Annual Report 2010

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ROMPETROL
energy for life

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Letter from the CEO

Saduokhas Meraliyev,
CEO of The Rompetrol Group

Dear Partners,

The Oil & Gas industry has always been as volatile as the raw materials it uses: markets are highly sensible to serious economic happenings, to significant local or regional political shifts or to other social events with large scale implications. Fortunately, both The Rompetrol Group and its sole shareholder, KazMunayGas, have one priceless asset, which outranks any existing ones: their people. Well prepared professionally, with decades of experience in their fields of expertise and having the support of such powerful corporations, I think our people can achieve wonderful things. Even with all the difficulties, I believe the company managed to show that it's capable of moving forward, constantly improving its operations and exploring each viable opportunity.

2010 was a year of change for The Rompetrol Group and continuous efforts towards expanding and improving our current assets and businesses. Through efficient administration of our operations in Romania, as well as abroad, we managed to achieve several major objectives. Amongst these objectives, probably of the utmost importance was the turnover of the Petromidia Refinery. Scheduled every four years, the general revision was managed by our general contractor, Rominserv, and followed the implementation of 61 new projects. Besides the turnover, we continued the investment program at Petromidia, which aims at achieving a processing capacity of 5 million tons of raw material per year by 2011. To this effect, Rompetrol has invested almost half a billion dollars until now.

Another big step for the company was the development of our new management entity, The Rompetrol Group Corporate Center (TRGCC). Its main priorities were to optimize the cash flow and enhance the governance of the businesses, thus improving the decision making process. The past years weren't easy on the company and we're doing all that is possible to diminish the effects of the international financial constraints. The first step in this direction was made when almost all the employees from the Romanian entities were transferred to the new offices at City Gate, thus improving the communication flow and management processes in the company.

Even though severely damaged by the reduced consumption and lower margins, the Retail sector, which undergoes operations in 6 European countries, managed to preserve its activities and keep its financial figures at levels similar to 2009. At the time being, Rompetrol operates a network of approximately 1.100 fueling points throughout Europe, a level very close to the one registered a year ago. Even though many opportunities arose, being in an optimization process that involved all the companies in the Group, many plans made for 2010 had to be scheduled for the upcoming years.

Corporate social responsibility was also an important component of Rompetrol's strategy in 2010, the company continuing to provide solutions to Romania's health and environment issues. In this direction, Rompetrol maintained its partnership with SMURD, the Emergency Medical Service, by offering the needed fuel for its helicopters. Also, the company finalized several projects that aimed at the modernization and rehabilitation of important hospitals in the country (Sibiu, București).

Still, despite all these accomplishments, I feel the most interesting part is still to come: the development of the energetic bridge between KazMunayGas and The Rompetrol Group. The possibilities are endless and reviewing the last years that I've spent here, I think that we have the right amount of potential, enthusiasm and skill to reach our goals, surpass them and think even bigger. When two companies such as these work together, synced at almost every level, options open at a whole different level: a bridge between two different countries, two different continents and two different worlds.

Saduokhas Meraliyev
CEO of The Rompetrol Group

1. Refining and Petrochemicals

Growth

Rompetrol Rafinare registered a 20% higher operational result (EBITDA), reaching the amount of USD 16,585,372.

Refining and Petrochemicals Business Unit

Rompetrol Rafinare, a business unit composed by three production entities: Petromidia and Vega refineries and Rompetrol Petrochemicals, continued its program of costs optimization and investments, scheduled last years. The final goal of these joint projects is to improve the performance of the Refining and Petrochemicals business in order to reach similar levels to the most powerful units of such kind from Central and South-Eastern Europe.

Petromidia is the only refinery in Romania situated on the shore of the Black Sea, thus having a competitive advantage due to instant access to sea and river transport routes. Vega refinery, having an installed processing capacity of 450,000 tons per year, is a flexible facility, specialized in processing alternative raw materials and production of ecological solvents, special bitumen, ecological fuels for heating and other dedicated products.

The petrochemical complex on the Petromidia platform was built in the 80th years of the XXth century using both Romanian and foreign technologies (UOP, Mitsui, Snamprogetti, Heat Research Corporation, Pullman Kellogg etc.) and nowadays is one of the most modern units.

The business unit comprises 2 operational entities:
- Rompetrol Rafinare (Petromidia Refinery in Constanța and Vega Refinery in Ploiești)
- Rompetrol Petrochemicals

Rompetrol Rafinare – Petromidia Refinery

2010 Major Performances

- Rompetrol Rafinare continued the investments program started during the last years in order to reach the highest technological level at Petromidia and a processing capacity of about 5 million tons of raw material per year. The TRG investment effort in this project is estimated at more than USD 370 million.
- In 2010, the general scheduled overhaul of Petromidia refinery was done, organized once every four years. The works were coordinated by Rominserv, the general contractor for the Rompetrol Group. In the refining and petrochemicals sectors, works at 600 pieces of equipment and 2,000 pipelines were executed, while 61 new projects were implemented. The total amount of investments, made during the overhaul, reached USD 43 million.
- Using a business optimization and cost reduction plan, alongside with scheduled investments, Rompetrol Rafinare registered in 2010 a consolidated turnover of USD 3.5 billion, a 12% growth in comparison with the result obtained in 2009.
- Rompetrol Rafinare registered a 20% higher operational result (EBITDA), reaching the amount of 16,585,372 USD.
- Rompetrol Rafinare has finished in the last quarter of 2010 the construction of an LPG (liquefied petroleum gas) terminal in Midia port, the total amount of the investment being about USD 3.8 million worth. Having a capacity of approximately 3,000 tons/transport, the new facility provides a reduction by more than 20% of the costs, afferent to LPG import/export activities, as well as of the time of delivery and implicitly of the number of operations.

Revamping of the Catalytic Cracker Unit (FCC)

The aim of reconstructing the FCC unit was:
- Eliminating the capacity limitation of the refinery in order to provide a processing rate of 5 million tons of crude oil per year together with the "2010 Package" projects.
- Obtaining improved yields in valuable gases and gasoline in conditions of different raw material.
- The replacement of the existing reactor, necessary due to the exceeding number of exploitation hours and numerous metallurgical and erosion problems.

The unit performances after modernization show us an increase of yields in valuable products (propylene, gasoline), growth of conversion and improvement of the products' specifications (growth of gasoline octane number, growth of propylene concentration in propane-propylene fraction).

Revamping of the Gas Desulphurization Unit

The aim of the project was to expand the processing capacity of the increased volume of gases and amine due to the increase of the refinery processing capacity up to 5 million tons of crude oil per year, having a sulphur content of 1.72%, as well as introducing in the refinery circuit of the Mild Hydrocracker Unit (MHC). 85% of the whole project works have been executed. The project will be finished in 2011.

Revamping of the Sulphur Recovery Unit

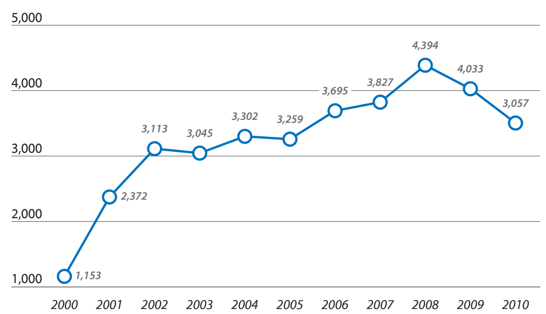
The aim of the project was to reduce the sulphur dioxide (SO2) emissions at the smokestacks of 4 production lines by providing automatic adjustment of the air/hydrogen sulphide (H2S) ratio and temperature at the entrance in the first stage of reaction. For C and D lines the ratio adjustment will be done both depending on the output of acid gases and on SO2/H2S, registered by analyzers, mounted on residual gases lines before the entrance into the incinerators. Moreover, changes made on C and D lines, will allow to burn gases from stripping unit with transformation of ammonia in nitrogen, thus reducing NOx emissions on smokestacks. Main changes, made on C and D lines consisted of mounting new blowers of higher capacity, were the replacement of Klaus heaters, mounting of new burners, replacement of recovery boilers, modification of the heat exchangers' ensemble S8-S9 in order to take over the increased output of steam, modification of input nozzles of separating vessels.
The designer of the project was the French company Le Gas Integral (LGI). Recovering capacity has been increased from 100 to 130 tons/day as a result of acid gases outputs increasing from 1000 up to 1250 Nm3/hour – H2S gases from amine unit for lines A and B, and up to 1500 Nm3/hour for lines C and D (of which 1000 Nm3/hour H2S gases from amine unit and 500 Nm3/hour H2S gases from stripping). Finalizing of the project (line A) is estimated for March 2011 (lines B, C, D are already modernized).

Representative Products and Production Results

Rompetrol Rafinare has registered in 2010 an almost 15% decrease of processed quantities of raw material, from 4.03 million tons down to 3.5 million tons. In the same year, the refining capacity utilization rate was 77.56% in the condition when the mechanical availability of the refinery was reduced due to 42 days of general overhaul.

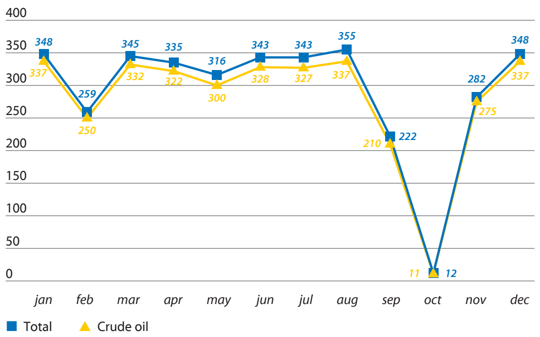
Quantities of raw material processed annually

(thousand tons)



Totals for monthly processed raw material, 2010

(thousand tons)



Total raw material, tons	Crude oil, tons
3,507,488	3,367,397

Finished products	3,414,646
Gasoline	1,125,840
Gasoil	1,324,361

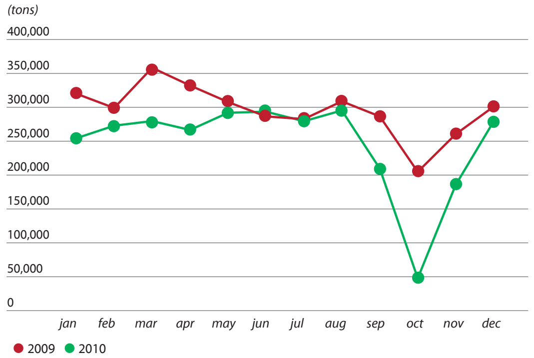
Marketplace

The strategy of the company regarding commercial policy was continuously focused on the optimization of the commercial flows while purchasing raw materials and selling finished products. Crude oil acquisitions were exclusively carried out through the Group trading company Vector Energy, which also has taken over the greatest part of gasoline and gasoil volumes sold on external markets. The quality of the products sold by Rompetrol met the environmental standards in the EU countries and led to the consolidation of the company position and presence on traditional reference markets in the petroleum field.

Sales in 2010 were lower than in the previous year as a result of revamping and overhaul works, performed at Petromidia Refinery, as well as due to the effects of social volatility and global economics.

Total sales 2009 versus 2010

(tons)

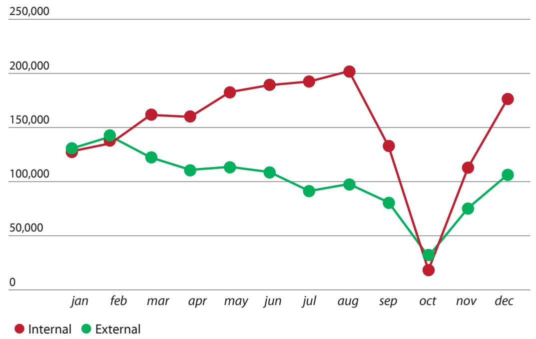


In 2010, the share of internal market in the totality of sold finished products was higher (60%) than the external one.

Rompetrol products were present in the Romanian market in all geographical zones through its own gas-stations network and the internal market has been absorbed more than a half (53%) of the total volume of automotive fuels, sold during the whole air.

Internal vs. External, 2010

(tons)



On the external market, products were sold both in Community space and non-community space. The Community space absorbed more than 24% from the total amount of sold finished products and the 76% difference represents export sales on non-community markets.

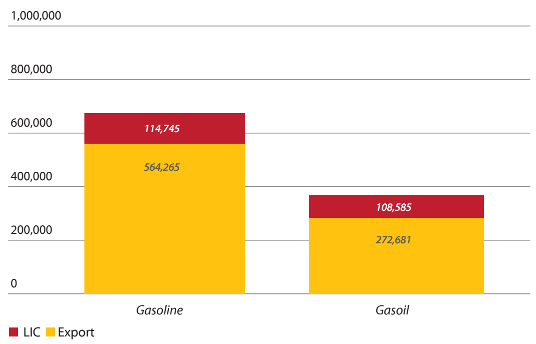
Almost 70% of the external sales were directed towards European markets, located in Romania's proximity.

Main destinations for export products of Rompetrol Rafinare are as follows:

Gasoline	Georgia, Ukraine, Turkey, Lebanon, Moldova
Gasoil	Bulgaria, Turkey, Georgia, Serbia, Moldova, Lebanon
Coke	Ukraine, Greece, Turkey, Serbia
Sulphur	Egypt, Ukraine, Greece

LIC vs. Export

(tons)

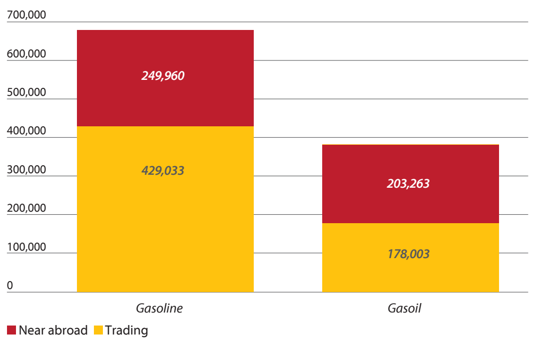


*LIC = Intra-Community supplies

Out of the total volume of automotive fuels, distributed on the external market, more than 43% were delivered to the Rompetrol Group subsidiaries (Moldova, Bulgaria, Georgia, Ukraine).

Near abroad vs. Trading

(tons)



Main clients on the internal market were: Rompetrol Downstream, Rompetrol Gas SRL, Rompetrol Petrochemicals, Air BP Sales, Air Total Romania.

Main external clients were: Vector Energy, Rompetrol Moldova, Rompetrol Bulgaria, Calvi Trade Limited, Unicoal Spa Italia, Transamonia Elveția.

Quality

All automotive fuels sold in 2010 (Gasoline Euro Plus Without lead, Gasoline Premium E4, Gasoline Euro Super 98 without lead, Gasoline Efix, Diesel Super Euro 4, Efix Diesel, Diesel Euro 5, fuels for cars – LPG) have been inspected by the RAR (Romanian Automobile Register) according the supervision plan.

Documentation (Conformity Certificate, License), allowing the introduction of these products in the market has been obtained.

Monitoring of products and RAD /ADR inspections

The quality of supplied products was permanently supervised at reception, on the production flow and on delivery in order to ensure the compliance with legal and company demands.

2011 Major Objectives

QHSE Objectives (Quality, Health, Safety, Environment)

Safety

- Minimizing of the number of accidents on the Petromidia platform until their complete elimination;
- Improving the program that aims at the increase of the level of safety (security) culture and the attainment of a minimum level of 2.6 regarding labor health and safety in accordance with DuPont matrix;
- Improving the safety performance indicators, set on the Rompetrol Group level, through the diminishment of target values by minimum 0.5 in comparison with 2010 (rate of car accidents, frequency of labour incapacity, incidents rate, frequency and severity rate).

Environmental Objectives

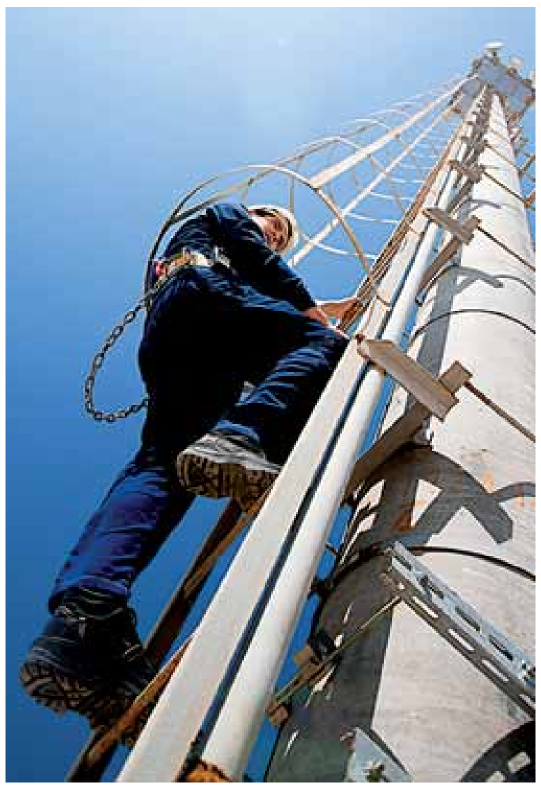
- Elaborating and implementing of the Action Plan for reduction of waste (WRAP);
- Revising/renewing the Integrated Environmental Permits in order to be in compliance with the current legislation and for application of sustainable alternatives concerning the mastering of wastes from sludge lagoons;
- Participating in projects of volunteering and social responsibility in neighbouring communities.

Quality Objectives

- Reducing by 5% the non-quality costs for supplied and finished products through identification of critical elements;
- Facilitating of the SIM documents studying, specific for working positions, through creation/update of these documents applicability matrix upon positions/ departments;
- Assessing and implementing, taking into consideration the Midia/Vega platforms specific, the Rompetrol Group QHSE instructions.

Operational Objectives

- The main objective for 2011 is finalizing the program "The 2011 investments package". After the package is closed and all executed works will be implemented, the Petromidia refinery will start to process, beginning with 2012, over 5 million tons of raw material per year;
- Continuing the process of business optimization in order to reach the highest possible operational and financial efficiency;
- Consolidating the current activities and assets.



Rompetrol Rafinare – Vega Ploiesti Refinery

Rompetrol Rafinare – Vega Ploiești is a processing unit focused on the manufacturing of special products: ecological solvents, fuels for heating, special bitumen, etc. Starting with 2008, it emphasized on obtaining products for the retail market.

In 2011, Vega Refinery will process only alternative raw materials (such as naphtha gasoil, fraction C5-C6, slurry, jet and heavy oil) and the units in functioning will be the following ones: Hexane, Rectification, Dearomatization, AFP (Products' Blending/Finishing), Vacuum Distillation and Bitumen.

2010 Major Performances

- Maintaining the processed raw material at the level of approximately 302,000 tons, notwithstanding difficult conditions on the profile market.
- Processing a quantity of raw material of approximately 302,000 tons.
- Finalizing the work at the facilities of the AFP Unit (Products' Blending/Finishing) in order to manufacture blends of automotive additives of Carflux line (based on a recipe developed in Rompetrol).
- Increasing the security in the refinery by mounting of fireproof walls within the perimeter of external transformers. This project lowers the risks of possible incidents in their proximity.
- Decreasing the technological consumption from 1.90% in 2009 down to 1.81% in 2010. One of the actions, that provided this decrease, was the fulfilment of the technological optimization program of the supply pipelines of the rectification unit during the overhaul in October, 2010.

Representative Products and Production Results

The Vega Refinery Production is structured in groups of special products:

- Solvents: ecological solvents Rompetrol SE, light solvents and n-hexane;
- White spirit and paraffin oils;
- Fuels;
- Bitumen.

Vega Refinery is the sole producer of n-hexane in the Eastern Europe, used in the production of polypropylene and extraction of vegetal oils in the food industry. Moreover, Vega Refinery is the only manufacturer in Romania of:

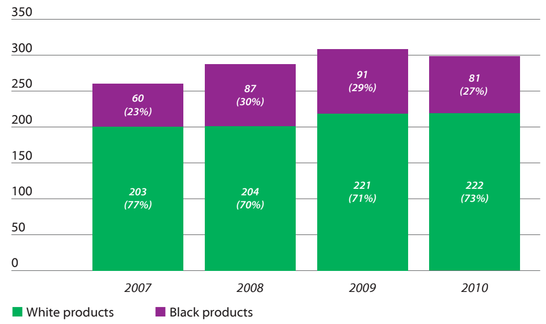
- Ecological solvents Rompetrol SE, providing through the reduction of sulphur and aromatic hydrocarbons content a lower level of toxicity;
- Special bitumen, used for manufacturing of bituminous mastics and waterproof works in constructions, for anticorrosion protection of metallic pipelines.

Vega Refinery is also producing road bitumen, modified with polymers, widely used in asphalting works of the intensively circulated roads. At the refinery there are also manufactured ecological heating fuels. These fuels are in accordance with all afferent standards, imposed by the European Union, being at the level of the Heating Oil class products, sold in the Western Europe countries.

In 2010, the refinery increased its yields of white products, which allowed a consolidation of its presence in the external markets, especially on the market of ecological solvents, as well as an alignment with the market demands.

Yields 2007 -2010

(thousand tons)



2011 Major Objectives

- Doubling of the N-hexane Unit capacity;
- Maximizing the niche products margins in order to provide a plus of value to the business;
- Developing new products through diversification of profile activities: Road Bitumen 35-50, Road Bitumen 160-220, Modified Bitumen with Polymers 25-55 – class 3, de-aromatized white spirit;
- Significantly reducing of utilities and technological consumption by continuing the investments program in this sense.

