mobile station of distribution Dyneff Xpress and Internal Base Fill&Go.

## Spain

On the Spanish market, the company's strategy aimed for the same direction of strengthening and increasing effectiveness of operations, by extending the wholesale activities (Castilla and Mancha areas) and retail activities (deliveries to small and medium-sized customers purchasing small volumes) – Girona, Valencia and Bilbao, in order to compensate for volume losses, caused by reductions of oil product consumption on the market. Year 2008 marked the beginning of the distribution activity in the Retail segment by concluding the first 4 partnerships of Partner type

under the Dyneff brand.

In 2009, Dyneff will continue to develop the distribution activity on the Retail segment both by introducing the Fill&Go card on the Spanish market, as well as by construction/ purchase of the first stations on main transport routes.

The distribution activities on the Wholesale and Retail segments will be consolidated in the areas of development where such activities are already present and will be mainly supported by the commercial development of the offer addressed to owner customers.

## Romp petrol Bulgaria

### 2008 Key Achievements:

- increase of sales on the retail segment by 48.5 percent;
- increase of profitability of the distribution channels;
- modernization of the transport fleet.

In 2008, Rompetrol Bulgaria has continued to improve its Fill&Go service and level of sales, through the launch of flexible commercial offers, adapted to customer needs. Moreover, the aggregate efforts of the marketing and sales departments aimed to identify the most profitable distribution channels, so that sales recorded an increase by 48.5 percent. At the end of the year, Rompetrol Bulgaria operated a total number of 60 stations (owned and Partner stations), a network developed by the company by introducing internal bases, of which 14 are operable.

In order to render its activity more efficient, Rompetrol Bulgaria has extended its own fleet and thus triggered a positive impact upon direct sales towards the final consumer by offering flexible terms of delivery and complete control over product quality. All 13 tanks comply with the strictest European standards regarding safety and environment protection. Also, the new acquisitions have resulted in a significant decrease of the transport costs.

The company continued to improve its operational performances by launching training programs for the personnel in stations. Further actions have been launched to promote the quality of Rompetrol fuels (organizing auto tests during the Varna Auto Salon), the concept of the internal bases and the Fill&Go Manager facilities (the concept of internal bases was made public during the Plovdiv International Fair).

### 2009 Key Objectives:

- a new partnership program;
- improving the range of services and products: launching of Efix and Fill&Go Easy Ring.

In accordance with the general strategy of the company to improve performances and profitability, Rompetrol Bulgaria has launched a new model of partnership: the stock of products is held by the company and the station owner receives a commission based on the sales level. The first four stations will be operational as from early January 2009, estimating that by the end of the year their number will increase to 25, also including the construction of new stations. We will continue to offer the best services to our customers. In this respect, one of the key objectives for 2009 is to launch a new range of Efix fuels protecting the engine. As regards loyalty rewarding projects, Rompetrol Bulgaria will focus on adding new Fill&Go products and services, by introducing "Easy Ring".

## Switzerland

Romp petrol Group marked its presence in Switzerland at the end of 2004, by establishing Vector Energy AG. The company ensures the supply of raw materials to the Group and the commercialization of finished products, with a major contribution in optimizing the specific flows and implementing an efficient management of stocks. Further to the transfer of the treasury from the Group in Amsterdam (Netherlands, headquarters of Rompetrol Group) to Zug (headquarters of Vector Energy), Vector Energy will gain an important role in improving the cash flows within the entire Rompetrol Group. In 2008, the company registered an increase of volume of the

commercialized products by approximately 35 percent, and the export of products made by the company grew by 42 percent, from 0.9 million metric tons in 2007 to 1.29 million tons last year. The new responsibilities undertaken by the company in 2008 include the coordination of fuel sales towards the Group subsidiaries (Bulgaria, Georgia, Ukraine) by integrating the operations in the activity flows of Vector Energy, improving the stock level of products in Midia and Constanta by creating a new dedicated team, but also by continuing the process of strengthening the relation with Dyneff France and Dyneff Spain, which allowed for obtaining very favorable conditions in the product supply. The total volume of oil supplied by the company to provide the necessary crude oil for the Rompetrol Refinery increased by 13 percent last year, from 3.78 million tons in 2007 to 4.27 million tons.

#### Russia

##### **2008 Key Achievements:**

- *evaluation and identification of opportunities on petroleum sector in Russia.*

##### **2009 Key Objectives:**

- *assistance in enhancing Rompetrol presence in the regional upstream service sector;*
- *establish direct contacts and partnerships with crude suppliers;*
- *monitor the feedstock flows and evaluate the potential supply routes.*

The Rompetrol Group opened a permanent representative office in Russia, headquartered in Moscow, in June 2005, as part of its expansion strategy meant to consolidate the Company's position in Europe.

The main objective for establishing the representative office is to assess existing opportunities and to continue development of a crude production base in this oil rich country, aiming to enable a flow of hydrocarbon resources for the two refineries of the Group located in Romania.

In addition to the upstream core activity, the representative office provides constant support to the Group management and to its Business Units responsible for feedstock supply and trading. The current and future activity will consist in monitoring existing feedstock flows, establishing direct contacts and partnerships with crude suppliers, logistics transport providers and evaluating new potential supply routes.

#### Rompetrol Moldova

##### **2008 Key Achievements:**

- *commercial launching of the Efix fuels in the Republic of Moldova. Just three months after its launch, Efix became the 2nd best known fuel brand in Moldova (31 percent);*
- *the turnover increased by 43 percent as compared to 2007.*

In 2008, Rompetrol Moldova has recorded important results on the retail segment, due to quality services offered in the 12 distribution stations, as well as to the launch of Efix fuels, innovative products complying with Euro 5 standards. Thus, the quantity of fuel sold on the local market in 2008 was of approximately 70 000 tonnes, both gasoline and diesel, which represents a growth of about 150 percent compared to 2007.

The wholesale segment has recorded, due to favorable market circumstances and efficient management, an increase of 165 percent year over year. The share of Rompetrol Moldova on the wholesale market in 2008 was about 37 percent.

As a result of increased sales and a strategy to minimize costs, the financial results of Rompetrol Moldova in 2008 registered an increase by 43 percent, an upward trend, as compared to both year 2007 and the forecasts.

In 2008, Rompetrol Moldova has launched the supply system through the Fill/Go card.

##### **2009 Key Objectives:**

- *expansion of the distribution network to 22 units;*
- *launch of Inside Stations and operation of 10 such distribution stations;*
- *achieving a 10 percent market share in oil products in the Republic of Moldova.*

For 2009, the company aims to strengthen its market share by introducing Euro 5 fuels and the Alto range of premium products. One of the major objectives of Rompetrol Moldova for 2009 is to expand the distribution network, to secure the business of fuels trade. The increase in the number of stations together with an efficient policy of cost management will provide conditions suitable for Rompetrol development in the Republic of Moldova.