Rompetrol Petrochemicals

2010 Major Performances

The Rompetrol Petrochemicals turnover has reached in 2010 the level of USD 265.7 million, a growth of 11% in comparison with 2009. The growth is mainly due to the increased international quotations for petrochemical products.

In comparison with 2009, 2010 has brought significant improvements to financial results as a consequence of positive margins, registered from petrochemical products sales, as well as due to the diversification of the products portfolio and efficiency increasing of the company activity. So, the EBITDA indicator has attained a positive level of USD 14 million in 2010.

As a result of the temporary shut-down of the HDPE Unit, 2010 represented for Rompetrol Petrochemicals a reduction of the processed raw material – from 187,000 tons in 2009 down to about 150,000 tons in 2010. Besides, the company has improved its technological processes of quality control, so it managed to increase the compliant products share out of the total of manufactured petrochemical products from 96% up to 97%.

2010 meant for many players on the market a reduction or even closure of production facilities, both in Romania and in Central and Eastern Europe. In spite of the unfavourable general premises, Rompetrol Petrochemicals has continued its investments plans and preserved the objective, set in 2007: to become one of the main polymer suppliers and manufacturers in the region. In order to reach this objective, the company has restarted the HDPE Unit in November 2010 while in 2011 the revamping program of this unit has to be finished. Once this objective is being attained, it will help increase the unit capacity, reduce processing costs, diversify the range of offered products, as well as increase the operations safety.

In the same year, the company has finalized units and the integration of all operations in the Petromidia Control Centre (CCR). By realizing this objective, as a result of cumulated investments worth over USD 116 million from 2002 till nowadays, Petrochemicals has managed to increase production capacities, expansion of profile activities and improvement of quality and range of offered products. The Control Centre provides the full supervision of operations in regard to the control and protection of technological flows, on-line collection and sending of process data and implicitly a reduction of production costs, this being a premiere both for Romania and for South-East Europe.

Rompetrol Petrochemicals is the sole producer of polypropylene, as well as polyethylene manufacturer in Romania. The company managed to increase its market share through its development strategy, which provides for the company a competitive position both on the internal and regional markets.

One of the company's advantages is determined by the proximity in respect to the customers, the requested products being provided in Just-in-Time system (JIT), at the same time constantly offering them technical consultancy and assisted monitoring of their production circuit.

2010 Main Technological Aceivements

- Integrating the units' automation and operations' in the Control Centre of the Petromidia Platform (CCR).
- Implementing the Process Information (PI) system for supervising, archiving and processing of operations data. This fact resulted in the optimization of the units' operation process on the basis of some analysis and quick visualization of information (current and archived) from the units, improvement of the data reporting procedure and increase of the products' quality.
- Modernizing of burners at steam boilers C121 A/B of Pyrolisis Unit, thus reducing the content of NOx from burned gases from 300 to 120 ppm, according the demands of the European legislation in force.
- Increasing the operation capacity of the units: LDPE Unit has exceeded with 10% the designed capacity and has manufactured 66,000 tons.
- Modernizing the HDPE granulation tower, executed through the modification of dosing system and blending of powder-stabilizers. The changes allow simultaneous and precise dosing of 3 different additives, eliminating the stage of preparing the blend of stabilizers and allowing the operation of blending powder-stabilizers to be done continuously with a lowered energy consumption.

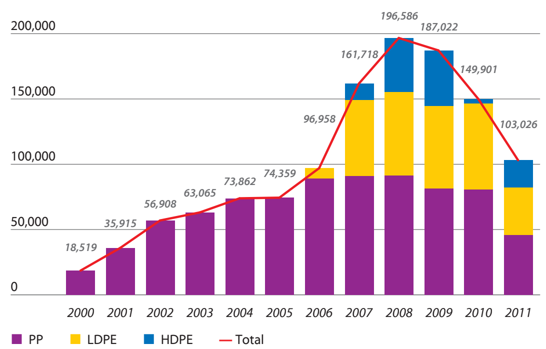
Production

IIn 2010, the polymers production, which is the basic company activity, was as follows:

- Polypropylene (PP) production – 80.526 tons/year;
- Low density polyethylene (LDPE)) – 65,799 tons/year;
- High density polyethylene (HDPE) - 3,576 tons/year.

2000-2011 Polymers Production

(tons)



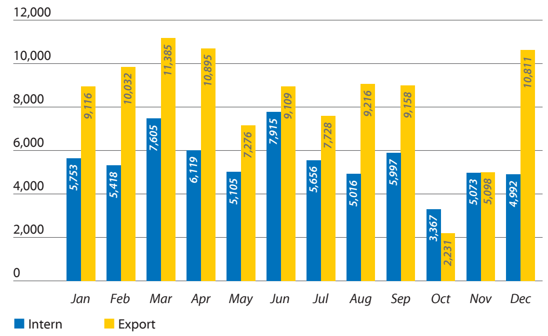
Commercial

Rompetrol Petrochemicals is the sole polypropylene (PP) and polyethylene producer in Romania. So, in 2010, the Rompetrol Petrochemicals market share for the internal market was 64% for PP and 24% for LDPE, according to the data from the Institute of National Institute of Statistics. The result of PP and LDPE sales consolidation was the preservation of the internal market share of Rompetrol Petrochemicals, as well as expansion to the neighboring markets through company distributors, thus securing the sales of some important quantities of finished products. The company development strategy, providing a culture having at its basis the maintenance of a high level of quality, ensures this strong position both on internal and regional markets – zones of the Black and Mediterranean Seas, Central and Eastern Europe – a market where Rompetrol Petrochemicals has become an important presence.

One of the competitive advantages of Rompetrol Petrochemicals is the direct access to transport routes (road, sea, railroad), a fact that has facilitated the addition of new destinations from the Balkan zone (Macedonia), sporadically Asia and Middle East, as well as consolidation of the company's position on the regional market (Bulgaria, Serbia, Italy, Greece, Poland, Turkey).

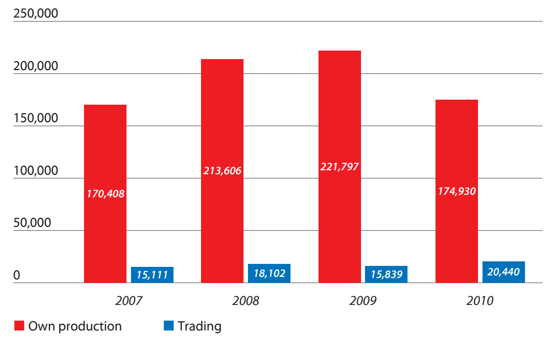
2010 Sales Destinations

(thousand tons)



2010 Sales Volume

(thousand USD)



Besides products of its own, the company performs a sustained commercial activity with a various range of petrochemical products, which at the present moment are not in the company's portfolio, but for which a high demand on the Romanian market exists: special types of polypropylene, high density polyethylene (HDPE), pipelines, low density polyethylene (LDPE) and PET.

In 2010, the PET trading activity led to obtaining a market share of 16%.

Quality

The permanent link between the producer and the final processor was optimized through the Technical Assistance Service, which has focused on the integration of reactions, coming from the processing departments, in development strategy and improvement of the range of products.
The Technical Assistance Department has continued the consolidation of partnership relations with the customers of Rompetrol Petrochemicals, through identification of both the product behavior during processing and technical solutions which could lead towards continuous improvement of its characteristics.

In 2010, the activity performed by the Rompetrol Petrochemicals Laboratory was confirmed by the renewal of the accreditation according to the requirements of the reference standard SR ISO CEI 17025/2005. At the same time, through the activity performed during 2010, the QHSE team has provided the maintenance of the implemented and certified integrated management system, respecting and implementation of new applicable legal requirements.

- Documents connected with the integrated management system were revised/ elaborated and applicable instructions were implemented.
- GLIS supervising audit was performed according to the quality management systems – ISO 9001:2008, environment – ISO 14001:2004, occupational health and safety – BS OHSAS 18001:2007.
- The Internal Emergency Plan was revised, while a document according to which the activities control are executed, was elaborated presenting the risks of major accidents, where dangerous substances are involved.
- The reevaluation professional accidents and illness risks was performed at all Rompetrol Petrochemicals working places.

Emissions of greenhouse gas (CO2) have been in compliance with assigned values (according to the National Allocation Plan). Additionally, specific activities have been undertaken in order to finish the stage of registration at ECHA (European Chemicals Agency) of chemical substances, covered by REACH (European Community Regulation on chemicals and their safe use) Regulations.

2011 Major Objectives

- Continuing the efficient implementation of a strategic program aimed at increasing the safety level together with DuPont Safety Resources, according to which Petromidia and Vega platforms would attain a working safety level not less than 2.6 (according DuPont matrix).
- Improving the safety performance indicators, set on the Rompetrol Group level, by diminishing the target values by minimum 0.5 in comparison with 2010 (rate of car accidents, frequency of labour incapacity, incidents rate, frequency and severity rate).
- Reducing by 5% the non-quality costs for supplied and finished products through identification of critical elements;
- Participating in projects of volunteering and social responsibility in neighboring communities.
- Finalizing the HDPE Unit revamping project through the increase of production capacity and the decrease of costs per ton of product, thus resulting into the diversification of the products' range, as well as the increase of operational security.
- Regaining the HDPE market both internally and externally as the result of restarting of the HDPE Unit. Attaining of a 20% share on the internal market.
- Consolidating the Rompetrol Petrochemicals position on the internal and Balkan markets.
- Identifying and creating strategic partnerships, bases on synergies.

2. Trading

Caution

The sales in 2010 were lower than 2009, mainly due o a longer period of turnaround and also due to the global economical crisis, while almost 70% of the external sales had destinations on neighbouring markets.

Trading

Vector Energy AG

2010 Key Performances

- Decreasing volume of traded crude oil versus 2009 due to change in KMG strategy in this respect;
- Decreasing by 33% the product exports to third parties, due to higher volumes sold through other channels (DWS for Romanian market & Near-Abroad subsidiaries);
- Decreasing by 25% the volumes sold on the French & Spanish markets, due to management decision that Dyneff closes term contracts directly with the supplier;
- Enriching other feedstock basket by supplying ETBE (as replacement for MTBE for Romanian market) and Biodiesel (required diesel blending material for EU countries).

The total oil volume delivered by the company in order to ensure the oil needs of Petromidia refinery was 3.36 million tons, with KMG barrels' share increasing from 59.1% in 2009 to 78.7% in 2010.

Vector Energy AG is the supply and trading subsidiary of the Rompetrol Group, with its main office in Zug (Switzerland). The company continued in 2010 to optimize the overall supply chain of the Group. Vector established fine-tuned the synergies with other companies within the KMG Group, namely KazMunaiGaz Trade House – the main crude oil supplier for Petromidia refinery, aiming at an improved stock level.

In 2010, the company has registered a 33% decrease of products' volumes sold to companies outside the Group as compared to 2009, when it registered a total of 0.9 million tonnes. This was the direct result of increased sales on the Romanian market (56% compared to 25% to third party buyers from the refinery overall production). During the same period, the company's export of products to the French & Spanish markets decreased by 25%, from 1.05 million metric tons in 2009 to 0.75 million tons in 2010.

The responsibilities undertaken by the company in 2010 are part of the strategic plan of KMG mother-company to finalize integration of TRG sustaining forward motion regardless of difficult general international climate. Vector is in charge of stream-lining operations of fuel sale towards the Group subsidiaries (Bulgaria, Georgia and Ukraine), effective product stock management in Midia and Constanta. In addition, in depth market research has resulted into extending TRG business portfolio, by finding a constant outlet for our gasoline and diesel products, which do not comply with Euro standards.

In order to ensure the optimisation of raw material supply of the Group companies and their sales of finished products, Vector Energy renewed the dedicated team in the company and worked closely with the Maritime Transportation department. The team continues to be responsible for developing/implementing new processes, such as selection of optimum oil mixes, establishing target stocks of raw material/end products.

The total oil volume delivered by the company in order to ensure the oil needs of Rompetrol Refinery was 3.35 million tonnes, with KMG barrels share increasing from 59.1% in 2009 to 78.7% in 2010.

The achieved operational result is directly affected by the adverse international market conditions and diminished operated volumes, reaching only USD 5.2 million in 2010.

For 2011, Vector Energy will become the focal point of the supply chain: covering entirely the feedstock acquisition; monitoring all stocks (except for those in the filling stations); responsible for ensuring primary logistics and depot/terminal operations plus losses (without secondary & filling stations); trading key accounts & Dyneff.

Byron 2010

Byron Shipping Ltd, shipping transportation subsidiary of Vector Energy, continued in 2010 to optimize the flows among The Rompetrol Group entities and Rompetrol Rafinare.

Vessel	Charterer 2009			
	Vector	Rompetrol	Third Parties	Total/Ship
WO Emocean	-	-	-	-
WO Decocean	18,650	-	228,959	**247,609**
NS Clipper	315,776	-	1,313,840	**1,629,616**
NS Concord	327,225	-	1,235,307	**1,562,532**
Spot vessels	-	-	-	-
Total (mt)	**661,651**	-	**2,778,106**	**3,439,757**

Vessel	Charterer 2010			
	Byron	Rompetrol	Third Parties	Total/Ship
WO Emocean	-	-	-	-
WO Decocean	-	-	-	-
NS Clipper	-	-	-	-
NS Concord	-	-	-	-
Spot vessels	1,387,385	-	-	-
Total (mt)	**1,387,385**	-	-	**1,387,385**

Note: MT WO Emocean re-delivered on 07/03/10

Starting 2010 Q4, Byron signed a Contract of Afreightment applicable for Aframax (80kt +10%) size vessels in order to secure freight costs for the crude supply for Petromidia refinery and also to avoid the Turkish Straits demurrage risk.

Rest of the fixtures were made from the spot market, which led to savings of aprox 2,5 million USD for the company.

In 2011, Senior Management approved the establishment of Byron Shipping Romanian Branch, allowing Byron Shipping to integrate all shipping related services and to start creating synergies from Black Sea to Mediterranian.

Midia Marine Terminal

Midia Marine Terminal, initially a subsidiary of Vector Energy AG was transferred to The Rompetrol Group after a capital increase of USD 20 million. Thus it became a subsidiary of the Group, starting Decembre 2009. It was created 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) adn the Black Sea area (Ukraine, Moldova, Romania, Bulgaria) to Western Europe (France and Spain).
In this respect, in December 2008 the company has completed the construction of a new off-shore oil terminal in the Black Sea, some 11 km far from Petromidia Refinery crude Oil Tank Farm and in January 2009 it was opened for business.

The new terminal allows teh reduction of oil supply cost with approx. USD 8/ton. By eliminating the Constanta Oil Terminal & CONPET handling/storage/transfer costs and commercial/ technological losses, it offers the necessary framework for developing the Rompetrol Group trading activities in the region.

The main performance indicators achieved in 2010 by Off-shore oil terminal (Midia SPM)

Total qty of crude imported via Midia SPM	2,999kt
Total number of tankers calling Midia SPM	36
Total days under unloading operations	46 days
Total days under all manoeuvring	72 days
Mooring postponed due to bad weather	12 days
Total ops costs	7,242 mill USD
Handling tariff 2010 Jan-Aug	4 USD/mt
Handling tariff 2010 Sept-Dec	3 USD/mt
Commercial losses (B/L versus OUT Rep.)	0.07 %
Savings recorded by using Midia SPM	
Instead Oil Terminal Constanța & CONPET	about 24 mill USD
Commercial losses (B/L versus OUT Rep.)	0.35 % (in 2008)

The company is operating the Crude Oil Tank Farm with a design capacity of 418,000 cbm, a net storage capacity of 391,499 cbm, and a pumping total volume of 342,575 cbm, receiving crude mainly from Midia SPM, but also from the Oil Terminal Constanța via CONPET and delivering to refinery the three type of crude oil as per refinery's daily diet requirement.

The whole volume handled by crude oil tank farm in 2010 was 6,856 kt (both received and delivered).

In January 2009, the new oil terminals Berths 9 A, B and C for refinery's products export were opened for business too.

The main performance indicators achieved in 2010 by Port terminal (oil & gas) EXPORT (Berths 9A, 9B and 9C)

Total qty of refinery products exported	1,083kt
Total number of tankers calling port terminals	291
Total days under loading/unloading operations	170 days
Total days under all operations	290 days
Berthing postponed due to bad weather	nil
Total ops costs	2,415 mill USD
Handling tariff (refinery)	1.04 USD/mt
Handling tariff (petrochemicals; average)	0.69 USD/mt
Savings recorded by using Midia port terminals	
Instead Oil terminal in Constanța & railways	about 10 mill USD

Romanian Trading Operations Division

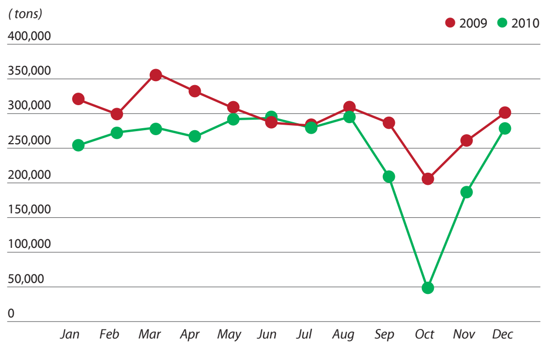
Performances and Major achievements in 2010

Market

In 2010, the company strategies referring to trading policy focused on optimizing and boosting trade flows of raw material purchases and product sales. Crude acquisitions were exclusively carried out by the group trader, Vector Energy, who took over the most part of gasoline and diesel volumes sold on foreign markets. The quality of the products sold by Rompetrol met the requirements and standards for quality and environment in force within European Union and led to a stronger position of the company on the international oil markets.

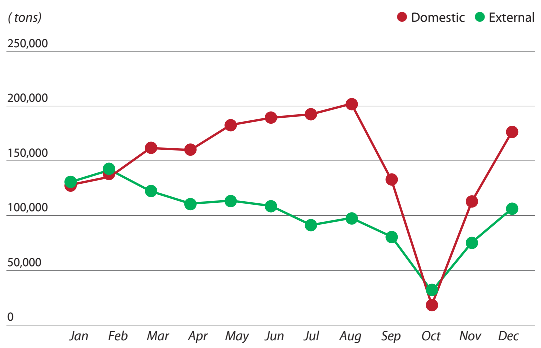
The sales in 2010 were lower than in 2009, mainly due o a longer period of turnaround and also due to the global economical crisis.

Total sales in 2009 vs. 2010



In 2010, the share of domestic market in total sales was higher (60%) than that of external market. The products under Rompetrol brand were marketed on all Romanian regions through national gas stations network. More than half (around 53%) of total sales of motor fuels was sold on domestic market.

Domestic vs. External, 2010



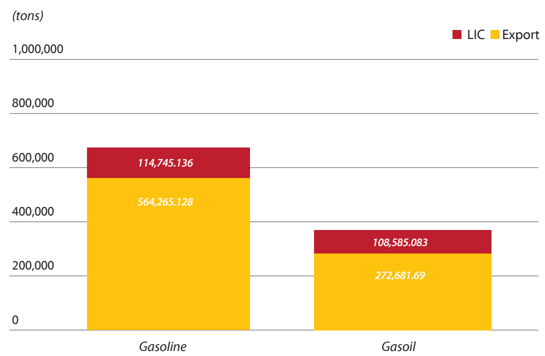
On the external markets, sales were distributed both on EU markets and non-EU markets. Sales on EU markets represented around 24% of total sales, the rest of 76% being sales on non-EU markets.

Almost 70% of external sales had destinations on neighboring markets.

Detailed on countries and products, sales had the following destinations:

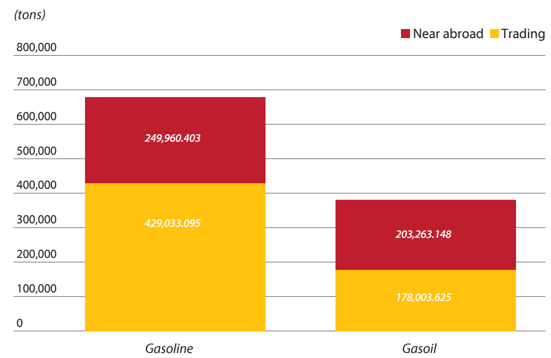
Gasoline - Georgia, Ukraine, Bulgaria, Turkey, Lebanon, Moldova
Diesel - Bulgaria, Turkey, Georgia, Serbia, Moldova, Lebanon
Petroleum Coke - Ukraine, Greece, Turkey, Serbia
Sulphur - Egypt, Ukraine, Greece

LIC vs. Export



Sales to Rompetrol branches located abroad (Moldova, Bulgaria, Georgia, Ukraine) represented about 43 % of total external sales.

Near abroad vs. Trading



Main domestic customers were: Rompetrol Downstream, Rompetrol Gas SRL, Rompetrol Petrochemicals, Air BP Sales, Air Total Romania. Main external customers were: Vector Energy, Rompetrol Moldova, Rompetrol Bulgaria, Calvi Trade Limited, Unicoal Spa Italy, Transamonia Switzerland.

Forecast and developments trends in 2011

For 2011, the target is to maintain the existing markets and enter other markets.

Rompetrol Ukraine

Market context in 2010
The motor fuels market of Ukraine in 2010 was marked by a dramatic presence of a tax-free company which imported through court decisions around 15% of imported RON 95 gasoline without paying excise and VAT and by an unprecedented smuggling amounting around 6% of Ukraine RON 95 consumption. These events discriminated the legal importers and undermined the principles of fair competition.

2010 Key Achievements:

Rompetrol Ukraine has continued its trading operations, importing and selling Rompetrol Rafinare products, mainly Euro Plus Gasoline RON 95 50ppm. Rompetrol Rafinare through Rompetrol Ukraine is the biggest Romanian exporter into Ukraine of RON 95.

- Becoming the fourth largest importer of RON 95 on the Ukrainian market. The quantity of RON 95 imported to Ukraine exceeded 105 KT, the company's share representing approximately 9% of the total volumes of RON 95 imported by Ukraine or around 5% of total RON 95 consumption
- From a financial point of view, despite the harsh condition of doing business, the company's EBITDA registered USD 0,6 million and the company repaid USD 0.5 million USD of its loan to The Rompetrol Group N.V.

The trading activity has been carried out through new locations: one Black Sea terminal located in Kherson, one Danube-river terminal near Ismail and three in-land depots, two of them located in the Odessa region and one in the Vinnitsa region. The fuel was sold on CPT terms, delivering by railway the product to the clients' storages, although in 2010 the company developed the FCA sales loading at the terminals and warehouses the product to the clients' fuel trucks.

The development of the retail station network remains an essential activity for 2011 for Rompetrol Ukraine.
During 2010, no other filling stations were built besides the existing 2: 1 COCO & 1 DOCO stations.

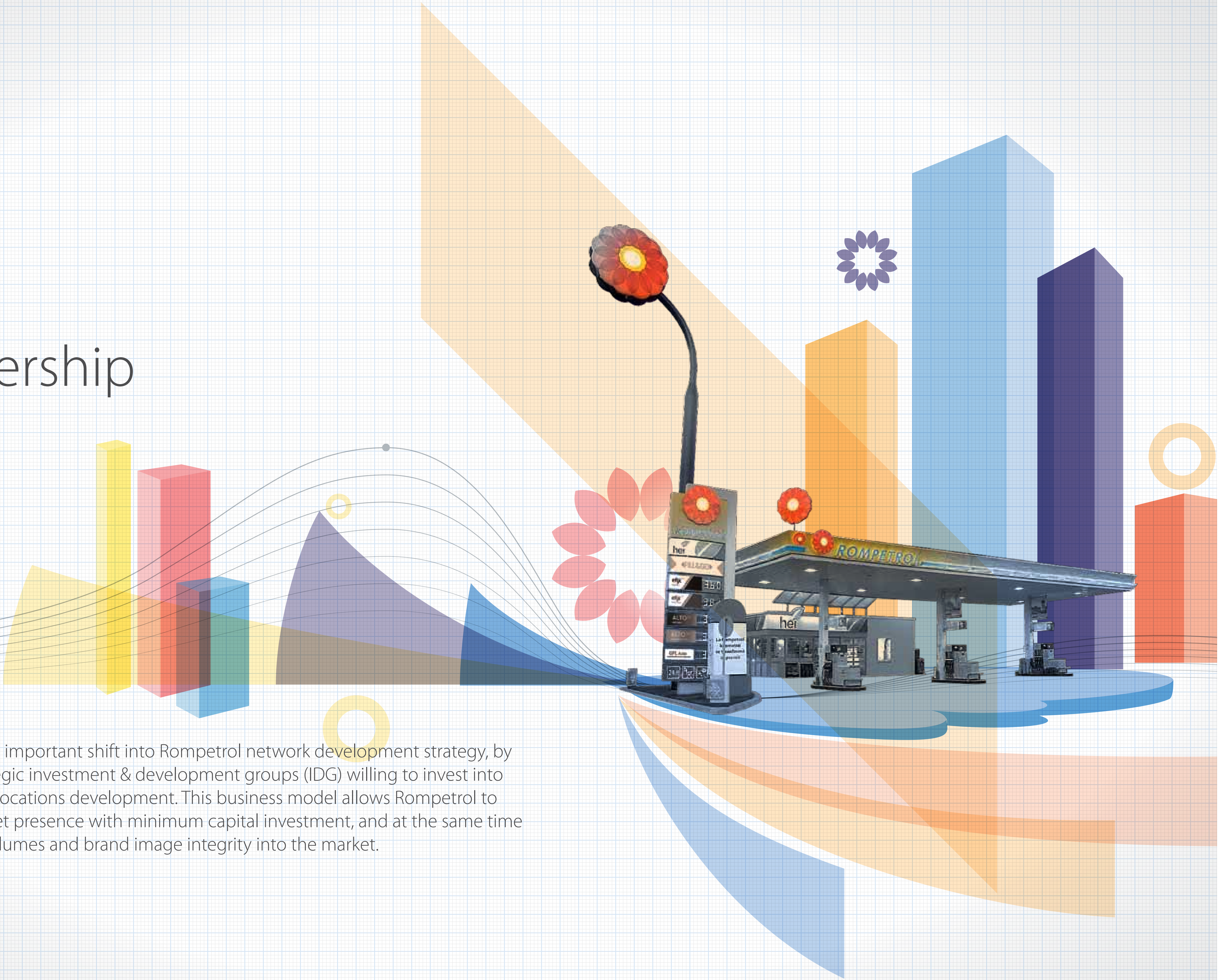
2011 Key Objectives:

- Identifying and providing the logistic infrastructure needed to secure the nationally and regionally traded fuel deliveries;
- Increasing the efficiency of the logistic chain and implementing delivery methods;
- Developing new market opportunities, both in trading and retail.

In 2011, 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.

3. Retail

Partnership



2010 brought an important shift into Rompetrol network development strategy, by identifying strategic investment & development groups (IDG) willing to invest into new Rompetrol locations development. This business model allows Rompetrol to expand its market presence with minimum capital investment, and at the same time to secure fuel volumes and brand image integrity into the market.

Rompetrol Downstream (Romania)

Overall market conditions

In Romania, 2010 was characterized by a severe economic downturn (GDP decreased in 2010 by an estimated 1.2% vs. 2009, after dropping a year earlier by 7.1% vs. 2008). This affected in a negative manner individuals' purchasing power and companies' general attitude towards costs, with direct impact on fuel consumption. Apart from reducing fuel usage, more cost-conscious individuals have also shifted from premium to cheaper fuel products and networks, while companies have relied on improved monitoring of fuel expenses and, when possible, have started to use internal bases instead of fueling at gas stations.

Based on information supplied by the National Institute of Statistics, total fuel consumption in Romania in 2010 has remained approximately at the same level recorded in 2009 (5.866 kt in 2010 vs. 5.858 kt in 2009, hence a mere 0.1% increase), despite an increasing number of vehicles (+1.8% in 2010 vs. 2009). According to data from the Romanian Petroleum Association, and given our estimate of the independent stations segment, the retail component of the fuel market has decreased in 2010 vs. 2009 by 4.7%, with fleet sales (fuel sales on cards issued to businesses) lowering by 4.9% compared to previous year. On the other hand, the wholesale fuel consumption by end-users (the W2C segment) has increased in 2010 to nearly 1482 kt, from an estimated level of 1263 kt in 2009 (some of the reasons for this apparently surprising evolutions have been outlined above).

In 2010, the government has adopted several measures which have further restricted individuals' and companies' spending: VAT was raised on July 1st from 19 to 24 percent, while state employees' salaries have been reduced by 25 percent. In addition, in 2010, the government has ceased to subsidize part of the fuel cost used for agriculture. Prior to these mid-year decisions, fuel excises have been significantly increased starting January 1st, in order to bring excises in Romania in line with those in other EU countries: gasoline excise (in RON) has increased by 18.4%, while diesel excise (also in RON) has increased by 18% (a significant part of these increases is due to the RON/Euro exchange rate). Probably as a result of these evolutions over the year, consumers have become increasingly unhappy with fuel prices, which led to same actions taken by groups of consumers at the very end of 2010, actions which have received a broad coverage in the media and have continued in the first weeks of 2011.

Competition on the Romanian retail market

Competition tactics in 2010 have shown an increase in wholesale activity of two major players (Mol and Eni), who have started addressing more industrial consumers and independent pumpers. Another major player on the Romanian fuel market (Lukoil) has restructured its wholesale activity and the relationship with its major dealers. In retail, we saw a complete rebranding of the 124 PetromV sites, most of them turning into OMV sites, while few have been turned into Petrom stations. Toward the end of the year, Bioromoil has launched a concept new for the Romanian market: AutoMat, a completely automated and unattended gas station. It is also important to note that the promotional activity of our competitors has increased in 2010 relative to the previous year. In particular, in each and every week of 2010, one or more of our competitors had a promotion in place (most of them value added promotions, Lukoil's discount promotion being the exception), while in 2009 we have seen only 38 weeks covered by competition promotions.

Rompetrol Downstream evolution

In 2010, the total Rompetrol market share (which takes into account Rompetrol Downstream's and Rompetrol Rafinare's sales to Romanian customers) has increased to 24.3% from 23.7% in 2009. The increase in market share is due especially to the performance recorded in the second and the third quarters of 2010 and is also the result of increasing indirect market share, which considers sales to intermediaries, from 8.1% in 2009, to 8.7% in 2010. On the other hand, the direct market share, which takes into consideration sales to end-consumers, has remained stable in 2010 (15.5%) vs. 2009 (15.6%) as also did the retail market share (15.9% in 2010 vs. 16% in 2009). Despite retail market share remaining flat at about 16%, Rompetrol's performance in the in 2010 has shown positive results: more cost-conscious customers have migrated from premium products and networks toward cheaper alternatives available on the market. Hence, a constant retail market share is an indication that Rompetrol has found the ways to preserve its customer base in these difficult times.

Continuing the optimization process started in the past years, several initiatives were started and implemented in 2010 both in the Opex and Capex areas directly related with the activity of supply and distribution. Decommissioning the Simleu depot has reduced the operating costs by USD1.3 million a year and has allowed further one-off saving of additional USD 0.67 million of Capex. Along with this significant saving, it was important that this would not impact significantly on the customer service and sales volumes. Relocation of most of the sales volumes has been successful, so the overall impact of this implementation is still positive. 2010 also marked the start of the outsourcing process of the Primary and Secondary distribution, which will end in 2011. The Rail activity was transferred in December and the Road activity will be transferred in Q1 2011. The overall expected operational savings are in the range of 15% on comparable year on year basis and will start materializing in 2011.

Major accomplishments in 2010

The strategy to develop the current COCO network, in order to achieve a better national coverage, continued in 2010 as well: 2 new COCO stations were opened and several other potential locations were identified and are currently under evaluation and negotiation. Investment proposals for 2 new COCO stations and contracts are to be signed with another 2 locations in negotiation.

2010 brought an important shift into Rompetrol network development strategy, by identifying strategic investment & development groups (IDG) willing to invest into new Rompetrol locations development. This business model allows Rompetrol to expand its market presence with minimum capital investment, and at the same time to secure fuel volumes and brand image integrity into the market.

In order to capitalize efficiently all IDG opportunities, Rompetrol has reevaluated resources allocation, creating a dedicated staff structure which covers main franchise business aspects: development, construction, IT, marketing and operations. Two major contracts have been signed with important IDG and other initiatives have been identified and explored as well. At the end of 2010 two locations have been already opened and 30 new ones are planned to be opened during 2011.

As a part of the development of the Franchise network, during 2010, a complete audit process was performed related to the franchise network Partner. The objective was to select the best performing locations, which later would be upgraded, in 2011, to the next level of franchise developed under the brand Rompetrol. This is part of the continuous and determined action plan, targeting the increase of proximity and quality of Rompetrol stations network. As a result, a total number of 30 stations franchised Partner was selected, being the subject of development to the next franchise level, for 2011.

In parallel with the franchise Partner assessment, a short term program for developing new stations was performed, at the end of 2010, a total of 10 new stations being added to the existing network (3 stations under Rompetrol brand and 7 stations developed based on franchise Partner). Amongst them, we succeeded to develop the first Rompetrol franchise pilot, integrating also HEI shop. The Rompetrol franchise pilot was developed as a part of a new market concept, realized under cooperation with an important local business partner.

The fuel station is integrated into a large service area zone dedicated to tourists, transit car drivers and professional truck drivers. A complex investment of Euro 2 million by our partner, besides Rompetrol's fuel station, includes also a 33 room hotel, a restaurant with 100 seats, a tire service and a service facilities area in collaboration with Michellin-Euromaster, a car wash and a parking lot for trucks and coaches with 13.500 sqm. surface. The complex is located on the new ring-road which bypasses Brașov, servicing one of the most crowded traffic areas we have in Romania.

Regulatory constraints

We manage the impact on the environment during the entire value chain of the business, starting with the exploitation, production, refinery and marketing activities, and ending with the quality of the product. We take action for an efficient energy and natural resources management, as well as for controlling the emissions and discharging in the environment.

Regarding the environment, we sustain a preventive approach. Our environmental management system ensures a continuous improvement of the performance in this field of work. The present aspects regarding the energy and climate changing represent major challenges for the oil and gas industry.
This industry has a primary responsibility to contribute to the energy delivery security as the energy request is larger and the resources are getting limited. Moreover, regarding the diminishing the effect of the climate changing, the gas emissions with greenhouse effect must be reduced in all economical fields.

The conformity with the environment regulations is permanently being controlled, locally, by every section of activity as well as by the entire corporation. All the conformity measures are managed in such way as to reach the aimed results as soon as possible.
Our activities regarding the durable management of the resources aim the professional diminishing of the impact of our activities over the ecosystems. These efforts include an efficient use of the water resources and a proper deposit of the wastes. A special attention given in our objective is to provide high quality products which respond to the requirements of our clients, products that must be in conformity with the rigorous standards of safety and which have a reduced impact the environment.

The Rompetrol fuels are in conformity with EURO5 specific regulations, as well as with the legal requirements regarding the Bio components. Moreover, starting with 01.01.2011 in the Gasoline and Diesel fuels, the biofuel percentage is of minimum 5%. We provide to our partners and our clients detailed information regarding our products and the materials used during the production process in the areas with a high biodiversity and the prevention of the harmful emissions, in conformity with the legal regulations.

Objectives in 2011

2011 has as a main focus on the improvement of current operations and assets, along with further development of the strategic partnerships started in 2010. New COCO locations are identified and evaluated, investment to be started at the end of the first semester. The target of 2011 is both to increase the loyalty of the current consumer portfolio and also to increase our market share on the final consumer segment.


ROMPETROL
ROMPETROL
PETROL
ROMPETROL

Dyneff France

A. Market /general economic conditions during 2010

1. General 2010 market description
Oil products deliveries declined by -2% in comparison with 2009 in France (78,736 ktons).
Regarding products sold by Dyneff France (Diesel, Gasoline, Heating Oil), the market declined by -1% (54,723 ktons).

- Diesel +2% (33,610 ktons),
- Gasoline -6% (8,207 ktons),
- Heating Oil market declined by -5% (12,906 ktons) but, considering that year 2010 was colder than 2009, the drop is in fact a -13%.

Prices increased significantly (market increase combined with Euro drop by 5% against USD) which had in impact on demand:

	Excises free	Excises included
Diesel	29%	14%
Gasoline	27%	11%
Heating Oil	28%	24%

* % of price without / with excise increase

2. Regulatory constraints
French government finally withdrew its "carbon tax" project but enforced regulation on Biofuels blending, by promoting Uco Methyl Ester and Tallow Methyl Ester development.

3. Extraordinary events
One month long nationwide strike started in October determined an oil products supply chain disturbance, due to blockages in several refineries and depots. The blockage of the port of Marseille, which is the most important port in France for imports from Mediterranean Sea, created stock out situation in many Gas Stations in southern France. Despite the French's government decision to supply oil companies with strategic stock to limit the impact on economy, in early November, almost 40% of Gas Stations had to stop their activity because of stock out. In this context, Dyneff managed to find solutions (thanks partly to its Spanish subsidiary, partly to its storage facilities in southern France) to maintain its entire network open and deliver to customers.

4. Changes in competition tactics
Total Group, the main actor on the French market, started to redesign its refining capacities in Europe aiming to reduce the breakeven point (refinery of Dunkerque, inFrance, stopped operating, capacity reduction at refinery of Normadie -France, refiney of Lindsey -UK, to be sold). Shell Gas Stations network was acquired by Picoty Group (brand Avia) which enforced its position as the leader amongst independent retailers in France.

B. Key achievements in 2010

I. Consolidation of current businesses and development of on-going projects

a. New locations:
Business started last year in new areas confirmed its growing success (Paris + 72%, Strasbourg +33%).
b. New products:
The B30, a new mixed diesel-biodiesel (70%-30%) product was offered for private fleets at Bordeaux (French Atlantic shore) then, starting July, at Port la Nouvelle (French Mediterranean shore).
c. Other Programs/Projects:
A new motorway Gas Station was build in western France to complete the motorway network in this area. The operations will start in early January 2011.

II. Quality improvements campaigns
This project is recognized as a "High Quality Environmental Construction" by French authorities, thanks to its innovating solution to recycle waste water and its hot water produced with solar technology.

III. Others, as needed
Administrative offices moved from Lezignan to Narbonne (100 kms from Headquarters in Montpellier) to enforce synergy with operations.

C. Key directions for 2011-2015: 2011

a) Top priorities

» **Focus on the most important TRG assets**
Two major projects for the development of Dyneff will enter in the implementation statege during 2011 :
• The construction of a new major depot in Port la Nouvelle ("Dyneff 3" project),
• The construction of a new motorway Gas Station near the Spanish border ("Village Catalan" project).

» **Integration with the mother company, KMG**
Dyneff will continue to comply with corporate procedures, according with the Groups best practices, in order to enforce the well-development of current operations and risk management.

b) Market share thanks
Dyneff's Market share rose 3.3% (3.1% in 2009).

c) New products, locations, and programs
The French oil market regulation will introduce a Non-road Diesel (named "GNR") for agricultural, construction or other industrial usage. This new product will become mandatory by mid-2011. Dyneff prepared the swap from Heating Oil (currently used by consumers) to "GNR", by offering tank cleaning solution to its customers.

Dyneff Spain

A. Market /general economic conditions during 2010

1. General 2010 market description
The Spanish Market has decreased by -1.7% in 2010 and -11.1% from 2007 to 2010, in a very difficult economical context in Spain.
In the same period, Dyneff Spain's market share has dropped by -11.9%, between 2010 and 2009, while it has grown with 5.5% between 2007 and 2010.

2. Regulatory constraints
Biofuel obligation has increased from 3.5% in 2009 to 5,5% in 2010. Competitiveness was affected by uncertainties of the law, in particular in the 2nd semester.
This had an impact on ours sales, since we had to include the payment of part of the biofuel tax in our prices, while other operators chose to bet on the reduction of the obligation and did not include it in their price..

3. Extraordinary events
There was no extraordinary event in Spain in 2010 but the period of strikes which has affected France in October and the beginning of November had some repercussions in Spain and mostly for Dyneff Spain. Indeed, the penury of gasoline in Marseille area led Dyneff France to import some gasoline from Dyneff Spain in order face the crisis situation. Therefore, we can say that Dyneff Spain took an important part in the management of this stressful period and was an actor of the good results generated in France at the time.

4. Changes in competition tactics
Spanish refineries had made major investments in order to increase their production capacity of diesel. As a consequence they were more present on the diesel market which is our main field. They needed to sell more quantities in a decreasing market, which led to stress the competition environment.

B. Key achievements in 2010 :

» **Consolidation of current businesses and development of on-going projects**

a. New locations
No new locations in 2010 after the acquisition of two truck gas stations in 2009, which was a major investment for Dyneff Spain
b. Other Programs/Projects
In 2009, we had invested in about 60 cuves for the Detail channel. In 2010, we stopped investing in new cuves in order to consolidate the existing park, thus enabling us to continue its development from 2011.

C. Key directions for 2011-2015

» **Focus on the most important TRG assets**
The objective for 2011-2015 is to consolidate our development in Retail and Detail with the existing assets. Indeed we have invested important sums in 2 gas stations and several cuves and the objective of 2011-2015 is to make profit on them.

» **Market share**
The objective is to increase our market share between 2011 and 2015 but especially in Detail and Retail. Wholesale must also increase its volumes but on a long-term strategy Wholesale would be a way to move important volumes and therefore to get competitive purchase and logistic prices. Based on these conditions, Retail and Detail would become the main source of incomes and profitability in the future.

Rompetrol Bulgaria

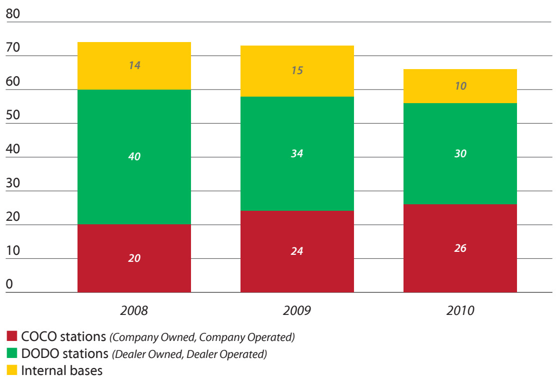
The year 2010 was a year of operational improvement, increased profitability, and better brand recognition for Rompetrol Bulgaria. Despite a well balanced (in terms of supply and demand) market, the economic turmoil influencing the local industry had an impact on the fuel sector. Operating in a hard economic environment, the sector was primarily focused on profitability rather than volume, and the major brands reported first declines in sales. There were no significant changes in the structure of the market with Lukoil, OMV, and EKO as major competitors.