#### Rompetrol Georgia

##### **2008 Key Achievements:**

- *Rompetrol Georgia became one of the main fuel importers in the Georgian market;*
- *increase of retail sales by 131 percent.*

In 2008, Rompetrol Georgia continued its plan for development of the retail operations, consolidating at the same time its position gained on the wholesale market and becoming one of the largest importers on the Georgian market.

By the end of 2008, Rompetrol Georgia was holding a network of 32 stations, operated under the Rompetrol brand.

The program of operational excellence and quality control developed during 2008, offered the employees new models for adapting the services offered by the company to customer needs. This led to an increase of 131 percent in the Retail sales of Rompetrol Georgia, a significant year over year evolution.

Expansion of the distribution network, carrying on of the Internal Bases project launched at the end of 2007 and introduction of Fill&Go Fleet Management system for corporate customers on the local market have entailed significant sales growth on this market segment.

Year 2008 has proven to be very successful for Rompetrol Georgia, giving the company the largest high sales so far and a turnover of USD 2,482,000. By trying to improve the logistic indicators, Rompetrol Georgia successfully operates two warehouses (Batumi and Tbilisi) and its own fleet of three tanks. The Batumi warehouse has a capacity of 22,500 CBM and that in Tbilisi of 6,600 CBM. These two warehouses have achieved sales of approximately 83.000 tons.

##### **2009 Key Objectives:**

- *further development of the current projects (Fill&Go, Internal Bases, increase of the tank fleet);*
- *introduction of the Efix fuel;*
- *increase of the market share by over 25 percent.*

Rompetrol Georgia intends to continue the development of operations by including in its program certain innovative projects and concepts for the local market, such as the launching of fuels from the Efix range. By ensuring an increased operational efficiency and a strict cost control, Rompetrol Georgia aims to become one of the most important players on the retail market, with a market share of over 25 percent. To achieve this objective, the company will continue developing all programs initiated in 2008: Fill&Go, Internal Bases, quality control for products and services offered, increase of the tank fleet.

## Ukraine

Rompetro Ukraine has continued its trading operations, being one of the top European quality fuel distributors on the Ukrainian market.

The quantity of fuel sold on the domestic market exceeded 240,000 tons, the company's share representing approximately 15 percent of the total volumes imported in Ukraine.

The Company's net turnover has increased by 71 percent, exceeding USD 225 million, the positive trend being confirmed by the operating profit of almost USD 8.7 million.

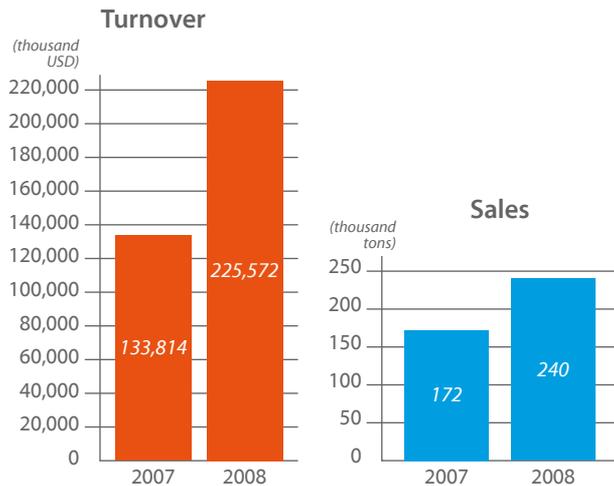
During 2008, the Company focused on the development of new long-term business relations in order to increase its sales volumes and expand its market share. The highest consumption rate of products delivered by Rompetrol Ukraine was registered in large industrial and urban areas, such as Kiev, Odessa and Donetsk. From the total production sold, 98 percent was delivered to customer warehouses by railway, almost 4.300 railway wagons being dispatched to most areas in Ukraine, and 2 percent was sold from warehouses through tankers.

The trading activity was carried out through the company's two terminals: Ilichiovsk and Zaporjje.

### 2009 Key Objectives:

- providing the logistic infrastructure needed in order to secure the nationally and regionally traded fuel deliveries;
- increasing the efficiency of the logistic chain and implementing delivery methods, together with Vector Energy AG.

In 2009, Rompetrol Ukraine aims to further consolidate its position on the Ukrainian market of quality fuel distribution, especially in the Southern and South-Eastern areas of the country, an important commercial area for the company's development.



## Kazakhstan

The Rompetrol Group has been present in Kazakhstan since 2003, through its Rompetrol Well Services (RWS) subsidiary, a company that offers a wide range of specialized services for oil and natural gas wells. In 2008, it started the process of concentration and efficiency of operational bases in Kazakhstan aiming to reduce the time for mobilization / demobilization of equipments, of the logistics and administrative costs. External operations were expanded in particular in the Balkan Peninsula (Bulgaria, Greece and Turkey), generating an increase in income from international operations by more than 20 percent.