The year was marked by the introduction of some important changes in the regulatory framework, with significant impact on the industry. The amendments in the Excise and Fiscal Warehouse Act introduced a new Regulation of the Specific Terms and Conditions for Data Transmission on the format for online connection, between the fiscal flow meters of fiscal storages and the Customs Administration. All transactions (inflows and outflows) have been monitored in real time by the Customs Administration. Intra-community deliveries directly to gas stations were prohibited, and a direct online connection to the National Revenue Agency was required for all operating gas stations. In general, legal businesses benefited from these regulations. The governmental control was directed toward curbing the illegal practices in the industry.

Rompetrol Bulgaria focused on a two-pronged strategy of profitability improvement and cost control in order to adequately face the challenges of the market. Improved performance management and prudent site evaluation invigorated the Retail Network and caused organic growth in the existing points of sale structure.

Stations, end of period

(no.)

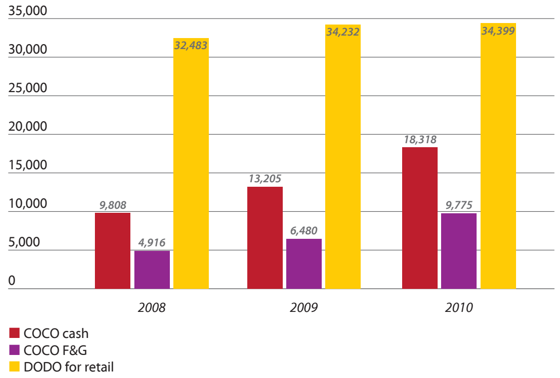


The Efix fuels were introduced by Rompetrol Bulgaria in March 2010, in combination with an effective marketing campaign. Rompetrol was the first amongst the major brands to offer a branded fuel with added value without any surcharges on the price. These steps increased Rompetrol brand awareness and market recognition.

The optimized network management and marketing have brought a 16% growth in overall Retail sales, and a remarkable 42% increase in the highest profitability channel, own stations (COCO). In 2010 all retail points of sale have registered an increase in average daily sales.

Retail sales

(tons)

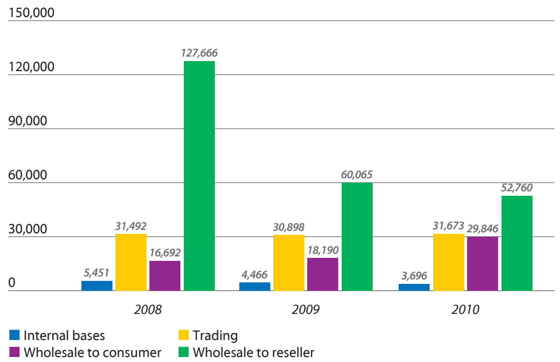


Another major event in Rompetrol Retail in the year 2010 was the introduction of the Dealer Partnership business model (CODO) in the fourth quarter. The related site management and quality of service improvements, combined with considerable cost savings will fully develop within the year 2011.

Portfolio optimization continued in Wholesale Channels with extensive client profitability management and the application of a market tailored Commercial Policy. As a result, the available fuel volumes were distributed through sales channels based on profit optimization priorities.

Wholesale sales

(tons)



The other strategic direction started in 2010 was effective Cost Management. The combination of improved cost planning, procurement, and project management were among the most important initiatives that realized savings in operating expenses. The estimated effect of these initiatives in 2011 is a 30% overall cost reduction with increasing process quality.

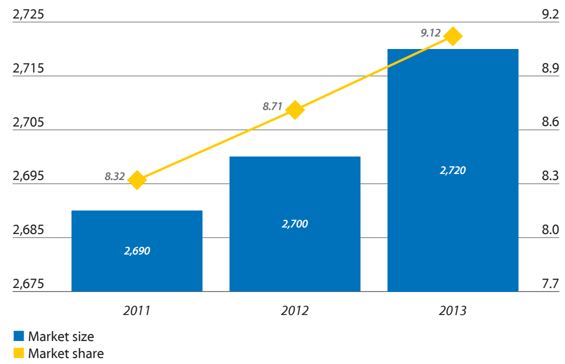
As a result of successful management strategies, the year 2010 ended with a USD 5.9 million improvement in Net Result for Rompetrol Bulgaria.

Main Priorities for 2011:

- Establishment of an Integrated Management System and ISO certification
- Full transition to CODO business model
- Outsourcing Optimization of Secondary Logistics
- Unceasing Focus on Cost Management and Cost Control
- Continuous Improvements in Portfolio and Network management
- Increased Brand Recognition and Organic Market Share Growth

Market size **Market share** (direct & indirect)

(thousand tons) *(percent)*



Rompetrol Moldova

Rompetrol Moldova was the fifth player in 2010 on the fuel market with 30 gas stations by the end of the year.

All stations are DOCO, using 2 business models:

- With fixed payment of rent (6 gas stations), used for gas stations with big efficiency potential;
- Based on profit share, using an average proportion of 25% for Rompetrol and 75% for the filling station owner. This model is the most secure, with low level of risks.

Rompetrol Moldova has sold 55.628 tons of fuel in 2010, out of which:

- Retail sales – 22.897 tons ;
- Wholesale – 32.731 tons, of which:
  a) W2R – 18.571 tons ;
  b) Sales on commission – 14.160 tons.

In 2010, Rompetrol Moldova had an increase of 114% on Retail Sales Channel and an increase of 18% on Wholesale Channel vs. 2009, which shows there are good opportunities for a future developing network.

Rompetrol Moldova made a significant extension of the gas stations network in 2010, due to the opportunities that appeared on the market.

All the fuels which Rompetrol Moldova is selling in its network, are imported exclusively from Petromidia Refinery:

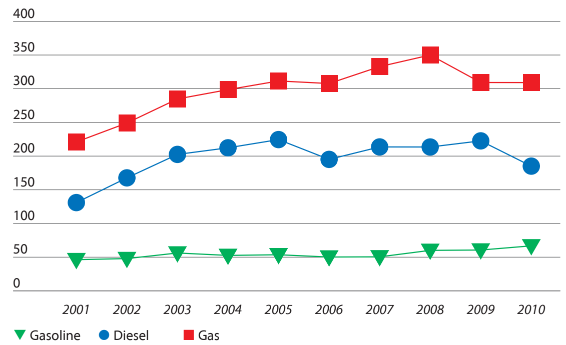
At this stage, Rompetrol Moldova develops the network in an extensive way. When the target, in number of gas stations will be achieved, Rompetrol Moldova will pass to the intensive stage, by eliminating the less efficient entities and keeping the stations with potential.

As mentioned before Rompetrol Moldova uses profit share business model, so that it shares also the Operational Expenses, 70% of them are paid by the partner station owner. Even when stations don't register profit, but loss, our partners become automatically our debtors and when the filling station register profit again, RPM deduct the debt from partner's profit.

During difficult periods of time, when sales were low, this type of model proved its benefits and our company avoided significant operational losses.

Imports of automotive fuel, 2001-2010

(UM)



Import and importers in 2010

Company	Import volume	
	(thousand, USD)	(percent)
LUKoil Moldova	118,130	31.2%
Tirex-Petrol	62,218	16.4%
Petrom Moldova	48,587	12.8%
Bemol Trading	40,951	10.8%
Rompetrol Moldova	29,817	7.8%
Other	79,273.47	21%
Total	**378,976**	**100,0%**

Types of petroleum products

Types of petroleum products	Tons	Share of oil product
A98 Alto 101	24,405	4.9%
A95 Premium 95	145,077	29.4%
A92, which:	20,314	4.1%
Petrom Moldova	6,304	31.0%
Efix 95 Rompetrol Moldova	5,201	25.6%
LUKoil Moldova	5,049	24.9%
Tirex-Petrol	3,188	15.7%
Other	573	2.8%
A80	4,343	0.9%
Diesel	186,904	37.8%
Diesel Efix	8,046	1.6%
Rompetrol Moldova	8,046	100.0%
Other types	105,129	21.3%
Total	**494,218**	**100.0%**

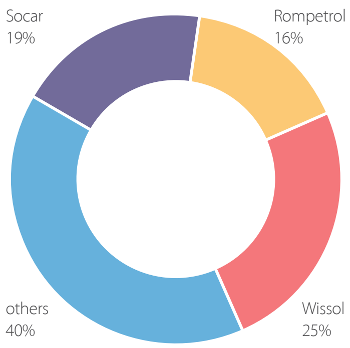
Rompetrol Georgia

A. Market /general economic conditions during 2010

General 2010 market description:

Rompetrol Georgia has positioned itself on the Georgian market as an European high quality oil distributor. Positioning itself on the third place on the market, the company owns around 16% of the market share. The main competitors in this channel are Wissol, Local Oil Company, with 25% of market share and Socar, the state oil company of Azerbaijan with 19%.

Retail Market Share



As for the market share of total imports to Georgia throughout 2010, Socar remains the leader, with 50%, out of which 40% is sold to the retail channel and 60% to wholesale.

Rompetrol Georgia is next, with 19% on imports, out of which 66% goes to the retail and 34% to wholesale. Splitting the wholesale channel, 65% goes to the reseller and 14% goes to consumer, while the rest 21% is distributed to RBI and DODO.

Changes in competition tactics:

Wissol has underwent a rebranding process and changed its logo in April 2010. It unrolled PR campaigns for advertising its new product API, which is imported from Italy, with the octane number of 95, 98 and a diesel fuel. As special clients of The Bank of Georgia, Rompetrol Gas Stations exclusively accept American Express cards on every station, whereas Wissol offers a similar option called UNICARD which enables customers to collect points for future use on various items.

2010 performance
In 2010, Tbilisi warehouse has been totally renovated and reconstructed, increasing capacity from 6,500 to 9,550 tons. After the reconstruction, Rompetrol Georgia has full control over the fuel losses that can occur during receiving and discharging of products.

Rompetrol Georgia developed a campaign, together with the local electronic company "ElitElectronics", which increased the company's cash sales by 12% in total for that period.

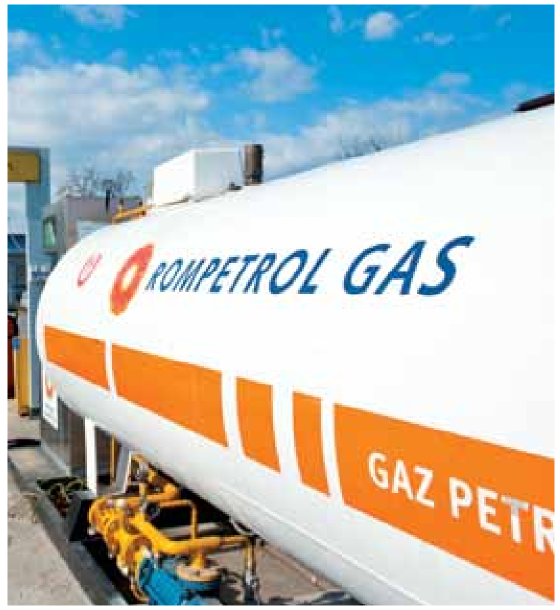
The main products that were influenced by this campaign were Euro Diesel, which increased by 30%, and Efix Premium, by 13%. Several successful campaigns ended by giving Rompetrol Georgia a positive image: a corporate social responsibility campaign named "Drawing Rompetrol", from which incomes were used to help orphanages, a corporate quality improvement campaign on quality control system, and sponsorship of the Georgian National Automobile Federation.

Key directions for 2011-2015:

According to the Rompetrol Georgia strategic development plan, main priorities are:

- Investing in owned assets, cost efficiency and increased network coverage through developing profitable COCO/DOCO stations. Increasing the number of COCO stations and developing DODO channel.
- RPG plans to orient itself on retail sales, rather than wholesale. Because wholesale to reseller channel has lower contribution for the company, we would rather focus more on wholesale to consumer customers.
- Automating all RPG gas stations, by installing a new remote control system.
- While planning the expansion of retail network, additional warehouse capacity should be considered in order to be able to keep up with the expected sales increase.
- Additionally, cost saving alternatives should be evaluated in order to reach economically beneficial decisions for the company on the long term. Rompetrol Georgia is considering to purchase a new location (outside the city limits) in order to build another warehouse. For all imported quantites within city limits, additional railway fee will be avoided and other logistic costs will decrease.

- For the next period, retaining the retail market share of 16% till 2013 is expected. 2013-2015 is targeting the 17% in retail market share.
- Launching of new products in accordance with the market demand.
- As for now, the installations of a new accounting system ORACLE is planned and in 2013 the integration of SAP.



Rompetrol Gas

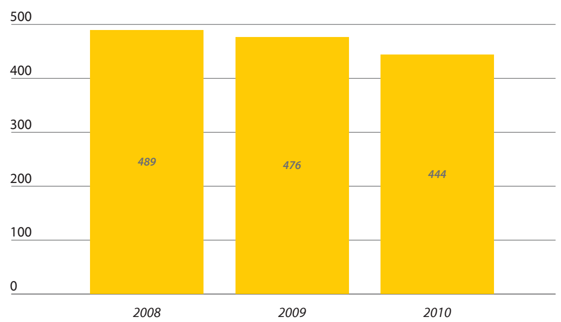
A. Market /general economic conditions during 2010

General 2010 market description
In 2010, considering the global economic crisis, the total LPG consumption in Romania has decreased by 7% compared to 2009. At the same time, Rompetrol Gas' market share in the total LPG market reached 41% in 2010, showing 2 percentage points increased compared to 2009.

Out of the 444 kmt of LPG consumed in 2010, 29% were consumed in the retail segment, while the wholesale segment represented 71% of the total consumption.

Total LPG Market evolution

(kmt)



Changes in competition tactics
During 2010, the demand for new cylinders increased significantly; there are regions in Romania where the product is sold exclusively in new cylinders, while in the rest of the country the old cylinders are losing ground day by day. The main Rompetrol Gas competitors on cylinders market have developed intensive programs for the renewal of the cylinder pools, thus becoming very aggressive on the market.

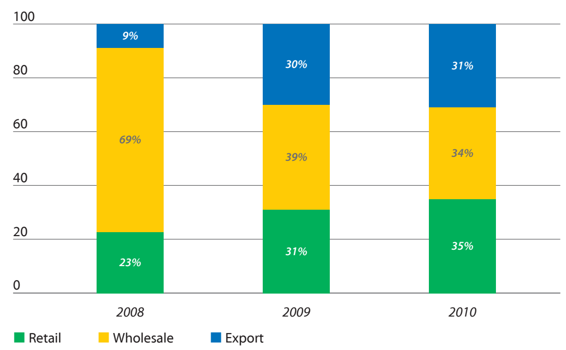
B. Key achievements in 2010 :

Consolidating of the current businesses and development of on-going projects.

Despite the market decrease and without major investments, Rompetrol Gas maintained the same level of sold volumes in 2010 as in 2009, managing to consolidate its position on the Romanian LPG market.
A well-balanced channels sales structure permitted us to be flexible on LPG dynamic markets – locally and regionally – and to obtain the maximum added value among any sales channel.

Channels sales structure

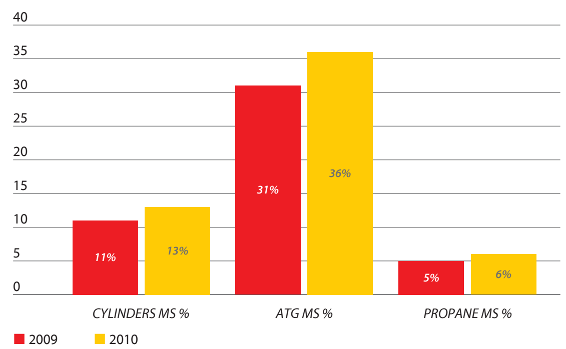
(percent)



Thus, the retail sold volumes increased by 10% in 2010 vs. 2009. See below the market share evolution for every retail channel.

Retail channels - Market share evolution

(percent)



C. Key directions for 2011-2015

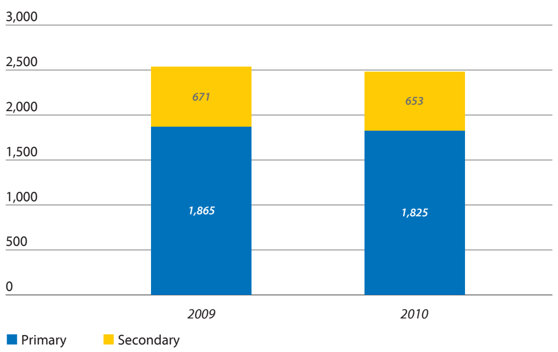
Top priorities
» Focusing on the most important TRG assets
» Integrating within/aligning with the mother company, KMG
» Increasing of market share
» Developing new products, locations, programs

Rompetrol Logistics

The sales volumes have the same structure as it did the previous year:
- Primary Distribution (railway transportation) – 74%;
- Secondary Distribution (road transportation) – 26%.

Sales Volume by Activity

(thousand tons)

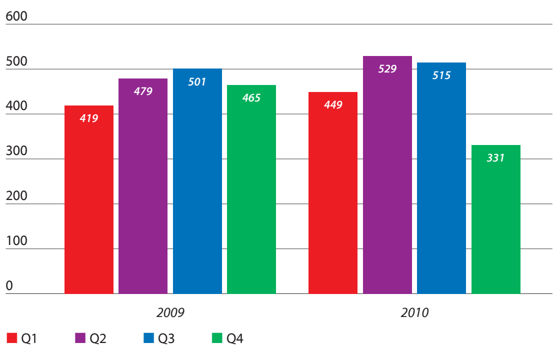


Primary Distribution

The transported volumes during 2010 slightly decreased compared to 2009 (1,825 ktons vs 1,865 ktons). The decrease, being around 2% (around 41 ktons), was mainly due to:
- Shutdown of Rompetrol Rafinare (PEM) for repairs and maintenance in October 2010;
- Outsourcing the activity to the Romanian Railway Group from the 11th of December 2010.

Sales Volume - Railway Distribution (4 Quarters Rolling)

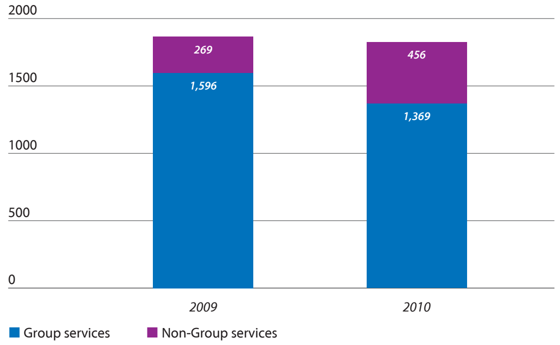
(thousand tons)



The entity managed to increased by the volumes transported for Non-Group companies with 69% compared to 2009 (456 ktons vs. 269 ktons), while the Group volumes decreased with by 14% (1,369 ktons vs. 1,596 ktons).

Sales Volume - Non Grup & Group Companies

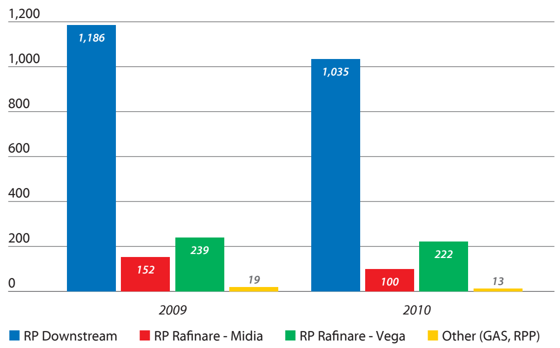
(thousand tons)



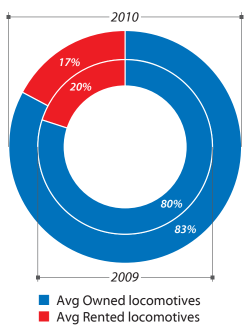
The structure for the volumes transported for the Group entities remained the same as last year: Rompetrol Downstream and Rompetrol Rafinare (Midia and Vega) being the main clients, while other small quantities were transported for Rompetrol GAS and Rompetrol Petrochemicals.

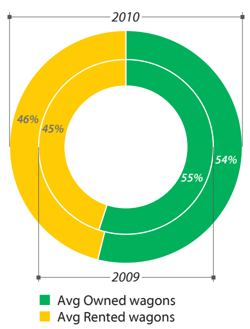
Sales Volume to Group Companies

(thousand tons)



During 2010, Rompetrol Logistics used 783 wagons (804 wagons in 2009). The fleet was structured in: 423 owned wagons (439 in 2009) and 360 rented (365 in 2009). Also, the primary fleet contained: 24 owned locomotives (24 in 2009) and 5 rented ones (6 in 2009).



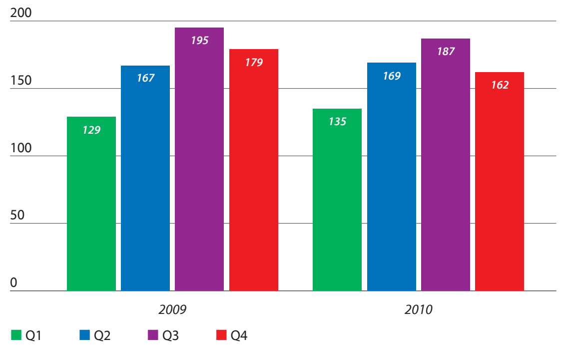


Secondary Distribution

The transported volumes during 2010 slightly decreased compared to 2009 (653 ktons vs 671 ktons). The decrease, being around 3% (around 17 ktons), was mainly due to the decrease of sales volumes for both our clients: Rompetrol Downstream and Rom Oil.

Sales Volume - Road Distribution (4 Quarters Rolling)

(thousand tons)

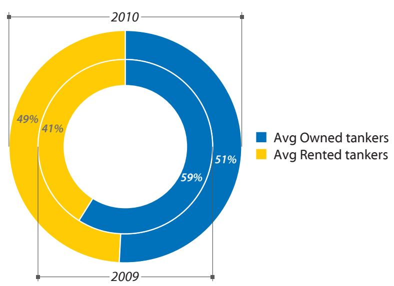


The structure per channels remained the same as last year: COCO (66%), Wholesale (13%), Express (8%), Internal Bases (8%), DODO (3%) and Cuves (2%).

Sales Volume by Channels

(thousand tons)

During 2010, Rompetrol Logistics used in average 83 tankers (71 tankers in 2009). The fleet was structured in: 43 owned tankers (42 in 2009) and 41 rented (29 in 2009).

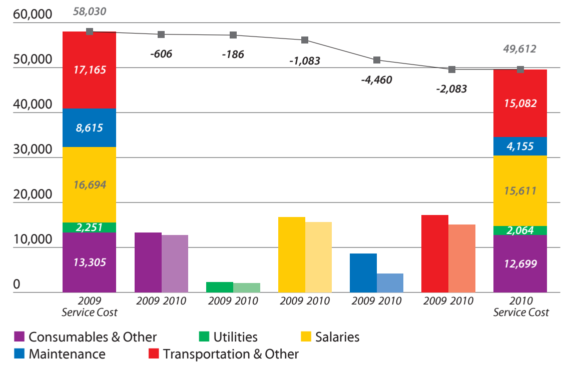


Service Cost

The Service Cost decreased from USD 58,030 thousand in 2009 to USD 49,612 thousand in 2010 (about 15% - USD 8,418 thousand). The decrease is in line with the transported volumes variance. The costs that had a significant impact in this were: Transportation, Maintenance and Salaries.
In 2010, a restructuring plan was launched and most of the maintenance services to depots was postponed and then cancelled therefore less maintenance expenses occurred. Salary expense was linked to headcount decrease, while the restructuring plan and transportation expenses are linked to decrease of demand from Rompetrol Downstream and Rom Oil.

Service Cost Structure & Variance

(thousand USD)



The structure remained the same as the prior year: salaries (31%), transportation (31%), consumables & other (26%), maintenance (8%) and utilities (4%). Also each type of cost decreased: consumables & other with 8%, utilities with 6%, salaries with 52%, maintenance with 12% and transportation with 15%..

Summary 2010 and 2011

During 2010 the entity started a restructuring plan as per Group strategy:
- Handling Operations and Technical & Maintenance were transferred to Group companies (Rompetrol Rafinare and Rompetrol Downstream) from Q3 2010;
- Non Core activities (Metallic Manufacture, Service Auto) were restructured in Q4 2010;
- Primary Distribution was outsourced by Rompetrol Group to The Romanian Railway Group SA (Non Group company) from December 2010. All the wagons and locomotives owned by Rompetrol Logistics were sold and employees transferred to The Romanian Railway Group SA;
- Shipping Agency activity was transferred to Byron Shipping SRL (Group company) from March 2011;
- Secondary Distribution was outsourced by Rompetrol Group to Transpeco Logistics & Distribution SA (Non Group company) from April 2011. All the trucks and tankers owned by Rompetrol Logistics were sold to Transpeco Logistics & Distribution SA and for those in leasing, the contracts were closed.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4. Business Development

Development

Rominserv has started in 2010 an important 2 year programme, meant to achieve The Rompetrol Group's strategic goal of upgrading Petromidia Refinery capacity to 5 million tons crude oil.

Marketing

Despite difficult economic environment and rough market conditions, The Rompetrol Group managed to use both conventional and non-conventional methods to promote its affiliated brands. Thus, using a limited budget, the Group's marketing department had to find solutions to keep a high level of product awareness and maintain the top image connected to the Rompetrol brand.

At the same time, the 2010 Corporate Campaign of The Rompetrol Group brought back the Rompetrol values to the attention of our customers. The campaign wanted to bring in front the corporate social responsibility platform "Together for each and everyone", emphasizing the following values: the passion to make things evolve and the involvement in the community. Thus, Rompetrol is making a statement, about the values we believe in, we appreciate and support. The campaign's objectives were to consolidate our corporate name on all the business segments, the growth and consolidation of the image indicator, the enlargement of our brand notoriety.

Also in 2010, The Rompetrol Group was awarded the "Consumer Superbrand Award 2010", within "The Tribute Event 2010" Gala. This is the second consecutive year that Rompetrol is rewarded with the Superbrands prize, after the one received for the marketing activities related to 2008 and 2009. This is a major accomplishment, considering the fact that this prize is given only to the most powerful brands on the market.

The same year brought an important shift in the Rompetrol network development strategy by identifying strategic investment & development groups (IDG), who are willing to invest into new Rompetrol locations development. This business model allows Rompetrol to expand its market presence with minimum capital investment, while securing fuel volumes and brand image integrity into the market.

In order to capitalize efficiently all IDG opportunities, Rompetrol has reevaluated resources allocation, creating a dedicate staff structure which covers main franchise business aspects: development, construction, IT, marketing and operations.

Two major contracts have been signed with important IDG and other initiatives have been identified and explored as well. At the end of 2010 two locations have been already opened and 30 new ones are planned to be open during 2011.

In August 2009, The Rompetrol Group launched the Litro brand – a new premium fuel station concept. The project, initiated in August 2007, is the result of an intensive activity of research and identification of customer needs, as well as related technical solutions. It supports the strategy regarding the consolidation and development of Rompetrol stations network at a national and international level, offering premium services and products in a distinct architectural ambiance, characterized by innovating solutions and advanced technology. In addition to the modern facilities already existing in the Rompetrol stations (Fill&Go, restaurant), Litro stations are provided with modern equipment for the reduction of energy consumption, of fuel vapor emissions in the air, as well as additives for the reduction of toxic emissions.

Efix – This is the first fuel brand of The Rompetrol Group, both from the point of view of the time when it was launched on the market, and of its sales percentage, providing engine protection and consumption savings to the consumers. Continuing the international expansion, 2010 was the year when the Efix brand was successfully launched in Bulgaria. The market had a positive reaction, with an increase within that segment, consolidating the customers' option for Rompetrol network. In Romania and Moldova, the communication campaigns continued with very good results. At the end of the year, Efix is present in 4 countries: Romania, Moldova, Georgia and Bulgaria. In September 2010, Rompetrol launched the first viral campaign in its history, for the Efix brand – Injectors Concert. The viral campaign was a success, receiving 3 awards at Internetics 2010: the best viral of the year, the best automotive products site and bronze for the campaign sites general category.

Fill&Go – This is the brand of services offering customers the possibility to buy fuels and other products from stations for their personal use or for the company they work for. The business segment represents the highest percentage of the brand sales. 2010 is considered a consolidation year for Fill&Go. At the end of the year, the brand is offered to the business segment in 4 countries: Romania, France, Georgia and Bulgaria.

Alto101 – Alto 55 – Alto is a premium fuel line, especially created for the drivers who expect maximum performances from their cars. Irrespective of the type of engine used, whether it is diesel or gas, Rompetrol offers Alto 101 and Alto 55, both fuels being prepared according to the highest quality standards, at Petromidia refinery. Having a high octane/cetane number, Alto range provides smooth vehicle starting, even idle running and no vibrations at high RPM, as well as quick engine reaction under difficult conditions – overtaking, riding up a slope, high load. Due to its high purity degree, it ensures complete burning, high calorific value and, implicitly, lower engine wear and tear.

Ecopark – This is a new concept and brand, launched and communicated in 2010 by Ecomaster Ecological Services, the waste management company of TRG. Ecopark stands for the Industrial Ecological Park, developed near Ploiești, that integrates 3 services from the company platform: COLLECT – TREAT – DEPOSIT, in order to provide a complete waste management to the Romanian hazardous waste generators.

Ecopark offers modern & compliant facilities for waste treatment and final disposal, with an initial capacity of 30.000 cubic meters, out of the total projected capacity of one million cubic meters. The total investment will amount USD 12 million in the next years.

Eurobitum – A range of modified with polymers road types of bitumen from Rompetrol. The products have resistance and reliability much over the usual road bitumen, used in manufacturing asphalt mixtures, and thus proved a warrantee for durability of the asphalt covering. Eurobitum was launched in 2007, after a USD 7 million worth investment for building the first unit of road bitumen modified with polymers in Romania, its basis being a technology of its own of the bitumen enrichment with polymers.

Research has been done, that proved that by applying this process, the road bitumen gains:

- increased resistance to temperature variations;
- long life period;
- better resistance to deformations and wear;
- capacity to reduce the noise in traffic.

Propane Power Station – It is an energy unit, based on propane from the company Rompetrol Gaz, especially designed for professional users, but also for home users, which provides an integral independence from other energy sources, an increased permanent yield, which is multifunctional and ensures an unpolluted environment with minimal maintenance costs, because the unit does not contain impurities and corrosive elements. The Propane Power Station system could be used for sourcing consuming devices with multiple applications – it could be composed of one or more propane tanks, depending on the necessary amount of energy.

Injection Solutions, Extrusion Solutions, Blow Solutions
In 2007, Rompetrol Petrochemicals – the only polypropylene and polyethylene manufacturer in Romania and one of the most dynamic and innovative distributor of polyolefin products – has repositioned itself from a raw materials producer into a partner, offering integrated solutions, adapted for its customers. This new strategy meant a process of customers' knowing, of the company necessities and possibilities in order to further create adapted solutions and offer consultancy and technical support. Thus, providing efficient solutions for every method of processing (Injection Solutions, Extrusion Solutions, Blow Solutions), the company had readapted and reorganized its products portfolio in accordance with the market demands

and had positioned itself as a reliable partner for the companies, manufacturers of plastic masses. Solutions offered for customers are based both on its own production and on imported products, everything depending on the customers' needs and demands.

Carflux – Using the Rompetrol Rafinare expertise in fuels, Rompetrol has created in 2010 a range of engine additives, meeting the drivers' needs. Speaking about gasoline or Diesel, about protection, power, clearing, reduction of fuel consumption or about low temperatures – the Carflux range represents the solution for improving the engine performances and prolonging its lifetime.

Euroizolir – A complete range of products for waterproofing, on bitumen basis, containing bitumen membranes, bitumen shingles, asphalt cardboard and bitumen primers.

Vegasolv 509 – represents the first product from a future range of solvents and lacquers. Vegasolv 509 is a solvent for paints, enamels and primers on oil and alkyd resins basis. This solvent is a product based on white-spirit, an advantage reflected in its evaporation grade. It also helps the efficient paint mixing, which lays easily, it degreases and is also used for maintenance of painting equipment.

Car Glance – It is the Rompetrol brand for the windshield fluid available in our own gas stations network. Developed in 2008, the product contains anionic surfactants providing an efficient clearing, protecting the washing system against corrosion, in winter version – down to -20ºC.

Ardent and Ultrafoc – Two products of the same utility, namely liquid for fire lighting, but having different destination. Ardent is ideal for barbecues and chimneys, while Ultrafoc is recommended for fire lighting in heating systems based on solid fuel and for filling illuminating lamps based on liquid fuel. Both products are recognized for their advantage of being a rapid, easy and clean solution.

Ecomaster – Supplier of integrated services in the area of industrial waste management, providing services like PLAN, COLLECT, TREAT, DEPOSIT, CLEAR.

In 2011, the company will also continue to offer innovative products and services, showing responsibility towards the consumer and the environment, were we perform our activity.

Rominserv

Key achievements in 2010

- Rominserv has started in 2010 an important 2 year program, meant to achieve The Rompetrol Group's strategic goal of upgrading Petromidia Refinery capacity to 5 million tons crude oil.
- Amongst the projects included in this program, two of them - Petromidia Refinery Major Turnaround (scheduled every 5 years) and Petromidia FCC Revamp – were successfully completed in 2010 and are considered projects with outstanding particularities.
- Refinery Turnaround had a calculated planning, in order to complete a large amount of activities in a small amount of time. A superior management of costs has lead to savings of USD 6.4 million, from the Turnaround budget of USD 38.9 million, while the duration was reduced from the planned 42 days, to 39 days.
- FCC Revamp Rominserv had a daring technical approach, consisting in the replacement of a fully assembled 220 ton FCC Reactor. This led to a much shorter plant shutdown time. It is also worth mentioning that this approach was a premiere for Romania.
- In line with the above mentioned program, during Turnaround, some other important activities (such as tie-ins' and piping replacing/relocation, new flare system preliminary works, Claus Unit revamp – lines B, C & D) have been carried out, preparing the conditions to finalize second stage of the program at the end of 2011, as scheduled.
- During 2010, Rominserv has successfully completed 66 projects, amounting to USD 87.6 million. Most of them are plant investments and facilities in the oil refining and petrochemical sector.
- Rominserv has won, at the end of 2010, an important tender organized by Brebu village for Building Works, in order to implement a new drinking water system in Brebu, Aluniş, Varbilau and Slănic villages from Prahova county. The contract, estimated at USD 4 million was signed and the works – that include 39.2 km of iron and PE pipes – are to be finalized in 3 years time.
- Another important non group contract, with a value of approximately USD 2.1 million, was signed in 2010 with Prio Extraction – part of the Portuguese group Martifer SGPS - for building four vegetable oil storage tanks with a capacity of 4,000 cubic meters each. Works were started in May 2010 and will be completed in April 2011.
- As a result of better management and shifting focus from reactive activities to preventive and predictive approach, maintenance related costs on Petromidia refinery decreased in 2010 by 19% compared with 2009, while mechanic availability increased by 1,02%, allowing refinery to process bigger quantity of oil and to reduce operational costs.
- Rominserv Valves Iaifo branch has continued to diversify its range of products and started to produce new globe valves PN 400, DN 25-50 for power stations. During 2010 Rominserv Valves became the supplier of GEA Grasso Group - the biggest stock listed engineering company in Germany - for complex cast parts which are produced in Zalău foundry.
- Together with the positive results obtained on all projects handled, Rominserv managed to increase its sales, achieving in 2010 a turnover of USD 216.3 million, an increase of 22.5% compared to the last year, and 2.1% over the budgeted turnover.

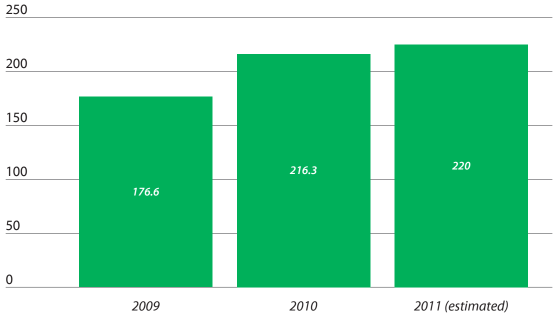
Main Objectives for 2011

The main objectives of Rominserv in 2011 include the completion of "Package 2010", which will upgrade Petromidia Refinery capacity to 5 million tons. The program comprises nine projects, out of which one (FCC Revamp) has been completed within 2010. The core of the program is represented by Mild Hydrocracking and New Hydrogen Plant projects, scheduled to be completed during Q4-2011. For this program Rominserv, as a General Contractor, provides technical and project management expertise and integrates the services provided by various subcontractors. Apart from the "Package 2010", other 56 projects will be developed during 2011.

- An important project in 2011 will be the 2 weeks turnover of Petromidia plants, scheduled in September/October, consisting in changes of catalysts, recertification of due equipment and integration of new projects.
- Taking into consideration the 2010 Turnaround and its effects, Rominserv's target is to keep the same level of mechanic availability in 2011 as in the previous year.
- Another important objective for 2011 is to go on improving the maintenance program, with focus on planning and predictive/preventive maintenance. At the same time Rominserv, will increasingly apply alternative solutions for testing and repairment of equipment without stoppage of the plants, in order to further reduce stoppage time of plants.
- Rominserv Valves Iaifo will continue to increase its range of products with new products, ball valves with fire proof in the range of DN 2-6 inches and DN 50 – 200 mm being schedule for homologation in 2011
- Investments of USD 287.000 will be made by Rominserv Valves during 2011 for compliance to the Environment Program.
- The turnover of Rominserv Valves is targeted to increase with 27% in 2011, from USD 6.5 million to USD 8.3 million, with the support of sales on cast parts, and also increasing orders from existing foreign partners due to recover of Western European economy. Higher sales on Kazakhstan market are anticipated and also an increased contribution of valves automation market, due to an agreed partnership with a big actuators producer that is to be concluded in 2011.
- Rominserv has budgeted in 2011 a turnover of 288 mil USD, an increase of 33% compared to 2010. The optimization and cost efficiency process started in 2010 will continue by reducing GA costs, along with the renegotiations of contracts with suppliers for better prices and payments terms and the reorganization of some departments to achieve optimized processes and flows.

Net revenues 2009 vs. 2010

(million USD)



Rominserv Kazakhstan

The acquisition of the Rompetrol Group by KazMunayGas Group (KMG) in 2007 has brought up opportunities for the services companies within the Group, especially Rominserv, the general entrepreneur, capable to provide maintenance services as well as to deliver cast and iron valves produced by its branch in Romania, Rominserv Valves.

Therefore, a Rominserv subsidiary was set up in Kazakhstan, at the end of 2008, under the name of Rominserv Kazakhstan LLC. The strategic goal of Rominserv Kazakhstan LLC is to become a strong and competitive local contractor, furnishing EPC project services and delivering "turn-key" projects to any client operating in oil, gas or petrochemical industries in Kazakhstan.

The main strength of Rominserv Kazakhstan comes from the large possibilities to utilize and turn into value the capabilities and expertise of its mother company, Rominserv-Romania

with more than 25 years of international experience in oil & gas projects as EPC contractor, as well as the expertise in the entire Rompetrol Group which currently has downstream (retail) operations in 6 European countries.

In 2010, Rominserv Kazakhstan LLC implemented two major capital investment projects in Atyrau Refinery belonging to KazMunayGas Group (KMG) amounting to approx. USD 85 million, namely:

- Reconstruction & Modernization of the Atmospheric & Vacuum Distillation Units which is under final pre-commissioning stage, the handing over being scheduled for April 2011;
- Reconstruction & Modernization of Delayed Cooker Unit (that includes also Revamp of the existing Waste Water Treatment Facility), within completion date scheduled for May 2011.

The two projects represent a first phase within a larger KMG strategic capital investment program of upgrade and development of the Atyrau Refinery aiming to increase the annual processing capacity from 3.3 to 5 mil. tons and improve fuels quality according to the international standards.

To this purpose, Rominserv Kazakhstan LLC, in cooperation with KBC Process Technology Limited-UK, has provided Atyrau Refinery with a Technical Survey and Study for Refinery Technological Modelling & Expansion Configuration Selection amounting to approx USD 0.7 million.

Starting November 2010, Rominserv Kazakhstan LLC has started providing technical supervision services to Aktau Bitumen Project, belonging to Caspi Bitumen Co., amounting to approx. USD 0.5 million/year.

Also, Rominsev Kazakhstan LLC has qualified, along with Tenghiz Chevron Oil-TCO (one of the largest oil operating company in Kazakhstan), as eligible contractors for engineering services and construction works in up-coming tenders.

Prospects for development of Rominserv Kazakhstan LLC:

- Participating in the construction of Aromatics Production Project within Atyrau Refinery Platform;
- Participating in the implementation of Hydro-cracking Project at Atyrau Refinery;
- Setting up a collaboration with the National Institute for Oil & Gas from Kazakhstan (KING) on engineering activities, for the implementation of the modernization projects of Pavlodar Refinery;
- Setting up partnership with the National Institute for Oil & Gas from Kazakhstan (KING) on EPC contractor potential jobs to Kashagan, Tenghiz, Karaceaganak projects;
- Conducting technical & technological audits in Shimkent and Pavlodar refineries, in view of elaborating of internal procedures and norms for turnarounds and maintenance.

The total turn-over of Rominserv Kazakhstan LLC at the end of 2010 amounted to USD 51 million (non-audited results).

Rompetrol Drilling and Workover (DRW)

With more than 30 years of experience in providing low-cost equipment and over 550 wells drilled in Syria, Algeria, Egypt, Iraq, Jordan, Libya, Sudan, Greece and over 180 workovered wells in Libya, ROMPETROL S.A.'s Drilling & Workover Division has provided a balance between the high technology used and highly qualified and long experienced operative crew.

Based on its project management experience, accumulated from managing projects in some of the world's most difficult locations, DRW has the ability to mobilize resources for almost any oil and gas project around the globe. With its blend of petroleum services expertise and international management skills, we have built a strong reputation for quality work in Eastern European markets, South America, North Africa and the Middle East.

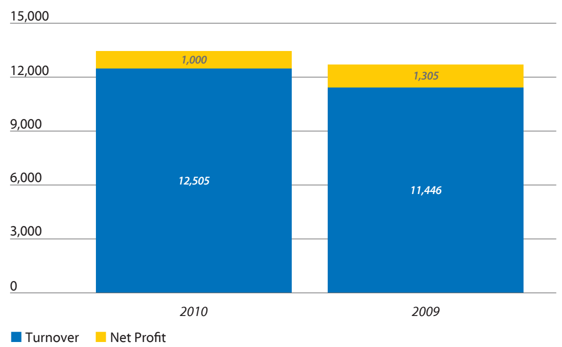
DRW has amongst the best specialists in the industry and we maintain this with constant training to make sure they have the knowledge, expertise and the experience required for doing the job right.

In 2010, Drilling Division has focused on continuing and developing the business relations with the traditional clients, making efforts to improve our performance and to earn new clients.