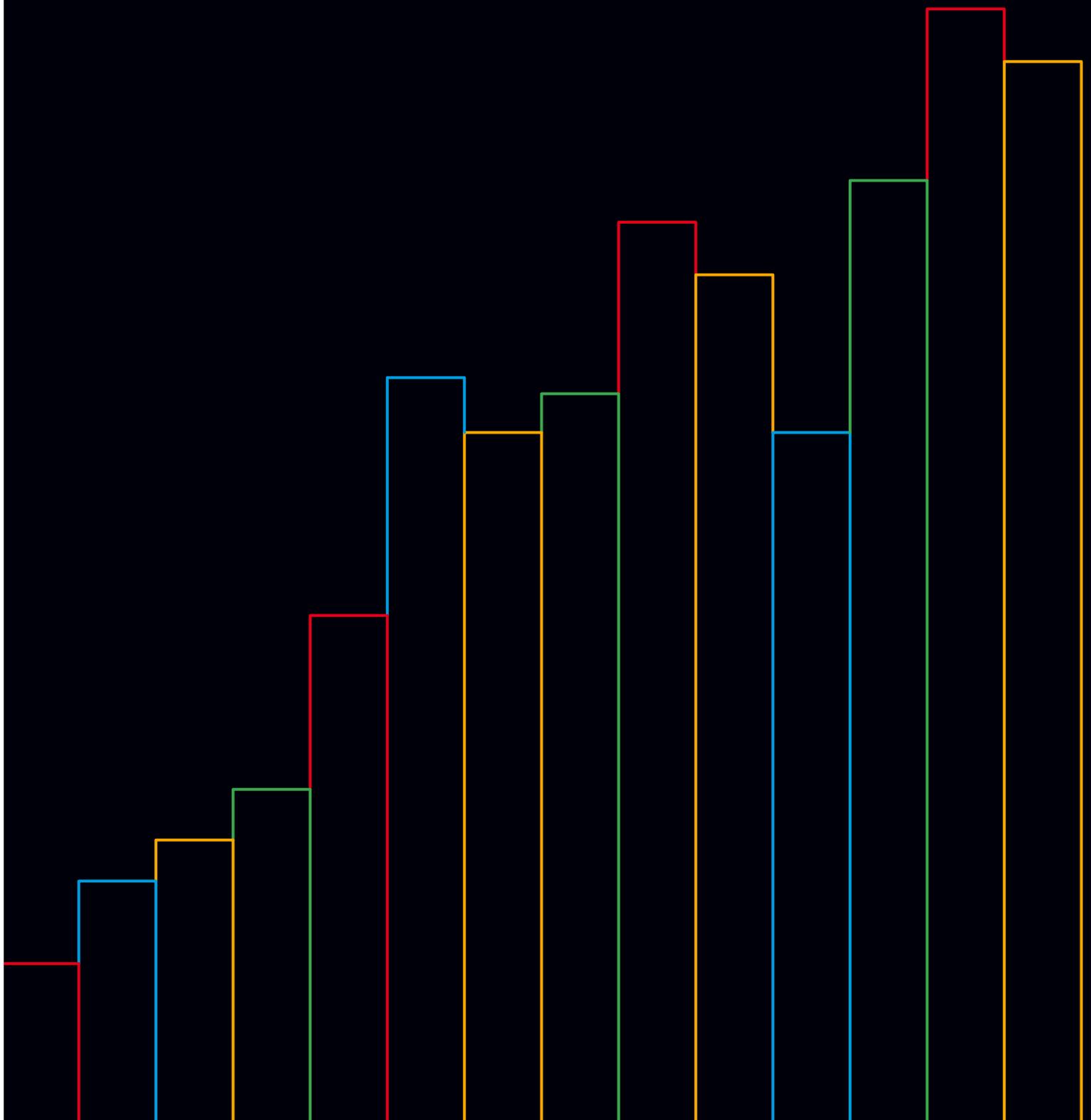
Rompetro Well Services aims to provide versatility of equipments and logistic flexibility, so they can quickly respond to changes in the structure of services demand both on the domestic market, and in Kazakhstan.

Expanding the foreign operations will focus on the Balkan Peninsula area, an area where operations can be managed with minimum costs from the Ploiești headquarters. At the same time, we aim to expand the customer portfolio for the RWS subsidiary in Kazakhstan and to maintain the market share for equipment sales in Turkmenistan.

Since 2008, Rominserv, the general contractor of the Group, has made one further step in expanding activity in the Republic of Kazakhstan, by setting up a new company (subsidiary) Rominserv Kazakhstan Ltd. The experience gained during the seven years of activity within the two refineries of the Rompetrol Group represents an important advantage of working with KazMunayGaz, a majority stockholder of Rompetrol Group providing industrial services for maintenance, project management, technical and technological development.

In 2009, projects are intended to be developed through Rominserv Kazakhstan Ltd. in the two refineries of KazMunayGaz, Atyrau and Shymkent, along with collaboration with other member companies of the KazMunayGaz Group, like KazTransGaz and KazTransOil. In addition, an important part of the activity carried out will be dealing with trade in industrial valves manufactured by Rominserv Valves Zalău both for the projects contracted by Rominserv Kazakhstan Ltd., and for other customers on this market.

# Analysis of the Financial Results



## Introduction

In 2008, The Rompetrol Group ("TRG") and its subsidiaries consolidated their operations by developing activities in all aspects of the petroleum industry. The Group continued its strategy of developing its main operations on the refining and distribution segment despite of an unfavorable economic environment, characterized by an extremely high volatility of oil prices by high differences of the exchange rate and the contracting of the financial markets.

## Strategy

In 2008, TRG continued its vast investment program the scope of which was the extension of the refining capacity of the refinery, the increase of the flexibility in regard to varied sorts of crude oil and the compliance of the products to the new quality standards.

The market of distribution operations registered significant evolutions in Romania, Georgia and the Ukraine, where the Group consolidated its activity by trading large volumes and completing the retail network with new distribution stations.

A strategic project finalized by Rompetrol was the building of the marine terminal Midia, a significant platform for the development of the Group's trading activity, accomplishing significant savings in the logistic costs in supplying the refinery with crude oil.

In the same direction, Vector, the commercial subsidiary of the Group, has had as a scope the optimization of the supply flow, focusing on the maintenance of the optimal production levels and of the stocks and on identifying the market opportunities.

## Business Environment

The increased volatility of the prices for crude oil and products in 2008 determined high losses in the refining industry and The Rompetrol Group has also been affected.

The Brent crude quotations recorded high variations, from USD 97 / BBL at the beginning of the year 2008 with a maximum of USD 140 / BBL until a drop below USD 40 / BBL at the end of the year. Such evolution reflected both the speculations of the operators and the basic market features, characterized by a high volume of the demand that determined the unjustified increase of the prices, influenced by the negative perspectives induced by the global economic crisis. The market of the average Mediterranean sulfur crude followed the same growth trend, influenced by the high prices established by Brent for Europe, so that the differential between the two dropped.

The cracking margins for gasoline remained below USD 150 /mt throughout the year, dropping to less than USD 50 /mt in the 4th term, in the context of the negative news from the US markets. The cracking margins for diesel oil followed to a large extent the evolution of the crude prices, rising abruptly in the first half-year and then reducing themselves to less than USD 150 /mt until the end of the year. The residual products experienced an abrupt drop of the prices in the context in which the demand dropped.

The US dollar also continued to depreciate itself versus the Euro and RON, whereas a comeback trend was recorded in the last term. Although the interbank interest rates from Romania dropped, RON lost over 15 percent versus the US dollar since the end of the year 2007 and almost 28 percent from the drops recorded in 2008.