In 2009, the CAPEX program continued in 2010 with investments in improving our operational support, with a 78% implementation ratio (1,184 thou USD actual, vs. 1,514 thou USD budgeted), while the turnover achieved in 2010 registered a 9% increase against 2009, while the net profit was 23% lower than 2009 figures.

Turnover and Net Profit 2010 vs. 2009

(thousand USD)



Drilling Division 2010 main achievements

- Signing a service contract with OMV PETROM with the main objective to perfrom mudlogging services in connection with the client's drilling program. The contract was signed on August 1, 2010 and has one year validity with the possibility to extend it for one additional year;
- Closing a Consultacy Agreement with Zeta Petroleum (UK), in view of providing Drilling Supervisor for a well in Romania, Jimbolia 1 well;
- Increasing number of engineers providing consultancy services for different operators;
- Following July 2010 Germanicher Lloyd surveillance audit in Libya , extended the Integrated Management System certifications (ISO 9001:2008, ISO 14001:2004, OHSAS 18001:2007;
- Extending the registration and the license of Rompetrol Libyan Branch up to March 1st 2013. Registration Certificate issued on 12.07.2010, under Resolution no. 337 of 2010.

Drilling Division 2011 business targets

- Business development through the acquisition of a new drilling rig;
- Re-entering the market of drilling services by winning part of the OMV drilling bid in January 2011, or contracting the rig overseas;
- Increasing mudlogging activity by the acquisition of a new unit;
- Fully recovering after the Libyan crisis;
- Developing the actual business relationships and resuming the ones put on hold due to the political situation existing in Libya;
- Increasing financial revenues through development and diversification of offered services;
- Maintaining all Integrated Management System certifications.

ECOMASTER

2010 Key Achievements

- Launching the Ecopark, the industrial ecological park designed to COLLECT – TREAT – DEPOSIT the hazardous waste on the Romanian market;
- Developing of National Partnership Program with regional waste collectors;
- Obtaining Ecopark QHSE conformity (Integrated Environment Authorization);
- Business optimization & company reorganization (Petromidia branch of Ecomaster integrated in Rompetrol Refining).

Ecopark & Partnership Program development

Ecomaster, the ecological services company of the Rompetrol Group, has launched in 2010 Ecopark, an environmental project for the entire ecological Romanian market.

Ecopark, developed near Ploiesti, is based on a "one-stop-shop" approach, by integrating the COLLECT, TREAT and DEPOSIT services from Ecomaster service platform, in order to ensure

a complete hazardous waste management for the waste generators.

In 2009-2010, Ecomaster invested USD 2.5 million in Ecopark's infrastructure, for the start up of the first storage micro-cell of 30.000 cubic meters. The total designed capacity for Ecopark will be of 1 million cubic meters and total investment will reach USD 12 million in the next years.

In 2010, the company has signed contracts with 20 large waste generators for the services provided by the ecological park. Moreover, in the National Partnership program, Ecomaster has signed partnerships with 15 regional collectors for waste depositing to Ecopark.

Ecopark's development represents a milestone for the Romanian environmental market, because of the shortage in existing compliant disposal facilities and due to the modern & safe depositing condition provided at Ecopark. The investment was appreciated by top level environmental authorities, major waste generators, mass-media, both at the Ecopark launch and also by voting Ecopark as the "Best hazardous waste project" at the Infomediu Europa Gala 2010.

Ecopark QHSE conformity

Ecomaster obtained in 2010 the Environmental Integrated Authorization IPPC for Ecopark activity, as it owns competitive monitoring and control systems: individual micro-cells with impervious perimeter dikes, sensor system for electronic control of the imperviousness system, permanent monitoring program of environmental factors in the neighboring area, controlled collection of all water generated on site, minimizing the amount of rainwater by use of protective cap, installing a leachate collection system. Ecopark operates with strict procedures for monitoring and protection of environmental factors. Furthermore, Ecomaster has made a "Zero point" study on the environmental factors in Ecopark neighborhood before starting the activity, in order to monitor permanently any significant change in water, soil, air, during Ecopark functioning.

Ecomaster also managed to obtain environmental permits for hazardous waste treatment, wastewaters processing and soil decontaminations, as well as permits to collect and transport hazardous and non-hazardous waste.

Business options analysis & company reorganization

In order to optimize its activities, the Rompetrol group management decided in 2010 the integration of Ecomaster's activities on the Petromidia platform in Rompetrol Refining (RR) Constanţa, this reorganization process leading to more efficient operations both for the company and also at the Group level.

2011 Key Objectives

- Applying TREAT capabilities in large treatment and decontamination projects
- Reviewing environmental permit to include new treatment activities
- Ecopark development (increase revenues and new investments)
- Strategic partnerships to increase market share and penetration in large environmental projects

TREAT capabilities in large projects

The treatment technologies and know-how developed by Ecomaster in the last years permitted the processing and neutralization of more than 160,000 tons hazardous waste until now. Ecomaster intends to implement TREAT capabilities in further group or non-group large decontamination projects, for budgeted revenues of more than USD 600,000.

In this respect, in 2011 Ecomaster has foreseen the review of the Environmental Integrated Authorization, for introduction of additional treating technologies and activities at Ecopark.

Ecopark development

In 2011, Ecomaster intends to invest another USD 2.14 million, 25% in developing the second microcell for waste depositing and the rest for endowment of a TREAT area at Ecopark, in order to ensure in 2011 the proper conditions for collecting, treating and depositing of more than 35,000 tons from the waste on the market.
Furthermore, Ecomaster has high interest in developing strategic partnerships with important regional market key players, in order to strengthen the technological capability of the company.

Main financial indicators

(USD)

	2009 Actual	2010 Actual	2011 Budget
Gross Revenues, out of which:	10,010,824	4,408,791	6,132,503
GROUP	8,993,482	3,759,704	-
NON-GROUP	1,017,342	649,087	6,132,503
Net Revenues	10,010,824	4,408,791	6,132,503
EBITDA	1,713,117	(1,934,332)	1,676,833
EBIT	1,166,495	(2,535,887)	1,264,861
Net Result	953,502	(2,832,612)	1,047,498

Rompetrol Exploration and Production

Exploration and Production division focused its strategy on upgrading the current leads and prospects portfolio estimated to value over 100 MM bbl prospective resources, based on seismic processing and interpretation.

Another objective in 2010 for the Exploration & Production Division was to attract new partners with financial potential and technical capabilities in the development of ongoing and prospect projects. In this regard, in October 2010, a Data room was opened for a 6 month's session, the company establishing contacts with more than 10 companies.

The total investment made for Rompetrol exploration blocks in 2010 reached USD 2 million, consisting in seismic processing and acquisition of geological studies.

2010 Key Achievements

- The Rompetrol Group continued the exploration activities on Satu Mare, Zegujani, Greşu, Nereju and Focşani blocks, where the company is operator starting 2004;
- On Greşu & Nereju blocks, in 2010 the E&P division concluded a Joint Study Agreement (JSA) with TOTAL E&P (France), identifying a high prospective area;
- On Focşani Block, the division reprocessed 2D seismic data covering a distance of 100 / 500 km. Based on the result, it will perform a Geologic and Geophysics Report "Hydrocarbons Discovery Potential in Focşani Block";
- In the Satu Mare block, an exploration program in partnership with Winstar Resources (Canada) was performed. On May 2010 the Phase 1.2 was completed by performing "The Eastern Panonnian Basin Study", a Regional geological Report. The regional study highlighted two prospective areas ready to be explored by drilling: Mădăraş with oil potential and Moftinu with gas occurrences. 109 Mădăraş Well Drilling Project was implemented. Expected Spud date Q2 2011.
- Zegujani Block – During November-December 2010 period, Rompetrol successfully completed a survey campaign comprising over 120 km 2D detailed seismic program, focused on 4 (four) most prospective areas.

2011 Key Objectives

- Finding and concluding Farm-in Agreements in all remaining exploration blocks: Zegujani, Greşu, Nereju and Focşani;
- Successfully drilling of 109 Mădăraş well and find commercial oil accumulation in Lower Miocene formation;
- Completing seismic interpretation on Zegujani block and defining 2-3 drillable low to medium risk prospects ready to be explored by wells in 2012-2013;
- Defining leads and prospects in Greşu, Nereju and Focşani. Preparing geologic/drilling projects for minimum 2-3 prospective areas: "Triangle zone (Nereju), Shallow formations in "Trust Belt Fold" (Greşu) and Pliocene Miocene gas accumulations (Focşani);
- Identifying new production opportunities in the Romanian mature oil fields or developing production projects in the Caspian Region, Middle East and North Africa.

Rompetrol Well Services

2010 Key Achievements

- Revenues increased by 10% compared to 2009;
- The Kazakhstan Branch started the cooperation with KMG E&P companies;
- Investment worth USD 1.8 million to improve cementing, sand control and nitrogen services.

Rompetrol Well Services (RWS) is one of the leading companies on the specific market segment in Romania, offering a wide range of services for oil and gas wells: cementing, consolidation and sand control services, stimulations, testing, slick-line, casing running operations. The company has operations in other countries located in Eastern Europe and Central Asia.

On an international level, 2010 marked a significant increase of drilling services for oil and gas production activities, especially in the second half of the year, linked to the crude oil price increase. Although in Romania the increased demand for well services was not significant, Rompetrol Well Services succeeded in capitalizing on the greater volume of work and recorded revenue and operating profit growth of over 10% compared to the previous year.

The overseas activity was strongly influenced by the collaboration of Kazakhstan Branch of the Rompetrol Well Services with KMG E&P companies for their upstream operations in the West Kazakhstan regions.

The company recorded in 2010 total revenues of almost USD 25 million, an operational profit (EBITDA) of over USD 7.3 million and a net profit of over USD 3 million.

RWS continued its technologies and equipment modernization program with the aim to achieve the performance standards of the multinational well services companies by the year 2014.

In 2010, the strategy of investments was focused on the upgrade of cement slurries mixing and pumping, sand control and nitrogen services. A state-of-the-art cement mixing and pumping equipment has been added to the company fleet, enabling the provision of very complex cementing services.

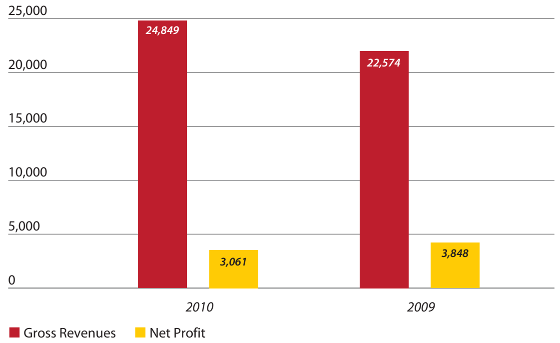
A new mobile water filtering system and a new Sand Blender were put into operation, enabling RWS to provide high standards sand control and acid treatment services. Four new units for transport and supply of liquid nitrogen and acids, built according to the latest European environmental standards, were also put into operations in 2010.

In 2010, the company continued the development of its qualified personnel: a total of seven speciality training courses were conducted during the year involving over 70% of the operating staff.

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

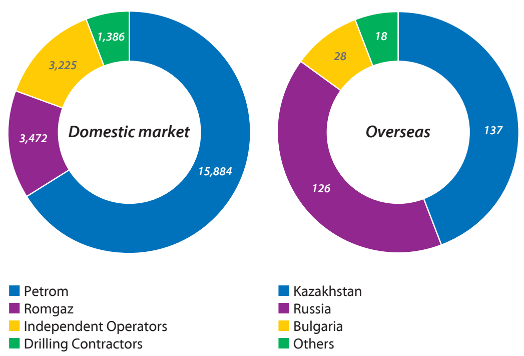
Evolution of the main Financial figures

(thousand USD)



Clients Structure

(thousand USD)



2010 Key Achievements

- Improving cementing technology by implementing automatic density control for cement slurry preparation; continue technological improvement for sand control, slickline and testing services;
- Expanding sales of well services in Central and Western Europe;
- Consolidating operation capability in Kazakhstan to achieve a total capacity of 8/10 equivalent cementing jobs per month;
- Completing the Investment Plan of USD 3.9 million .

The year 2011 will probably record an oscillating evolution of the well services market in relation with the evolution of crude oil prices and oil demand in the emerging markets.

In this market environment, the company will focus on the improvement of operating profits by technological development and process optimization, consolidation of domestic market and development of the Kazakhstan Branch. Through joint operations agreement with major upstream services companies, RWS will seek to take advantage of new business opportunities in Central and Eastern Europe. The investment program will consist of consolidation of the operational fleet by increasing the capacity and improving the equipment performance.

Rompetrol Quality Control

Rompetrol Quality Control – RQC – the laboratory division of The Rompetrol Group, is one of the leading companies on the domestic market of laboratory testing. Since its establishment in 2004, RQC constantly supports the effort of its clients (both companies within the Rompetrol Group and third-party customers) to identify and implement safe and efficient methods to protect the environment and ensure the product quality.

Regardless of the economic difficulties caused by the financial crisis, the year 2010 reflects a positive trend of the company concerning both the development and improvement of its business activities, as well as its financial results. RQC has managed to keep its major clients and attract new ones, even if the objective of every firm confronting such unfavourable market conditions was to reduce the costs, including the ones related to laboratory analyses.

Major achievements in 2010

- Entering a new market niche and implemented new types of analyses according to the specific legislation and clients needs;
- Turnover increase and business consolidation;
- Obtaining excellent scores by RQC's laboratories through the participation to various international inter-laboratory proficiency tests.

In 2010, RQC continued to develop its business activities by implementing new types of analyses and acquiring the appropriate certifications, in order to meet its clients changing needs and according to the specific Romanian and European legislation:

- stability determination of diesel oxidizing (Rancimat method)
- ethanol content determination from gasoline
- manganese content determination from gasoline
- bioethanol analyses (alcohol content, acidity, metals, non-volatile substances content, mono-saturated alcohols C3-C5 and methanol)
- coal analyses (power, humidity, volatile, ash, sulfur, metals).

This was added to the wide range of analyses previously performed by RQC throughout time, which include:

- Complete oil products analysis (crude oil, gasoline, diesel oils, LPG, kerosene, petroleum cuts, coke and petroleum sulphur, ecological fuels - biodiesel and bioethanol, bitumen, etc.)
- Complete water analysis (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 analysis (industrial soils, agricultural soils, and industrial mud)
- Complete air analysis (physical and chemical toxic substances from the working places air and from protected areas by determining the corresponding concentrations)
- Explosion metering analysis (determination of explosion hazard potential when working with open fire in industrial spaces and closed vessels)
- Medical and bio-toxicological analysis (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 labour protection norms)
- Analysis of weather factors, environment and specific microclimates
- Chemical analysis on metal materials

As a major achievement in 2010, RQC has entered the market of coal laboratory analysis through cross-checks and an audit process. The specific analyses for coal (power, humidity, volatile, ash, sulfur, metals) are main analyses used in the calculation of combustion power and gas emission control in the atmosphere. The entrance to this market niche has contributed to the increase of the revenues obtained from third-party customers and consolidated our market share.

The accuracy of the processes and analyses performed is confirmed by the certifications RQC obtained and has managed to maintain, creating the tools to enlarge the portfolio of third party customers and consolidate the company's position on the specific market:

- RENAR - Romanian Accreditation Association. All RQC laboratories are accredited according to the standard SR EN ISO 17025:2005, a certification granted by RENAR, the only institution at national level certifying the standards of laboratory activities. Hence, analyses performed by RQC are acknowledged in over 70 countries signers of the agreements for international acknowledgement (I.L.A.C, M.L.A., E.A.) concluded by RENAR;
- Germanischer Lloyd (2008) certified RQC for the Integrated Management System: Quality (ISO 9001), Environment (ISO 14001) and Workplace Safety (QHSAS 18001)
- AFER - Romanian Railway Authority – licenses for railway products trials (diesel, oils and environmental parameters)
- ISCIR - Romanian Inspection Authority for Control of Boilers, Pressure Vessels and Lifting Equipment - license for metallic-graphic trials and boiler water tests
- Ministry of Health (Public Health Department) - Authorization to conduct professional toxic emissions measurements

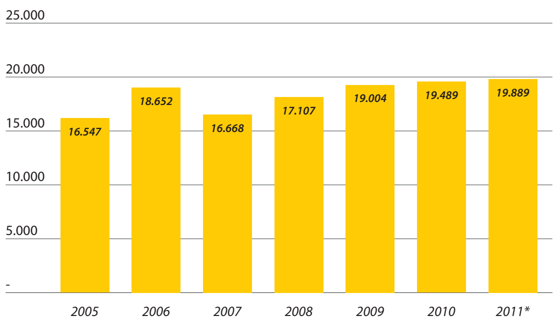
In 2010, RQC finalised the project of laboratory activity computerization by implementing LIMS (LABORATORY INFORMATION MANAGEMENT SYSTEM), an informational program meant to increase the accuracy, efficiency and productivity of our business activities. The investment amounted to approximately USD 220,000, RQC being the first company on the specific Romanian market to implement this internationally renowned program.

Ongoing efforts to improve the quality of our services are also confirmed by the certificates of excellence. They were obtained through constant participation to various international proficiency testing (PT) programs and collaborations with international research centres (Spain, The Netherlands).

RQC managed to maintain the fidelity of its major clients and conclude new partnerships, regardless of the unfavourable business conditions. Thus, RQC continues to be a partner for the most significant independent inspection companies activating in the Constanța port platform, in terms of specific analyses of imported/exported oil products through the port.

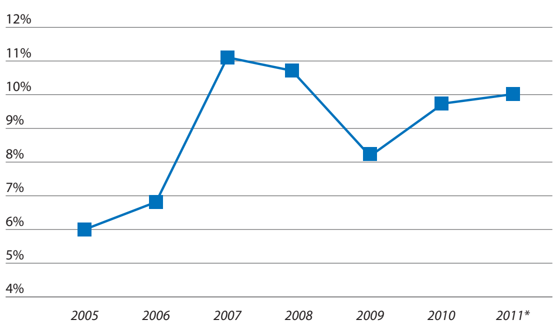
RQC Net Revenues

(thousand RON)



Despite the difficult period that Romania passed through, RQC recorded in 2010 a positive evolution of its turnover and its financial results. It is worth mentioning the 19% raise of its third-party revenues, the 3% increase of its total turnover and positive evolution of the profit margin, from 2% in 2009 up to 3% in 2010.

Dynamics of revenues from third party customers as percentage in total turnover



Major achievements in 2010

• Expanding our range of services by adding new types of analyses;

• Renewing of our main accreditation certificates from RENAR and GERMANISCHER LLOYD. As a powerful marketing argument, this objective aims to consolidate the relations with the third-party clients already existing in the portfolio and to attract new customers by offering confidence in the technical competence, impartiality and integrity of our laboratories and protection of consumer's interests;

• Extending our accreditation for the new analysis methods and inspection services, particularly for all type of waste analyses. Capitalizing on new market opportunities in order to consolidate RQC's market share and increase our profitability and the percentage of the turnover from third-party customers.

• Conclude new partnerships with major domestic companies, as OMV PETROM (monthly monitoring program of fuel quality in gas stations) and the national railway merchandise transporter (CFR Marfă) related to environment analyses;

• Optimizing our operational costs;

• Having zero accidents in our laboratories and in the locations where we carry on our business activities. This objective will be targeted by a 100% implementation of the personnel training plan on occupational health and safety, which includes DuPont Safety Resources.

Palplast

2010 Key Achievements:

• Improving the HDPE polymer properties, in order to develop HDPE granules for pipes used in pressure applications.
• Reducing logistic costs by redesigning the packing of products. The total transport cost was reduced with approx. 1.23%.
• Increasing direct distribution by 25.56% versus 2009, by enlarging the product range.
• Designing and equipping the stationary welding machines with adaptors enabling the company to produce fittings with bigger diameters.

Palplast produces a complete range of high-density polyethylene pipes and fittings with applicability in the fields of distributing water, gas, crude oil, sewerages and protection of optic fiber cables. Besides, Palplast offers irrigation systems through sprinklers and dripping, as well as through joining services or rehabilitation of the centralized irrigation systems.

The general market conditions, influenced by the international economic crisis, have caused major changes in the activity of all economic agents. Regarding the pipe manufacturing, Palplast has adjusted its business strategy according to the market demand, the size of the ongoing infrastructure projects, as well as the price of raw materials and the production cost. In 2010, Palplast Sibiu maintained the production activity of optical fiber protection tube, in addition to carrying out water and sewage infrastructure projects.

In addition to these achievements, the company's strategy has included a series of cost control and business optimization actions, as well as the implementation of effective business strategies in its relation with suppliers and customers.

2011 Key Objectives

Palplast will continue its investment program in 2011 as well, but will adjust it to the production needs related to the projects that the company has already undertaken in 2010, as well as to ensure the quality standard that the company has imposed on the market.

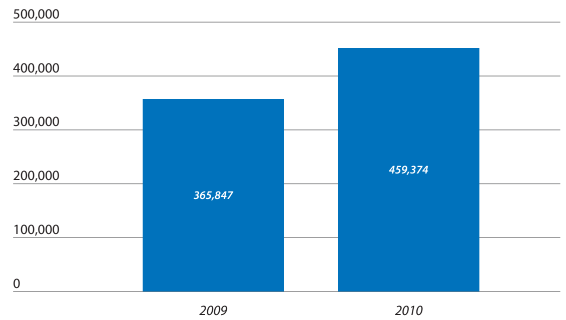
Thus, the company will invest in revamping the production capacities, which will result in optimized productivity, cost reduction and the minimize of the environmental impact.