		2008	2007
Brent Dated	USD /bbl	97.26	72.38
Ural Med	USD /bbl	94.25	69.52
Brent-Ural Differential	USD /bbl	3.01	2.86
Cracking margin PVM Ural	USD /bbl	8.42	6.91
Premium Unleaded 50 ppm FOB Med	USD /t	850	691
Diesel ULSD 50 ppm FOB Med	USD /t	861	666
Average rate RON/USD		2.51	2.44
Closing rate RON/USD		2.81	2.46
Average rate RON/EURO		3.68	3.34
Closing rate RON/EURO		3.99	3.61
Closing rate USD /EURO		1.42	1.47
Inflation in Romania		6.30%	6.56%

## Financial Results

The consolidated financial results are shown in the following chapter of this report and they are separately analyzed in the following sections of each business unit (the figures are expressed in million USD).

Inventory holding depreciation in refining and petrochemicals incurred in the context of decreasing crude and product prices and had a negative impact of approximately USD 139 million. Poor market conditions in the petrochemical business contributed another USD 29 million in negative influence on results.

Financial expenses increased slightly in comparison to 2007 mainly due to additional external funding of the Group from shareholders. The main factor behind the foreign exchange result was the devaluation against USD of the Romanian Lei, in which a significant portion of the Group's receivables are denominated. The coupon paid for the hybrid instrument in 2008 was higher compared with 2007, in line with higher EURIBOR base interest rate and appreciation of Euro against the USD.

	2008	2007
Net income	6,978.3	5,114.0
Gross profit	469.6	476.8
Capital expenses	367.3	187.5

Continued rapid expansion of the retail network both in Romania and the countries surrounding it, as well as investments in the refineries and the petrochemical plants, are the main driver for the net increase in non-current assets.

Trade and other receivables have been impacted by volatile prices of petroleum products, as well as by higher volumes sold. The increase in volumes sold triggered slightly higher payables.

During 2008 the Group received close to USD 450 million subordinated loans from its shareholders, for general corporate purposes, with improved the Group's working capital position. Cash position increased from USD 86m in 2007 to USD 171m by the end of 2008.

2008	Refining	Retail	Trading	Secondary activities and others	Adjustment consolidations	Consolidated
Net income						
Gross profit	53.3	298.6	55.5	103.5	(41.3)	469.6
Capital expenses	106.3	135.6	113.0	21.3	(8.9)	367.3

2007	Refining	Retail	Trading	Secondary activities and others	Adjustment consolidations	Consolidated
Net income	550.7	3,136.8	1,349.4	77.1	-	5,114.0
Gross profit	134.7	270.8	43.8	63.7	(36.2)	476.8
Capital expenses	61.0	91.3	13.6	31.4	(9.7)	187.5

## Analysis of the Operations

### Refining & Petrochemistry

Refining	2008	2007
Processing of raw materials (thousand tons)	4,505	3,827
Gasoline production (thousand tons)	1,397	1,293
Diesel oil production (thousand tons)	1,681	1,512
Fuel sale - domestic (thousand tons)	1,471	1,449
Fuel sale - export (thousand tons)	1,396	1,334
Domestic trade	51%	52%
Export	49%	48%
Gross margin in refining in cash (USD/bbl)	7.17	7.80

In operational view, in 2008 was registered a performance record, as 4.4 million tons of raw materials were processed, the largest quantity during the last 20 years of the refinery's operation. Further to a total investment of USD 40 million, the refinery reached the technological performance of producing Euro 5 fuels starting as of December 2008 and this will ensure the compliance with the European requirements on the quality of the fuels.

The volatile environment and the reducing of the cracking margins together with the higher costs for the utilities influenced however the refinery's results. In 2008 started significant investment projects

with the purpose of increasing the processing capacity of the refinery to 5 million tons, as well as the increase of the yields in fuels.

Petrochemistry	2008	2007
Processed propylene (thousand tons)	112	110
Processed ethylene (thousand tons)	108	73
Sales from the own production (thousand tons)	216	170
Sales from trade (thousand tons)	18	15
Total sales (thousand tons)	234	186
Export	61%	58%
Domestic	39%	42%

Rompertol Petrochemicals also continued in 2008 its positive operational evolution from the previous years and the total sales from the own production rose by 27 percent. Rompertol Petrochemicals is the only producer of propylene and one of the main producers of propylene of low and high density from Romania.

The Company's strategy aimed at extending the production capacity and improving the quality of the finished products in view of increasing the market share and the competitiveness degree.

Thus for products of high-density polyethylene (HDPE), Rompetrol Petrochemicals aimed at consolidating the distribution units and identifying new sales markets. As a reaction to the market demand, the Company in liaison with the Mitsui license supplier tested the capacity of the HDPE facility to produce two new types of sorts. Although the turnover of the Company increased by 36 percent in 2008, the low margins between the prices of the finished products and the cost of raw materials determined a drop of the operational results.

Besides the sale of the own products, the Company also traded other products highly demanded on the market from Romania: the special sort of polypropylene, low and high-density propylene and PET.

#### **Trading**

The Trading Unit consolidated its position within The Rompetrol Group, having as a target the optimization of the activity of supplying with raw materials and the distribution of finished products by rendering efficient the stock management and the planning of selling products and crude. Vector Energy, the trading company of the Group became the only supplier of crude of the Petromidia refinery.

The coordinated efforts of the trading and retail business units have had as a result larger volumes of products sold on the international market, an extension of the client portfolio, as well as the assurance of the supply with raw material of the Dyneff operations. Thus, externally, the trading activity from the Ukraine exceeded the most optimistic forecasts by the sale of approximately 240 kt of raw materials and finished products.

#### **Retail**

The Rompetrol Group continued its expansion on the market from Romania, holding at the end of the year 2008 a share of 24 percent from the consumption market. The sales volume recorded an increase by 16 percent and such results are supported by the permanent extension of the number of stations, especially of "Rompetrol Internal Bases" and "Rompetrol Express", as well as the increase of the car fleet.

Thus, the distribution network comprised at the end of the year 2008 over 450 stations, out of which 13 own stations, 73 Express stations, 15 Partner stations and 50 Internal Bases, projects that were finalized last year.

The Group increased its market visibility by a continuous effort of improving the product and service offer and by adapting the commercial policies, having as a result the increase of the number of customers in the distribution stations of Rompetrol. The corporate client segment also recorded a positive evolution supported by the new services offered under the Fill and Go brand, such as Fill & Go Road Assist, a service of traffic assistance destined to all clients of Rompetrol or products that support a better rendering efficient and management of the car fleets. In this category also classifies Fill&Go Fixed Unit of 9 m<sup>3</sup> or 20 m<sup>3</sup> that enables both a total control of the supplies with fuel through an efficient monitoring system, as well as a direct access to the fuel source.