In 2010, Palplast had a turnover of approximately USD 3.7 million. For 2011, the company estimates it will maintain a similar level, based upon a series of activities that the company intends to implement: diversifying the range of products by trading activities, selling & manufacturing complex products with high margins (irrigation valves, customized valves adaptors etc.); improving oil transportation pipes, setting up strategic partnerships for supplementing the range of products, free consulting services for obtaining the funds allocated to agriculture and developing new products with special applications, for example in the field of optical fiber.

Graphics representing the evolution of the main indicators (sales / production, etc.)

Direct distribution (import)

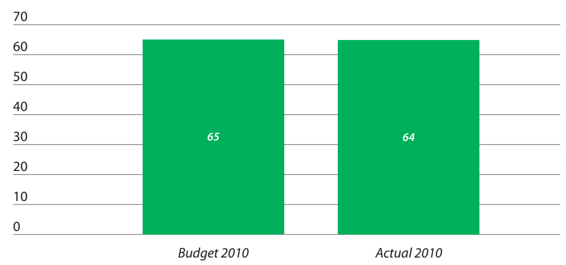
(USD)



Direct distribution increased by 25.56% versus the year 2009.

Logistic Costs

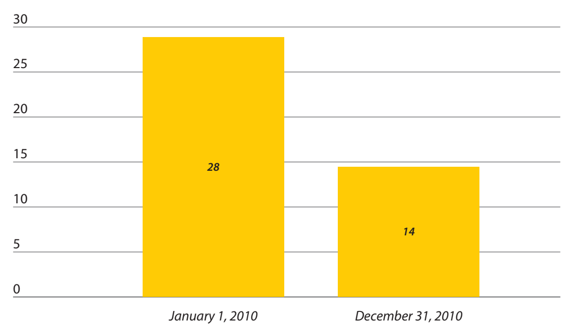
(tons)



Decreased logistic costs with 1,23%.

Welding machines stocks

(pieces)



Welding machines stocks decreased; 14 welding machines sold in 2010.

GSS

GLOBAL SECURITY SISTEM SA (GSS), member of The Rompetrol Group, is a company providing specialized security and fire services.

In 2010, GSS has continued to support core operations of allmost all companies in Rompetrol Group in terms of ensuring a safe and protected environment to their assets, operations and peoples.
In addition, during 2010 GSS has extended its pool of customers from outside the Rompetrol Group from 12% in 2009, up to 35%.

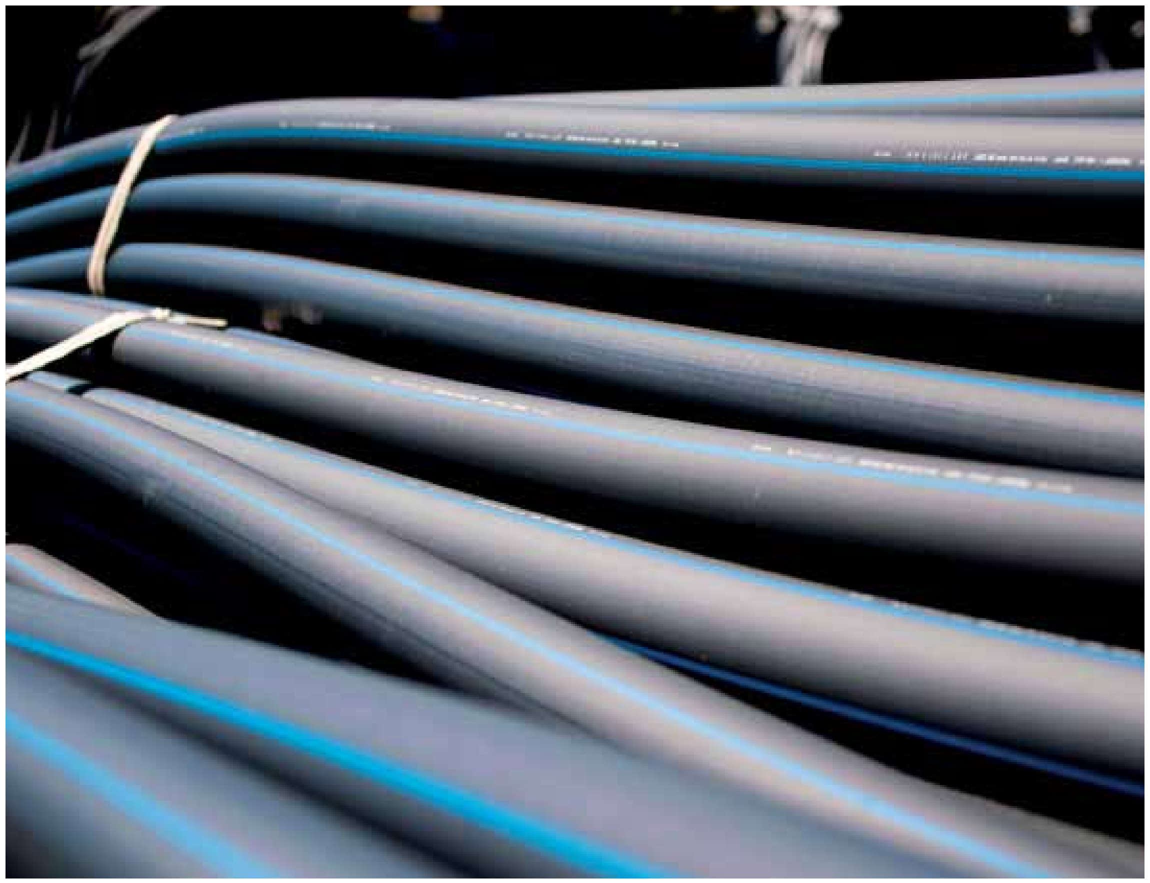
In regard to quality of the provided services, in 2010, GSS had met its customers' expectations at an increased level i.e. the percentage of customer's satisfaction rose by 9 % more than compared to 2009.
Such a good performance was supported by the achievements accounted in each of GSS' line of business.

In comparison to 2009, the volume of GSS Guarding operations had expanded in 2010 by 8.90%. In 2010, GSS guarding officers had intervened to stop 66 theft attempts and GSS security intervention teams heve responded to other 321 alarm situations. As a result, a number of 38 offenders were apprehended by GSS security staff and further handed over to the authorities.

The GSS firefighting operations have contributed to the GSS overall performance as well. In 2010, the GSS firefighting teams had intervened to 7 fire incidents. No human casualties and no significant damages were recorded especially as a result of GSS firefighting teams interventions. Considering the critical mission of its firefighting services, GSS is permanently committed to continuously increasing the professional preparedness of its firefighters. In this regard, in 2010, GSS had conducted qualification courses for 48 firefighters, and professional rescuing and evacuation courses for 11 firefighters.

GSS' security technology related operations

In 2010, GSS technicians had completed some 400 of new installation projects. Some, 93,25% of the technical projects beneficiaries were from outside The Rompetrol Group. Furthermore, the GSS technical division had manage to attain 100% and more of its KPIs in regard of technical maintenance services.



5. Corporate Social Responsibility

Community

As a global company whose success has been built on innovation, passion and individual leadership, we require high Corporate and Personal Responsibility standards wherever we operate – with the ultimate aim of improving our business and the quality of life of those we impact.

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

Mission and Values

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

We are committed to:

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

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

Guiding Principles

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

Rompetrol defines the following guiding principles of its CSR Policy:

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

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

- **External Social Responsibility**
  - Social Partnership and Sponsorship
  - Environment Protection

- **Internal Social Responsibility**
  - Development of Human Resources potential
  - Social Causes supported by Rompetrol employees

In order to comply with the guiding principles of the Group, the following rules will be applied:

1. All CSR projects will be undertaken in the spirit of transparency, fairness, and respect for human rights, labor and anti-corruption practices.
2. All CSR projects require a pro-active input by all employees and are coordinated by Corporate Communication and Public Affairs Department.
3. All CSR projects are reviewed, monitored and measured on an ongoing basis.
4. The Company will seek projects that promote the development of social capital between our stakeholders.

External Social Responsibility

1. Social Partnership and Sponsorship

To provide support and financial aid to socially vulnerable sectors, The Rompetrol Group gathered its initiatives within the CSR platform **"Energy comes from the heart"** (launched in May 2009) - which includes a national program, **"Together for each and everyone"**, and separate programs in the fields of healthcare and environment protection, the two directions the Group has decided to support.
At the Group level, in 2010, the invested amount in social causes exceeded 1 million USD.

In 2010, the national program "Together for each and everyone" considered 509 projects (six times more as compared to 2009) registered on the website www.impreunapentrufiecare.ro until June 13, 2010 (323 in the healthcare field and 188 in environment protection). After the evaluation period, 20 projects were financed (13 in healthcare and 7 in environment protection) in counties as Alba, Arad, Argeş, Bacău, Bihor, Braşov, Buzău, Caraş-Severin, Constanţa, Galaţi, Hunedoara, Mureş, Sălaj, Sibiu and Bucharest. All projects had two overlapping parts: one which consisted in the restoration of medical care units in rural and urban areas, or the construction of water collectors, eco plants for water recycling, solar panels for schools, and a second component which consisted in educational and cultural activities for the members of the communities. The total invested amount for the implementation of the 20 selected projects exceeded USD 300,000.

Several projects on healthcare and environment protection were developed in 2010 as part of the platform "Energy comes from the heart".

In the healthcare field, The Rompetrol Group, The SMURD Foundation and the General Inspectorate of Aviation (IGAV) entered a partnership for supporting air emergency interventions, the movement of medical personnel and the transportation of victims. In this cooperation, the Rompetrol Group, through Rompetrol Rafinare, provided in 2010 a monthly amount of 30 tons of Jet A 1 fuel, the quantity estimated for the operation of the two helicopters in Bucharest and Târgu Mureş, the total value of the support provided amounting to approximately USD 240,000.

In the field of environment protection, the Rompetrol Group and the Tourist Association "The Guides of Romania" supported and organized in July 2010 the project titled MONTANIADA, the first **Mountain Olympics** of Romania. The main objective was to combine ecology with educational activities, civic and sports spirit.

In the field of environment protection, Ecomaster, company member of The Rompetrol Group, supported **the first Waste Museum in Europe**. It was launched in November 2010, under the Ministry of Environment and Forests patronage, and in only 2 months attracted more than 5,000 visitors and hosted over 30 seminars and events on environmental protection issues. By supporting this initiative as one of the main partners, Ecomaster intends to give the industrial and hazardous waste the deserved importance, beside the household waste, and to initiate the public, mass media, NGOs and authorities on the efficient waste management and treating technologies owned by the company.

The Rompetrol Group, as part of its CSR platform „Energy comes from the heart", launched in November a charity project "What good deed do you want to do for Christmas?" which supported the community and those who wanted to do a good before Christmas. Thus, 10 proposals registered on the website www.impreunapentrufiecare.ro received 10,000 euro for their initiatives which had as beneficiaries children from orphanages or hospitals, abandoned elders.

Also, Rompetrol Downstream, the retail division of the group, launched on the 1st of December the most important campaign of toy collecting within its gas stations – "Offer a toy! Christmas is for all children". Special boxes were placed, under the Christmas trees from 130 gas stations, where the Rompetrol clients and employees could bring the gifts. The collected toys were donated to local orphanages.

Sponsorship

The Rompetrol Group is involved in social partnerships, implementing joint projects and programs or organizing social events. Much attention is paid to support the national campaign "Fiecare Copil în Şcoală" (Each Child in School) initiated by Ovidiu Rom Association. This partnership which became effective in 2005, advocates: school preparation programs, free school materials, uniforms and hot lunches for children from low-income families; incentives in the form of food coupons; enforcement of education and children's rights legislation etc.

As as of 2003, Rompetrol is a partner and main sponsor of The Civil Society Gala – the annual competition that awards the best projects of the year, projects innitiated by NGOs, unions, individuals etc.

Also in 2010, The Rompetrol Group sponsored the Aeronautics and Cosmonautics Romanian Association (ARCA), on the occasion of the launching of the first Romanian space rocket, Helen 2, an event which took place on October 1. The success of this operation has opened the way for Romania to outer space, realizing at the same time the first flight of the Google Lunar X Prize Competition, which aims at sending a robot made by a company on the surface of the Moon.

Additionally, the company completed in 2010 various social partnership or sponsorship innitiatives with Junior Achievement Romania (leadership projects for highschool teenagers), Leaders Foundation, Habitat for Humanity Romania, Freedom House Romania, St. Damian Foundation, to name but a few.

2. Environment Protection

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

In 2010, The Rompetrol Group set its main environment objective in ensuring the compliance of plants in all its entities with applicable European directives.

The Group has 5 IPPC plants which met their objectives for 2010: 2 oil refining plants (Petromidia and Vega Refineries), 1 petrochemicals plant (Rompetrol Petrochemicals), 1 plant in the metallurgy industry (Rominserv IAIFO Zalău) and 1 waste landfill (Ecopark – hazardous waste landfill, inaugurated in 2010). No values were registered in excess of the emission thresholds for the specific pollutants which were monitored.

Special attention is paid to the monitoring of environment factors. Thus, for rigorous control of toxic substances, the ARIA software, installed on the Petromidia oil platform in 2010, provides an online model of pollutant diffusion into the atmosphere, in order to identify sources of pollution and to reduce them. The application allows the presentation of diffusion results in the form of reports, graphs and concentration maps, in both hard and soft copies.

The implementation of the ARIA software stands proof of the commitment of Rompetrol Rafinare to the improvement of its environment performance and, at the same time, outlines the impact of Rompetrol Rafinare activities on air quality, as compared to other potential polluters in the area.

Greenhouse gas emissions resulting from the EU-ETS marketing scheme installations ranged within the values allocated for 2010.

As of December 1, 2010, the European Union implemented new rules to ensure that the manufacturing and use of chemical products is safer and less damaging to the environment.

Since 2008 The Rompetrol Group is a member of CONCAWE (Conservation of Clean Air and Water in Europe), an organization founded in 1963 which researches multiple aspects of environmental protection in the oil industry. Once affiliated to CONCAWE, all of the Group's member companies benefit from assistance to comply with the European REACH Regulation (Registration, Evaluation, Authorization and Restriction of Chemicals).

This is, by far, the largest legislative project adopted by the European Union in the past years which aims at establishing a consistent, transparent and safer management of chemicals in the E.U. Chemical substances which present risks are identified and gradually replaced by safer alternatives, based on the principle of precaution. At the same time, the REACH regulation needs to intensify the operation of the internal market within the European Union, in order to create an action domain at European level, which would result in enhanced innovation and competitiveness of the business environment.

At the end of 2010, which was the deadline for registration, according to the REACH Regulation, of products in excess of 1,000 t, TRG registered 40 products, thus fully complying with this new legal requirement.

All companies, members of The Rompetrol Group, maintained their Germanischer Lloyd certifications for their integrated management systems (ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007).

Internal Social Responsibility

1. Human Resources Development

The Rompetrol Group pays particular attention to human resources development and training. In line with the business strategy and objectives, a training procedure was created in 2010 which aims at planning and prioritizing the needs of the employees.

Thus, the company provided advanced training and improvement of professional skills to more than 1,900 employees, based on the requests of their positions within the Group (MAs – in cooperation with the Oil & Gas University, Ploieşti; ACCA and MBA programs, IFRS, project management; technical courses in the field of oil & gas; courses in foreign languages for expats or locals etc.).

Rompetrol has had the same consistent approach towards the education and youth development, by their involvement in activities within companies of the Group. In 2010, on the Petromidia oil platform, the companies Rompetrol Rafinare, Rompetrol Petrochemicals and Rominserv have conducted programs for selecting students with high potential, offering them an organized environment for professional development.

Internship 2010

2010 was the eight consecutive years in which the Rompetrol Group has organized and conducted this program dedicated to fresh graduates of technical universities or high-schools. The 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 2010, included 60 students from five university centers (Constanţa, Cluj, Iaşi, Bucharest, Ploieşti), and 16 graduates from Constanţa technical high-schools.

Trainee Program 2010

The Trainee Program represents the final selection stage of the most competent participants. Its duration is of 6 months, from October 1, 2010 through March 31, 2011, during which the students had the possibility to put their knowledge into practice in various departments on Petromidia oil platform. This experience was followed by a final performance assessment and hiring the best in the organizing companies. At the end of the Trainee Program, 27 students were hired by Rompetrol Rafinare, Rompetrol Petrochemicals and Rominserv.

2. Social Causes supported by Rompetrol employees

The Rompetrol Group employees are deeply committed to conducting business in a socially responsible and ethical manner, putting their efforts to continually improving the company's performances and best practices. Thus, 2010 represented a new opportunity for community projects developed by the employees – World Theatre Day celebrated on March 27 and dedicated to children from orphanages, International Children's Day – marked by toys collection and fundraising donated to impoverished kids, a social campaign conducted in the HQ to support the activities of the Little People Association (having as direct beneficiary the children suffering from cancer, from 5 pediatric-oncology hospitals from Romania) etc.

CSR Objectives for 2011:

1. Community leadership and civic involvement activities;
2. Improving the quality of life in the communities we impact or influence through environmental, public health and educational projects developed as part of the CSR platform "Energy comes from the heart";
3. Youth education and promoting a pro-active, entrepreneurial spirit;
4. Promoting a responsible behavior of the Rompetrol employees, by encouraging internal social initiatives and by launching an internal CSR program "Lucrurile mici care contează" (Small things that matter). The program would focus on the environment protection, healthcare and education and would include, among others, paper recycling, blood donations and educational activities.

6. Corporate Governance

Integration

Rompetrol Group currently includes 41 companies, joint stock or limited liability companies, headquartered in twelve countries.

General information

Corporate governance provides coherent information on the framework within which The Rompetrol Group (TRG) activates at operational and management level, thus ensuring transparency in the activities it carries out.
Rompetrol Group currently includes 41 companies, joint stock or limited liability companies, headquartered in twelve countries. The statutory laws applicable to these companies are the local ones. In Romania, the main applicable regulations are Law 31/1990 regarding trading companies and Law 297/2004 regarding the stock market (for companies listed on the stock exchange).

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

Shareholders

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

Administration and decision rights

At the level of the Group's majority shareholder, there is a unified management system. The TRG Board of Directors has five members, of which one executive member (Chief Executive Officer – CEO) and four non-executive members. The CEO is in charge, according to the Articles of Incorporation, of the daily management of the company and its affiliates. The other members of the Board of Directors are in charge of the company's general policy and management position supervision.

To support its activity, the Board of Directors sets 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, and General Assembly of Shareholders.

Major performances and achievements in the area of Corporate Governance in 2010

2010 has been full of events in what regards corporate governance at Group level, a list of the most significant performances including:

1. **Mandatory Public Tender Offer (MPTO) for Rompetrol Well Services S.A. and for Rompetrol Rafinare S.A. were finalized.** Hence, during the mandatory offer for Rompetrol Well Services, TRG acquired 57,694,162 shares, for a total price of RON 24,808,489.66 and now holds 199,571,650 shares, namely 71.74 % of the share capital of Rompetrol Well Services (with a total share held at group level, together with Rompetrol Financial Group, of 203,110,150 shares, namely 73.01 % of the share capital of Rompetrol Well Services). During the mandatory offer for Rompetrol Rafinare S.A., TRG bought 4,772,687,313 shares, their total paid price being of RON 358,097,513.52.

2. **Convertible bonds conversion:** On September 30, 2010, the General Extraordinary Meeting of Shareholders of Rompetrol Rafinare S.A. adopted resolutions whereby it approved the conversion of a number of 20,652,098 bonds that had not been redeemed by Rompetrol Rafinare S.A. until September 30, 2010. Through the Resolution no. 29/2010 it was approved the increase of the share capital of Rompetrol Rafinare S.A. with the amount corresponding to the non-redeemed bonds. Following the share capital increase, the Romanian State represented by the Ministry of Public Finances became shareholder owning 44.6959% of the share capital of Rompetrol Rafinare S.A.

3. **THE ROMPETROL GROUP CORPORATE CENTER**, a new company of the Group, was incorporated in September 2010, in order to achieve a centralised control over the activities performed by the entities of the Rompetrol group of companies, to define a clear organizational structure and to increase expertise within the group entities by developing expertise centres throughout finance, IT, HR, Legal, Marketing and QHSE functions.

Major achievements in integration

In 2010, the integration process of TRG into KMG was continued by adopting and implementing within the Group of the following internal procedures, policies and rules:

1. **Human Resources Area, such as:** Job Description Overview Procedure, Recruitment and Selection Procedure and Induction Procedure, Pay and Benefits Procedure, Training Procedure, Relocation Procedure, Disciplinary Action Procedure and Job Grading Procedure;
2. **Finance Area, such as:** Hedge Policy, Rules for coordination, approval and monitoring of capital expenditures in the Rompetrol Group, Materiality Threshold Methodology, Accruals Policy, Performance Management Procedure and Corporate Audit Policy and Regulation;
3. **Legal Area, such as:** Legal Contracting Procedure and Regulation for the Acquisition of Interests of Other Companies and the Creation of New Legal Entities of The Rompetrol Group N.V.;
4. **Administrative Area:** Business Travel Procedure, Document Management Procedure (Chancellery) and Insurance Policy.

Creation of the new Rompetrol corporate brand

The Board of Directors of TRG approved during the meeting held on May 26, 2010 the new corporate brand of Rompetrol, and the trademark registration process was initiated. The logo was designed to visually highlight the membership of The Rompetrol Group to the parent company KazMunayGas – the national Oil & Gas company of Kazakhstan.