During the year 2008, Rompetrol Gas directed its strategic programs in 2 main directions. The first comprised the consolidation of the retail network at national level by renting and subsequently purchasing 150 stations for the trading of car LPG. Thus, the sales increased by 40 percent, reaching a market share of 10 percent comparatively with 7 percent in 2007. The second strategic direction refers to the consolidation of the position on the regional markets by purchasing in 2008 the majority package of shares of MoldInterGaz Moldova. Rompetrol Gas ensured the Access to the additional supply resources that enabled

advantageous collaborations with companies from Bulgaria, Moldova, Serbia, Albania, Montenegro, concurrently maintaining the fulfillment of the demand on the domestic market.

In regard to the retail activity of the Dyneff company, an increase of the turnover by 10 percent was ensured, although the fuel consumption from France and Spain decreased by approximately 3 percent, determining sales lower by approximately 6 percent. During the year 2008, Dyneff extended its distribution network by 11 gas stations, out of which an own station, 3 new stations Operated by the Company Held by the Dealer, 3 partner stations in France and 4 partner stations in Spain, reaching a total number of 167. The margins at partner contracts increased by 11 percent further to restructuring the contract portfolio.

Despite the difficult economic context and the specific market conditions (the development of social events that influenced the sales, the trend of hypermarket chains to develop the sales of fuels, the difficult crediting conditions for clients), the wholesale activity kept its market share. The sale of the 10 commercial agencies from the south of France destined to small and medium clients were by 4 percent below the level from 2007, but a unitary increase of the margins by 18 percent was recorded.

#### **Secondary Activities**

Service companies adjacent to operations of refining and trading crude oil and oil products had a significant contribution to the development and rendering efficient of the operations within The Rompetrol Group and represented a profitable alternative for the external companies.

Rominserv, the general contractor of the Group developed its technical capabilities, successfully finalizing complex projects of a strategic significance for the Group, such as the "Marine Terminal Midia" and the "Extension of Berth 9", as well as the development within the scheduled period of the technological shutdown of the Petromidia refinery. In regard to the operation degree of the two refineries, Rominserv managed to reach in 2008 a level of 97.81 percent of the mechanical availability of the facilities on the two platforms.

Rompetrol Well Services (RWS) is part of the upstream unit of the Group, being specialized in well services with operations in Romania, the Caspian Region and the Balkan Peninsula. In 2008, the company accomplished an increase of the turnover of over 16 percent versus the previous year. A significant strategic scope was such of consolidating the market share in Romania, in the terms in which the competitive environment and the technical operational requirements in the industry of oil services from the Upstream sector increased.

The external operations were also extended especially in the Balkan Peninsula generating an increase of the income by over 20 percent.

During the year 2008 Rompetrol Logistics extended its fleet of tank lorries and tank-wagons by the purchase of 35 new units in order to support the demand of products as the transported volumes were by 10 percent higher than in 2007.

Ecomaster intensified its efforts destined to the environment projects of the Group, granting a special significance to the ecological solutions of treating hazardous wastes. Thus, the company developed the own environment technologies becoming the sole supplier of integrated services and a leader on the market of services for the management of hazardous wastes.

#### **Financial Instruments and Risk Management**

The financial instruments from the balance include investments, commercial receivables and other receivables, cash and cash equivalents, short-term debts and long-term debts, commercial

debts and other debts. The fair estimated values of such instruments approximate their book values.

The Group activities expose it to a variety of risks, including effects: modifications of the international quotations for crude oil and oil products, foreign exchange rates and interest rates. The main scope of the general risk management of the Group is such of reducing to a minimum eventual negative effects upon the performances of the Group companies.

#### **The risk regarding the price of the merchandise and raw materials**

The economic environment characterized by high oscillations of the prices for raw materials, the low demand of products shall influence the corporate activity. The prices for purchased or sold crude and oil products are established by reference to the international quotations or are strongly influenced thereby.

#### **Risk of the interest rate**

The risk of the interest rate for the price is that the risk determining the value of a financial instrument would fluctuate due to the changes of the interest rates on the market versus the interest rate that applies to the concerned instrument. The risk of the interest rate at the treasury flow represents the risk that the cost of the interest would fluctuate in time. The long and short-term debts at flat and variable rates shall expose the Group both to the risk at the fair value and the risk at the treasury flow.

#### **Management of the foreign exchange risk**

The functional currency of the Group is the US dollar ("USD ") and crude oil imports and a significant part of the oil products are also denominated in US dollars. Furthermore, some of the assets and liabilities are expressed in foreign currency that is reconverted at the exchange rate prevailing on each date of the balance sheet. The resulting differences are recorded or credited in the profit and loss account, but they do not impair the treasury flows. The treasury department of the Group is liable for the management of the foreign exchange transactions.

#### **Management of the capital risk**

The Group ensures the management of the capital, so as to enable entities to carry out their specific activities in an efficient manner and maximize the yield for the shareholders by optimizing the balance between debts and equity. The structure of the Group capital is made up of the bank debt, the loans of the shareholders, cash and cash equivalents and equity attributable to the majority shareholders, inclusively the share capital, reserves and undistributed profit.

#### **Overview**

In 2009, the Group shall keep rendering efficient and consolidating the operations, concurrently maintaining the strategy of becoming a strong player within the region of the Mediterranean Sea and of the Black Sea. The actual economic context shall determine a reevaluation of the operations, an adaptation of the products and services according to the specific market conditions. Thus, in the refining activity, the Group will continue the investment program that will enable on one hand the increase of the operational results with significant reductions of the consumptions, technological losses and of the effects upon the environment, as well as the obtaining of high quality products.

The optimization of the activities supposed the development of facilities enabling the development of complementary trading activities, indispensable to the established objectives. The increase of the volume of raw material and finished products transited through the own marine terminal and the modernized berths shall be established both by the internal necessities and the deliveries to non-group clients.

The perspective of the consumption segment shall influence the distribution activity and the Company intends to consolidate the held market share by adapting the services and products to varied requirements.

In the exploration and production segment, the Company shall continue the internal projects assumed by the concessions from Romania, but also the identification of new opportunities by the participation in projects within advanced exploration and development stages in the following areas: Russia, the Caspian region, the Middle East and the North of Africa.

The low oil price influenced the sector of well services, determining the increase of the operational flexibility of the specific division of the Group in order to render efficient the wells already in production.

Together with KazMunayGaz, the majority shareholder of the Group, Rompetrol supports and develops these action directions by cumulating the technical capabilities, the financial resources and the warranting of a sure source of raw material.

# Abbreviated Consolidated Financial Statements

## Consolidated Balance Sheet

(USD)

	2008	2007 Restated
<b>Non-current assets</b>		
Intangible assets	49,821,508	23,403,677
Goodwill	47,286,379	34,712,614
Property, plant and equipment	1,090,999,836	964,054,184
Financial assets	1,463,290	1,094,936
Investments in associates	21,638,520	29,642,438
Deferred tax asset	761,481	223,443
Long-term receivable	16,077,591	3,324,370
<b>Total non current assets</b>	<b>1,228,048,605</b>	<b>1,056,455,662</b>
<b>Current assets</b>		
Inventories, net	350,621,411	493,786,030
Trade and other receivables, net	686,924,530	879,477,383
Derivative financial instruments	19,899,210	-
Cash and cash equivalents	171,222,482	86,811,782
<b>Total current assets</b>	<b>1,228,667,633</b>	<b>1,460,075,195</b>
<b>TOTAL ASSETS</b>	<b>2,456,716,238</b>	<b>2,516,530,857</b>
<b>Equity and liabilities</b>		
<b>Capital and reserves</b>		
Issued capital	140,610	146,970
Share premium	2,631,512	2,631,512
Revaluation reserve	20,625,249	20,625,249
Other reserves	146,823,448	146,823,448
Equity-settled employee benefits reserve	-	3,192,561
Retained earnings	(14,677,510)	97,251,736
Current year result	(226,978,307)	(103,002,075)
Translation reserve	(274,375)	(363,668)
Equity attributable to equity holders of the parent	(71,709,373)	167,305,733
Minority interest	71,297,987	172,681,909
<b>Total equity</b>	<b>(411,386)</b>	<b>339,987,642</b>
<b>Non-current liabilities</b>		
Long-term borrowings from shareholders	646,458,954	200,000,000
Long-term borrowings from banks	41,343,337	67,108,455
Hybrid instrument - long-term portion	32,056,464	66,263,311
Net obligations under finance lease	25,262,970	35,244,767
Deferred tax liabilities	24,721,511	30,886,536
Provisions	47,041,318	53,655,503
Other non-current liabilities	14,979,178	7,064,141
<b>Total non-current liabilities</b>	<b>831,863,732</b>	<b>460,222,713</b>
<b>Current liabilities</b>		
Trade and other payables	860,970,844	793,733,884
Derivative financial instruments	875,971	11,118,571
Net obligations under finance lease	9,129,714	9,796,065
Short-term borrowings from banks	727,317,764	879,910,862
Hybrid instrument - current portion	26,969,599	21,761,120
<b>Total current liabilities</b>	<b>1,625,263,892</b>	<b>1,716,320,502</b>
<b>Total liabilities</b>	<b>2,457,127,624</b>	<b>2,176,543,215</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,456,716,238</b>	<b>2,516,530,857</b>

**Consolidated Income Statement**
*(USD)*

	2008	2007 Restated
Revenue	6,978,254,449	5,114,027,148
Cost of sales, including logistic costs	(6,508,695,141)	(4,637,243,733)
<b>Gross profit</b>	<b>469,559,308</b>	<b>476,783,415</b>
Selling and distribution expenses including logistic costs	(235,557,372)	(207,573,439)
General and administrative expenses	(243,260,311)	(191,126,378)
Other operating expenses, net	(62,281,427)	6,711,391
<b>Operating (loss)/profit</b>	<b>(71,539,802)</b>	<b>84,794,989</b>
Finance cost	(177,233,615)	(167,143,646)
Finance income	5,432,413	3,301,490
Net foreign exchange losses	(40,142,993)	(27,122,127)
Share of (losses)/profits of associates	(711,165)	1,413,485
<b>Loss before income tax</b>	<b>(284,195,162)</b>	<b>(104,755,803)</b>
Income tax	(11,847,798)	(20,611,560)
<b>Net loss for the year</b>	<b>(296,042,960)</b>	<b>(125,367,363)</b>
Attributable to:		
Equity holders of the parent	(226,978,307)	(103,002,075)
Minority interest	(69,064,653)	(22,365,288)
<b>Net loss Group</b>	<b>(296,042,960)</b>	<b>(125,367,363)</b>

**Consolidated Cash Flow**
*(USD)*

	2008	2007 Restated
<b>Loss before tax</b>	<b>(284,195,162)</b>	<b>(104,755,803)</b>
<i>Adjustments for:</i>		
Depreciation and amortisation	104,036,861	86,266,550
Reserves for receivables and inventories	108,689,772	9,127,331
Impairment and provisions for tangible assets	7,604,513	22,182,177
Other provisions	(7,192,334)	9,531,882
Late payment interest	25,884,672	29,701,741
Unwinding of discount on hybrid instrument	34,174,516	33,608,613
Interest expense, commission and bank charges and collection discounts	94,893,908	101,135,509
Interest expense shareholders	22,280,519	2,697,783
Finance income	(5,432,413)	(3,301,496)
Net gain from non-current assets disposals	(52,224)	(658,961)
Net result from sale of Group investments	(59,051,900)	(15,922,109)
Unrealised losses/(gains) from derivatives on petroleum products	(31,196,598)	16,822,517
Realised losses/(gains) from derivatives on petroleum products	12,709,586	28,504,166
Net gain from sale of investments in associates	-	(37,574,860)
Share of losses/(profits) of associates	711,165	(1,413,485)
Negative goodwill	(129,212)	(248,981)
Share option expense	7,981,403	3,192,561
Unrealised foreign exchange (gain)/loss on hybrid instrument and other monetary items	(10,425,762)	17,949,775
<b>Operating profit before working capital changes</b>	<b>21,291,310</b>	<b>196,844,910</b>
<i>Net working capital changes in:</i>		
Receivables and prepayments	198,922,834	(388,587,559)
Inventories	101,638,144	(82,559,752)
Trade and other payables	3,797,096	207,881,326
<b>Change in working capital</b>	<b>304,358,074</b>	<b>(263,265,985)</b>
Income tax paid	(20,759,347)	(18,393,450)
Cash proceeds from derivatives	192,566,334	23,571,678
Cash payments for derivatives	(205,275,920)	(52,075,845)
<b>Net cash provided by/(used in) operating activities</b>	<b>292,180,451</b>	<b>(113,318,692)</b>
<i>Cash flows from investing activities</i>		
Purchase of property, plant and equipment	(331,452,630)	(175,070,508)
Purchase of intangible assets	(26,416,443)	(12,463,598)
Changes in payables for capital expenditures	45,245,317	(14,773,799)
Consideration paid for acquisition of subsidiaries, net off cash and cash equivalents as result of acquisitions	-	(27,291,588)
Proceeds from sale of property, plant and equipment	11,885,339	10,152,066
Cash of subsidiaries being disposed of	(872,788)	-
Proceeds from sale of Group investment	33,850,000	15,944,588
Consideration paid for acquisition of minority interests	(27,539,476)	(16,800,000)
<b>Net cash used in investing activities</b>	<b>(295,300,681)</b>	<b>(220,302,839)</b>
<i>Cash flows from financing activities</i>		
Dividends paid to minority shareholders	(129,187)	(227,220)
Shareholders acquisition/transaction fees	(8,927,124)	-
Coupon paid on hybrid instrument	(59,622,872)	(50,990,386)
Interest and bank charges paid	(117,174,427)	(103,833,292)
Interest received	5,432,413	3,301,496
Drawings of long term borrowings from shareholders	446,458,954	200,000,000
Repayments of long term loans from banks	(25,765,118)	(60,883,256)
Movement in borrowings and finance leases	(147,741,709)	374,037,359
Loans granted	(5,000,000)	-
<b>Net cash provided by financing activities</b>	<b>87,530,930</b>	<b>361,404,701</b>
<b>(Decrease)/Increase in cash and cash equivalents</b>	<b>84,410,700</b>	<b>27,783,170</b>
Cash and cash equivalents at the beginning of period	86,811,782	59,028,612
<b>Cash and cash equivalents at the end of the period</b>	<b>171,222,482</b>	<b>86,811,782</b>

**Consolidated Statement of Changes in Equity**
*(USD)*

	Issued capital	Share premium	Retained earnings	Revaluation reserves	Equity-settled employee benefits reserve	Other reserves	Translation reserve	Minority interest	Total equity
December 31, 2007 (Restated)	146,970	2,631,512	(5,750,339)	20,625,249	3,192,561	146,823,448	(363,668)	172,681,909	339,987,642
<b>Movement in translation reserve IAS 21</b>	(6,360)	-	-	-	-	-	89,293	-	82,933
Net income and expenses for the year recognised directly in equity	(6,360)	-	-	-	-	-	89,293	-	82,933
<b>Net loss for 2008</b>	-	-	(226,978,307)	-	-	-	-	(69,064,653)	(296,042,960)
Total income and expenses for the year	(6,360)	-	(226,978,307)	-	-	-	89,293	(69,064,653)	(295,960,027)
Share option expense 2008	-	-	-	-	7,981,403	-	-	-	7,981,403
Granting of Share Options	-	-	-	-	(11,173,964)	-	-	-	(11,173,964)
Changes in Group structure - Rompetrol Rafinare shares for option holders	-	-	-	-	-	-	-	5,828,724	5,828,724
Shareholders acquisition/ transaction fees	-	-	(8,927,171)	-	-	-	-	-	(8,927,171)
Changes in Group structure - sale of subsidiary	-	-	-	-	-	-	-	(28,130,075)	(28,130,075)
Changes in Group structure - acquisition of Rompetrol SA minority shares	-	-	-	-	-	-	-	(12,489,415)	(12,489,415)
Changes in Group structure	-	-	-	-	-	-	-	2,471,497	2,471,497
<b>December 31, 2008</b>	<b>140.610</b>	<b>2.631.512</b>	<b>(241.655.817)</b>	<b>20.625.249</b>	<b>-</b>	<b>146.823.448</b>	<b>(274.375)</b>	<b>71.297.987</b>	<b>(411.386)</b>

# Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") effective as of December 31, 2008, as endorsed by the EU.

The consolidated financial statements are prepared under the historical cost convention except for Rompetrol Rafinare S.A and Rompetrol Petrochemicals S.R.L where the property, plant and equipment are stated at revalued amounts being the fair value, less any accumulated depreciation and accumulated impairment loss. 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 2008.

Control is achieved where the Group, either directly or indirectly, owns more than 50 percent of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Minority 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.

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised. 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 investment in its associate is accounted for using the equity method of accounting. Under the equity method, the investment in an associate is carried in the balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. 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.

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 cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Goodwill is tested for impairment annually (as at 31

December) and Impairment losses related to goodwill cannot be reversed in future periods.

Property, plant and equipment are stated at cost, except for the Rompetrol Rafinare S.A and Rompetrol Petrochemicals S.R.L where the property, plant and equipment are stated at revalued amounts being the fair value, less any accumulated depreciation and accumulated impairment loss. 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.

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. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The Group determinates the classification of its financial assets and liabilities at initial recognition. Financial assets are recognised and derecognised 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 timeframe 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.

# Auditor's Report

To the Shareholders of The Rompetrol Group  
N.V. Amsterdam

## Introduction

We have audited the accompanying consolidated financial statements for the year ended December 31, 2008 which are part of the financial statements of The Rompetrol Group N.V., Amsterdam, which comprise the Consolidated Balance Sheet as the December 31, 2008, the Consolidated Income Statement, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity of the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Directors' responsibility*

The Board of Directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes > designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch Law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of 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, the consolidated financial statements give a true and fair view of the financial position of The Rompetrol Group N.V. as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with international Financial Reporting Standard as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

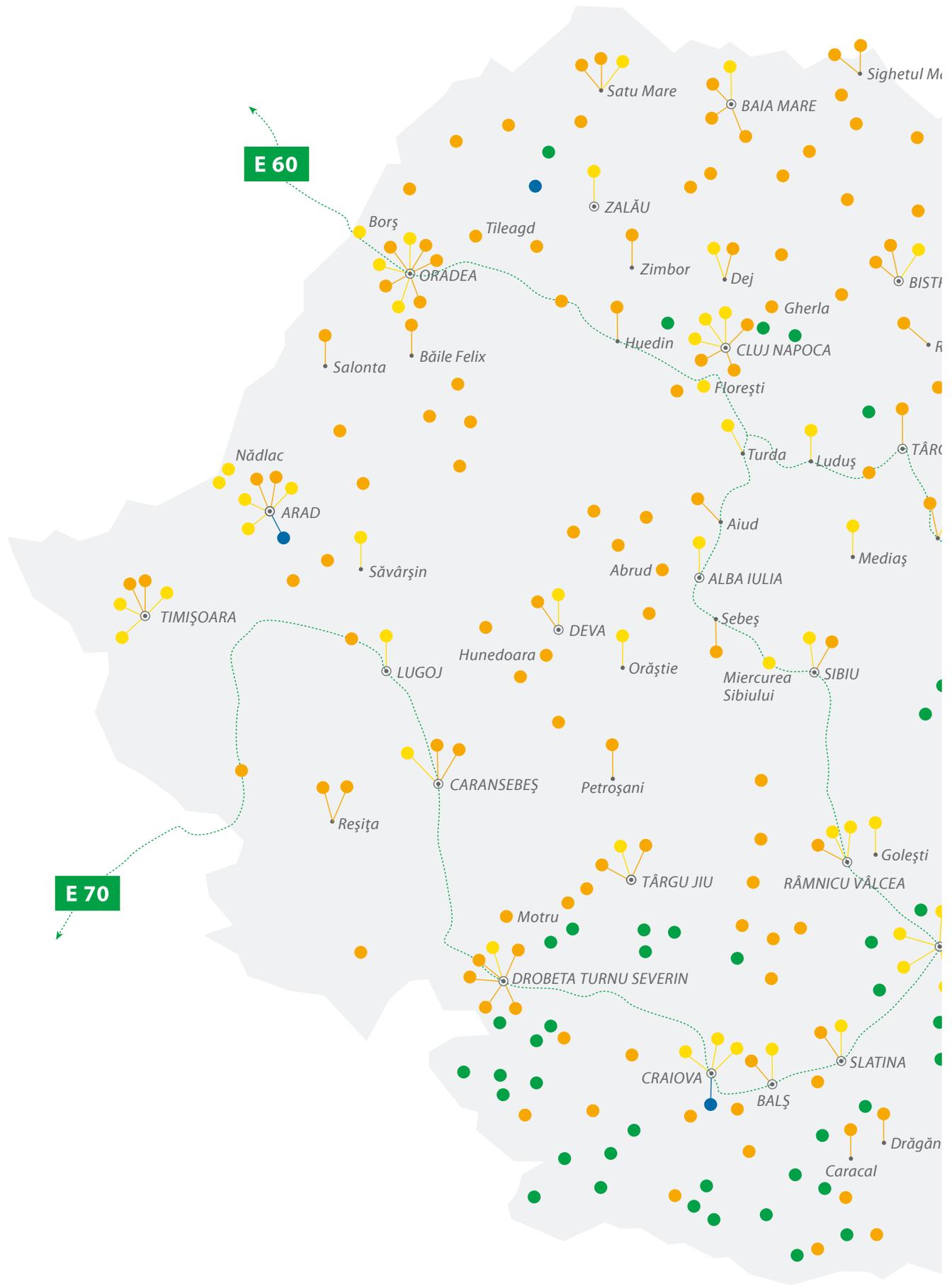
### **Report of other legal and regulatory requirements**

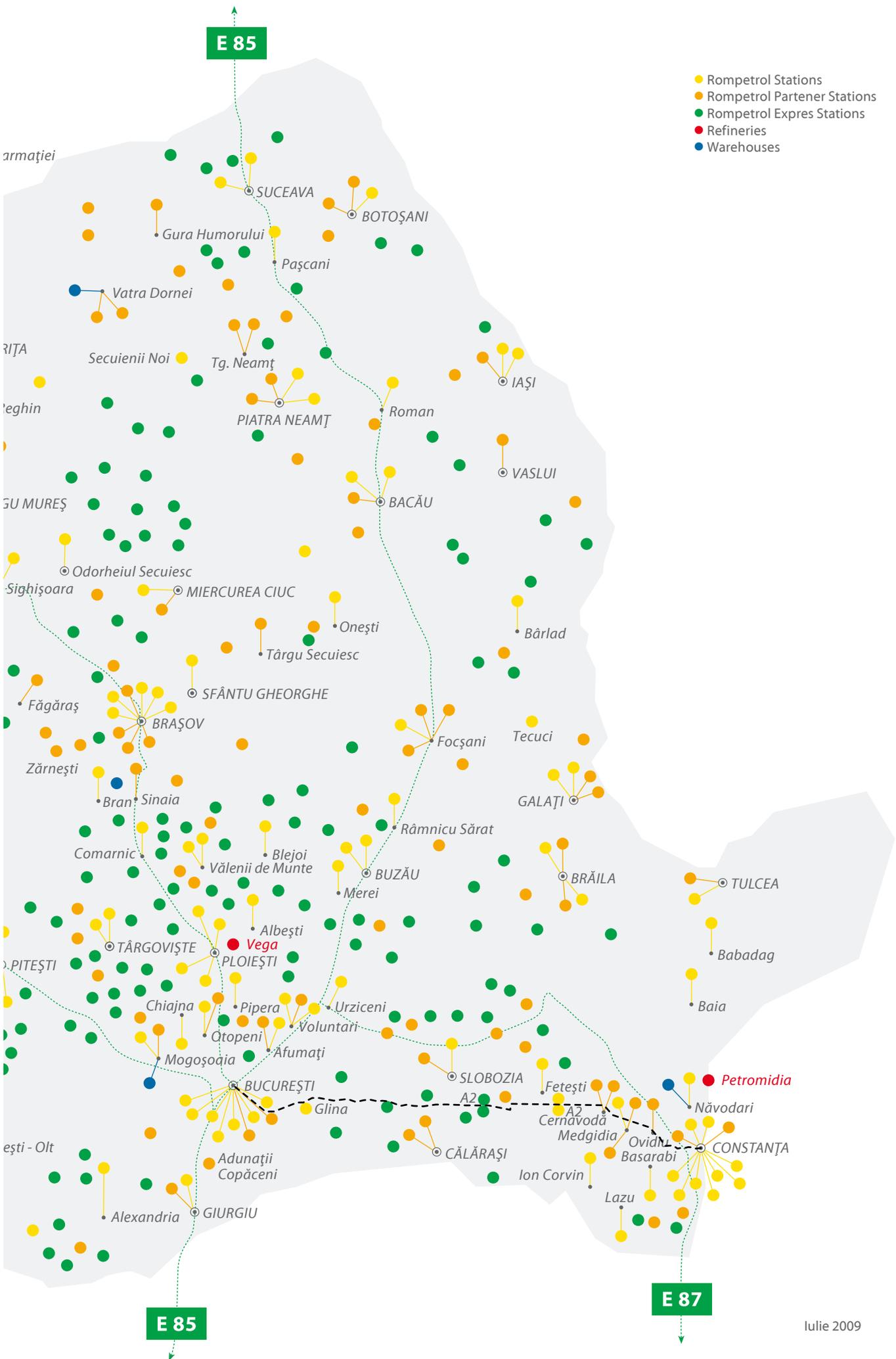
Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Directors' report is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, April 15, 2009  
Ernst & Young Accountants LLP  
J.J. Vernooij



# Distribution Map of the Rompetrol Group in Romania





Iulie 2009



The Rompetrol Group  
World Trade Center, A-8 Tower  
Strawinskylaan 807  
1077 XX Amsterdam  
The Netherlands  
Phone: + (31) 20 575 2390  
Fax: + (31) 20 575 2399  
office@rompetrol.com  
www.rompetrol.com