TRG KazMunayGas Group Member

Development of operations and business activities specific to Corporate Governance

During 2010, the divestment continued during the restructuring program of TRG, as follows:
- **FinGroup**, a company offering non-banking credits to consumers, was sold to a company outside of the Rompetrol group, in June 2010;
- **Romcalor**, a company of the Rompetrol group in charge with sale of products representing ecological heating oils, after operational integration into Rompetrol Downstream, was closed down, in May 2010;
- **Rompetrol Industrial Parks**, a company in charge with leasing and sub-leasing of immovable or rented goods, was voluntarily liquidated and closed down in September 2010;
- Sale of 60% TRG shares in Geopetsa Servicios Petroleros S.A., a company operating in Ecuador, was approved during the Board of Directors meeting held on September 13, 2010;
- **Palplast Moldova** participations owned by the Rompetrol group companies were sold to a company outside of the Rompetrol group in December 2010.

Guidance and development trends for 2011 and the immediate future

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

The creation of the shares services centre at group level will be further continued on basis of The Rompetrol Group Corporate Center, newly incorporated company of the group, by further consolidation and centralization of group shared functions.

7. Finance

Strength

The increase of Group Net revenues in 2010 compared with 2009 was highly influenced by the higher petroleum products selling prices following the products quotations.

Analysis of the Financial Results

Introduction

In 2010, The Rompetrol Group (the "Group", "TRG") and its subsidiaries engaged in all aspects of the petroleum industry. Its core operations are in the downstream segment, through its competitive Petromidia refinery and strong retail operations in Romania, around the Black Sea and in the South of France. The Group continued to pursue its strategy of developing its core refining and distribution operations, despite a worsening economic environment and very low refining margin.

In the middle of 2009, the Group's major shareholder – KazMunaiGas (KMG) acquired the remaining 25% of shares, becoming the sole shareholder of the Group.

Strategy

In 2010, the Group continued the large investment program to expand the refinery's processing capacity which has as main objectives to increase crude processed to around 5 mil mt per year and to increase diesel yields by 8%, increase flexibility in crude diet selection by being able to process only sour crude and ensure compliance with future product specifications, according to EU legislation. On September and October 2010, the Group successfully finalized the general turnaround of Petromidia Refinery. Next general overhaul is scheduled for 2014.

Through its wholly owned subsidiary Midia Marine Terminal, in 2009 the Group started operating its trading platform in the Black Sea - the marine terminal offshore Petromidia refinery, which was constructed in 2008. The terminal serves as an important hub for crude trading and brings significant savings in logistics costs for the refinery crude supply. During 2010, an additional decrease in operating costs of USD 1.5/ton has been realized by MMT and more than 90% of the crude supply to Refinery arrived via Buoy, the rest coming from Oil Terminal / CONPET.

After the acquisition of the remaining 25% stake in the Group, KMG provided substantial funds to the Group, enabling it to finance investment program and also to decrease the level of bank debt. An amount USD 300 million has been drawn during 2010. During last quarter of 2010, the legal procedures were finalized and the USD 1.1 billion advance received on August 2009 from KazMunaiGaz PKOP Investment B.V. has been converted into Additional Paid in Capital.

Business Environment

Average Brent price in 2010 (USD 79.5/ bbl) has increased by 29% as compared to 2009 (USD 61.59/ bbl). The overall trend in 2010 was increasing from USD 78.8/bbl at the beginning of the year to USD 92.55/bbl as of the end of 2010, with a high of USD 94/bbl recorded on December 29, 2010 and a low of USD 67.58 /bbl on 25 May 2010. The increase was supported by significant decrease of stocks in OECD countries, upward demand revisions by IEA and OPEC, positive market developments in Asia and improved refinery margins.

The Urals discount to Brent has been on average at USD 1.34/ bbl a higher level compared with USD 0.74/ bbl as of 2009, with a highest level of USD 3.43/bbl on 7 May 2010 and a closing level of USD 1.75/bbl as of the end of 2010.

From the low levels in the beginning of the year, gasoline cracking margins have on average increased in 2010. Average gasoline cracking margin in 2010 was at USD 127.58/mt (as of 2009 was at USD 116.2/ mt) reaching its high of USD 175.61/ mt on March 19, 2010. Average gasoline cracking margin in 2010 was 10% higher than in 2009.

Diesel cracking margins have on average increased in 2010, starting from USD 51.02/mt as of December 2009 till USD 89.71/ mt as of December 31, 2010. Average diesel cracking margin in 2010 was at USD 80.63/mt (as of 2009 was at USD 66.16/ mt) reaching its high of USD 106.73/ mt on October 22, 2010. Average gasoline cracking margin in 2010 was 22% higher than in 2009.

The upward trend in cracks helped refinery margins to increase, especially at year end, bringing the results of 2010 slightly better than 2009.

The US dollar strengthened against the Euro and Romanian Lei throughout the year. By the year end, Romanian RON depreciated by almost 9% against USD and by 1% against EUR. Average exchange rate in 2010 has increased by 4% for RON/ USD and has decreased by 15% for RON/EUR.

		2010	2009
Brent Dated	USD/bbl	79.50	61.59
Ural Med	USD/bbl	78.16	60.76
Brent-Ural Differential	USD/bbl	1.34	0.74
Premium Unleaded 50 ppm FOB Med	USD/t	729	583
Diesel ULSD 50 ppm FOB Med	USD/t	682	533
RON/USD Average exchange rate		3.17	3.05
RON/USD Closing exchange rate		3.20	2.94
RON/EURO Average exchange rate		4.21	4.24
RON/EURO Closing exchange rate		4.28	4.23
USD/EURO Closing rate		1.34	1.44
Inflation in Romania		6.09%	4.74%

Financial Results

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

	2010	2009
Net revenues	5,070.66	4,688.94
Gross profit	363.41	360.00
Capex	226.59	220.4

2010	Refining	Retail	Trading	Non-Core and Others	Consolidating Adjustments	Consolidated
Net revenues	572.5364	3,488.49	900.34	109.30		5,070.66
Gross profit	7.74	299.44	21.42	57.32	(22.52)	363.41
Capex	184.41	19.77	0.47	27.41	(5.47)	226.59

2009	Refining	Retail	Trading	Non-Core and Others	Consolidating Adjustments	Consolidated
Net revenues	473.34	2,859.66	1,284.97	70.97	0.00	4,688.94
Gross profit	(25.72)	299.44	30.41	80.55	(39.37)	360.00
Capex	115.30	89.06	5.21	15.32	(4.48)	220.4

The increase of Group Net revenues in 2010 compared with 2009 was highly influenced by the higher petroleum products selling prices following the products quotations.

Increased cracking margins resulted in comparable gross profit as of 2010 against 2009, even if the total gasoline and diesel products obtained by the Group decreased by 15% and 16%, respectively, as a result of planned general overhaul successfully finalized by Petromidia Refinery for 6 weeks during September and October 2010. Despite this decrease in production, total sales on the Romanian market were higher with 1% versus 2009, also due to the fact that our trading company Vector Energy managed to supply from the external market the necessary volumes.

Another reason for 2010 higher Net Revenues is the increased volumes sold in France against 2009 (more than 60 kt) and due to the positive effect that the strike in France had over our business – in the strike period, Dyneff France managed to sell with a margin 4 times higher than usual.

Analysis of operations

Refining & Petrochemicals

		2010	2009
Feedstock processed	Kt	3,507	4,033
Gasoline produced	Kt	970	1,142
Diesel produced	Kt	1,308	1,551
Motor fuels sales - domestic	Kt	1,283	1,386
Motor fuels sales - export	Kt	1,060	1,347
Domestic	%	54.8%	51%
Export	%	45.2%	49%
Gross cash refinery margin	USD/bbl	4.75	4.11

In 2010, the operational and financial results were strongly influenced by the global financial crisis, by crude oil and fuel quotations and also by domestic macroeconomic factors such as RON currency depreciation. For a 6 weeks period starting with September 20, 2010, the Petromidia refinery carried on the general overhaul. As a result, the feedstock processed decreased by 13% compared with 2009, while gasoline and diesel sales decreased by 15% and 16%, respectively. Nevertheless, the Ural/Brent differential increased, leading to improved operating results.

Significant performances in 2010:

- Successfully finalizing the planned general overhaul (the next overhaul is scheduled for 2014), 3 days earlier than planned;
- Increasing production of gasoline and diesel with bio-components for domestic market, according to EU requirements;
- Continuing the Capex investments, as part of increasing the processing capacity as of 5 million tons/year;
- Higher utilization rate of own loading facilities in Midia Harbour;
- Aligning to the European Standards regarding Euro 5 fuels.

		2010	2009
Propylene processed	Kt	107	107
Ethylene processed	Kt	72	107
Sold from own production	Kt	175	222
Sold from trading	Kt	20	16
Total sold	Kt	195	238
Export	percent	55%	63%
Domestic	percent	45%	37%

Rompetrol Petrochemicals gross revenues reached USD 265.7 million in 2010, by 11% higher compared with the same period last year. The increase in gross revenues is mainly the result of higher international quotations for petrochemical products.

In 2010, compared with 2009, the company's financial results improved significantly due to positive margins from petrochemical products sales, diversification of product portfolio and streamlining of the company's activity. Improved gross margin in Petrochemicals came from increased polymers prices, but also due to the good combination regarding term contracts and spot ethylene.
In 2010, Rompetrol Petrochemicals improved the quality of its products, thus the weight of high quality rated products reached 97% compared to an average of 96% in 2009.

In December 2010, the HDPE unit was stopped due to a fire incident in October 2009.

Rompetrol Petrochemicals is the sole polypropylene producer in Romania; in 2009 and 2010, the company was also the sole producer of polyethylene, given the economic circumstances on the market, thus constantly increasing its market share.

In 2010, Rompetrol Petrochemicals successfully completed the automation of plants and the integration of operations into the Command and Control Center of the Petromidia platform (CCR). The integration of the automated control of petrochemical plants into the Command Center supports the company's objective to become one of the main polymer suppliers and producers in the region and also represents a natural continuation of the investments amounting to over USD 107 million made since 2002 and until present in order to increase the specific activities, the production capacities, the quality and the range of products provided. The new center allows full tracking of operations – the control and protection of technological flows, the collection and online transmission of process data and, implicitly, the reduction of production costs, which is a first for Romania, as well as for the South-Eastern part of Europe.

Trading

The Business Unit Trading has been strengthening its role as the supply chain optimizer within the Group, continuing to ensure optimum functioning conditions for Petromidia refinery by moving an important part of the product volumes that cannot be absorbed on Romanian market or by Near-Abroad subsidiaries to Non-Group destinations.

During 2010, the company has accomplished a new phase of team integration, Vector and Retail companies with the purpose of improving inventory management, crude and product scheduling and exploiting market opportunities as they arise.

Coordinated efforts translated into important volumes sold on the international market, to an expanding client portfolio, and to increasing security of supply to Dyneff's operations.

Due to the evolution of freight market leading to very low levels compared to 2008, in 2009 the management of Byron Shipping Ltd considered ending time charter contracts earlier and focussing on spot market. This also led to a significantly reduction of losses in Byron compared with 2009, due to movement from time charter to spot vessels benefiting from lower freight costs.
Midia Marine Terminal through the Crude Oil Tank Farm insured since opening in January 2009 cost reductions in relation to oil supply of USD 4-5/ton, by eliminating the third party handling/storage/transfer costs and commercial/technological losses. During 2010, the operating costs have been decreased by an additional USD 1.5/ton.

Despite the harsh conditions of doing business, Rompetrol Ukraine managed to become the fourth largest importer of RON 95 on the Ukrainian market. The quantity of RON 95 imported to Ukraine exceeded 105 KT, the company's share representing approximately 9% of the total volumes of RON 95 country's imports or around 5% of total RON 95 consumption. The trading activity has been carried out through new locations: one Black Sea terminal located in Kherson, one Danube-river terminal near Ismail and three in-land depots, two of them located in the Odessa region and one in the Vinnitsa region. The fuel was sold on CPT terms, delivering by railway the product to the clients' storages, although in 2010 the company developed the FCA sales, loading at the terminals and warehouses the product to the clients' fuel trucks..

Retail

Despite prolonged negative effects of the financial crisis and the planned general overhaul carried on at Petromidia Refinery for 6 months during September and October 2010, the Group was able to increase the volumes of petroleum products sold by Retail Business Unit within Romanian market by 2 % as compared to 2009. This increase was encountered against the market negative expectations for an estimated decrease of 4-6%.

The good results of the Retail BU on a market highly affected by the international crisis were driven also by significant improvements of Rompetrol Bulgaria results.

During 2010, a significant Dyneff performance improvement took place as the result of good crisis management in Dyneff during strikes in France, as continuity in operations was secured (after reaching an agreement with Unions) and strategic depots position was maximized to ensure deliveries at higher than normal margins.

Non-Core and Other Activities

All activities not directly related to trading in crude and oil products, refining, and sales of oil products are grouped together in the Business Unit Non-Core.

Rominserv, the Group's engineering company, has increased its technical capabilities, being able to successfully complete complex projects at the highest quality standards and on time. Rominserv is the general contractor for all upgrade projects in the refinery. During September and October 2010, Rominserv successfully finalized the general overhaul from Rompetrol Rafinare SA.

Rominserv Kazakhstan was fully operational during 2010, compared to only 1 month of operations in 2009, ensuring an increase of Group net revenues by USD 51 million, through the investments carried on at Atyrau Oil Processing Company from Kazakhstan.
During 2010, Rompetrol Logistics started the restructuring plan and successfully finalized the externalization of primary transportation segment at the end of 2010.

Ecomaster increased its efforts put into the Group's environmental projects, demonstrating the high importance given to ecological friendly solutions to the production and distribution of oil products.

Restructuring

During 2010, the Group has further defined the restructuring plan. During 2010, the Group disposed its interest in Fingroup Credit SA. and liquidated two companies: Romcalor Oil Services SA and Rompetrol Industrial Park SA. On December 2010, as part of the Group's restructuring plan, Rompetrol Logistics finalized the externalization of the primary logistic segment for the Romanian retail and wholesale companies. During 2011, the Group intends to continue the restructuring of the non-core activities and will assess the options to streamline its structure.

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

The Group's activities expose it to a variety of risks, including the effects of: changes in the international quotations for crude oil and petroleum products, foreign currency exchange rates and interest rates. The Group's overall risk management main objective is to minimise the potential adverse effects on the financial performance of the Group companies.

Commodity Price Risk

The Group is exposed to changes in commodity prices for purchases of crude oil and sales of petroleum products. The prices of crude oil and petroleum products bought or sold are determined by reference to or strongly influenced by international quotations. Due to significantly increased volatility of crude oil, the management developed a risk management policy which was presented to the Group's Board of Directors and was approved in its most significant aspects in 2010 and in a more extensive manner in February 2011. At the beginning of 2011, the Group started the implementation of Hedge policy.

Interest Rate Risk

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

Foreign Currency Risk Management

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

Capital Risk Management

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

Overview

To offset prolonged negative impact of a depressed downstream market, the Management of the Group is committing to further reduce costs, complete modernization of the Petromidia Refinery, restructure the business and concentrate on core business, as well as to close non-profitable businesses.

We will fund our plans through a mix of equity and debt, with a support from our shareholders.

The average headcount across Group entities during 2010 was 8,739, as compared to 9,426 during 2009, following the Group's restructuring activities carried on 2010. We employ best practices for attracting, retaining and motivating our employees, who are the main contributors to the development of our Group. We are fully committed to our responsibilities for their development and for the communities in which we operate.

Financial results

See annexed files on page 43.

Planning and Performance Management

In terms of Planning and Performance Management, activities were split in two main categories in order to help management to take better decisions: Supply Chain and Controlling.

Supply Chain Activities:

- Developed Backcasting process, which addresses three main issues:
  - if right feedstock was processed previous month in the Refinery
  - if run rate of the previous month was the optimum
  - started Backcasting process for Petrochemicals and Vega
- Crude selection process, which gives us the optimum crude slate that we should use in the Refinery, allowing Trading to know well in advance what crude to buy and when;
- Improvement of the Mass Balance process, which it gives us the forward view of the stocks in the TRG, thus allowing us to check if they are in the limits of target stocks approved by Top Management;
- Further development of the Three Months Operating Plan (MOP 3M) and MOP update (increase or decrease the refinery runrate during the month);
- Improvement of Group Daily Report Oil & Gas, the purpose bing to give us operational and financial data at the Group level on a daily basis; this way Top Management will have a clear view well in advance of the monthly results and will be able to take the right operational decisions during the month;
- Developed 'What if Analysis' and various optimization scenarios in the supply chain area in order to improve operational results.

Controlling Activities:

- Group Financial Outlook (GFO) – monthly analysis of the Group results versus last year's results and versus budget;
- Coordinated 5 Years Business Plan process;
- Improved Key Performance Indicators (KPI) process;
- Developed standard reporting processes for Trade House KMG, TRG's shareholder – there are monthly, quarterly and yearly reports;
- Developed the Reforecast process – once per year it is done a Budget Reforecast for the current year;
- Coordinated the proposal and implementation of the 'Rescue Plan';
- Introduced the DoA OPEX approval.

Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") effective as of December 31, 2010, as endorsed by the EU.

The consolidated financial statements are prepared under the historical cost convention. An exception is for Rompetrol Rafinare S.A and Rompetrol Petrochemicals S.R.L., where property, plant and equipment are stated at revalued amounts being the fair value as at December 31, 2003 and December 31, 2005 respectively less any accumulated depreciation and accumulated impairment loss, with acquisitions subsequent to the indicated revaluation dates being at acquisition date historic cost. 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 December 31, 2010.

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

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

The Group's investments in associates are 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 aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. Goodwill is tested for impairment annually (as at December 31) and when circumstances indicate that the carrying value may be impaired.

Property, plant and equipment are stated at cost, except for the Rompetrol Rafinare S.A., 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 the remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

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

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

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

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

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

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

The Group determines 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.

The 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.

Abbreviated financial statements

Derived from the consolidated financial statements as of December 31, 2010

Consolidated Statement of Financial Position

	December 31, 2010	December 31, 2009
Non-current assets		
Intangible assets	58,280,764	67,220,987
Goodwill	55,241,231	55,241,231
Property, plant and equipment	1,228,811,319	1,154,753,566
Available for sale financial investments	1,489,055	1,888,977
Investments in associates	20,154,955	21,808,587
Deferred tax asset	412,188	861,764
Long-term receivable	16,438,263	16,065,999
Total non current assets	**1,380,827,775**	**1,317,841,111**
Current assets		
Inventories, net	633,007,698	485,342,085
Trade and other receivables,net	614,077,330	616,285,432
Cash and cash equivalents	220,924,420	267,501,391
Total current assets	**1,468,009,448**	**1,369,128,908**
TOTAL ASSETS	**2,848,837,223**	**2,686,970,019**
Equity and liabilities		
Capital and reserves		
Issued capital	133,712	144,010
Share premium	2,631,512	2,631,512
Revaluation reserve	20,625,249	20,625,249
Other reserves	-	146,823,448
Additional paid-in capital	1,100,000,000	1,100,000,000
Effect of transfers with equity holders	115,029,358	-
Retained earnings	(487,528,262)	(241,655,817)
Current year result	(151,120,945)	(120,347,988)
Translation reserve	(1,826,333)	(933,946)
Equity attributable to equity holders of the parent	597,944,291	907,286,468
Non-controlling interests	(47,844,946)	22,331,941
Total equity	**550,099,345**	**929,618,409**
Non-current liabilities		
Long-term borrowings from shareholders	896,000,000	595,968,302
Long-term borrowings from banks	5,739,039	10,353,571
Net obligations under finance lease	12,045,744	18,704,066
Deferred tax liabilities	32,248,488	27,731,611
Provisions	38,828,654	25,096,403
Other non-current liabilities	7,846,356	12,002,387
Total non-current liabilities	**992,708,281**	**689,856,340**
Current liabilities		
Trade and other payables	926,749,364	788,589,438
Derivative Financial Instruments	5,183,543	997,455
Net obligations under finance lease	7,563,095	10,950,800
Short-term borrowings banks	366,533,595	244,356,013
Hybrid instruments - current portion	-	22,601,564
Total current liabilities	**1,306,029,597**	**1,067,495,270**
Total liabilities	**2,298,737,878**	**1,757,351,610**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**2,848,837,223**	**2,686,970,019**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended December 31, 2010 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements, an unqualified audit opinion was issued.

Consolidated Income Statement

	2010	2009
Continuing operations		
Revenue	5,070,656,915	4,688,936,476
Cost of sales	(4,707,251,055)	(4,328,936,211)
Gross profit	363,405,860	360,000,265
Selling and distribution expenses	(269,951,607)	(255,779,375)
General and administrative expenses	(163,122,570)	(181,524,881)
Other operating expenses, net	(31,482,778)	12,531,511
Operating loss	**(101,151,095)**	**(64,772,480)**
Finance cost	(62,920,106)	(105,549,235)
Finance income	5,915,775	11,243,992
Net foreign exchange gain/(losses)	(10,173,427)	3,742,502
Share in profits of associates	**553,824**	**631,142**
Loss before income tax	**(167,775,029)**	**(154,704,079)**
Income tax	(10,346,219)	(7,057,471)
Loss	**(178,121,248)**	**(161,761,550)**
Attributable to:		
Equity holders of the parent	(151,120,945)	(120,347,988)
Non-controlling interests	(27,000,303)	(41,413,562)
Loss Group	**(178,121,248)**	**(161,761,550)**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended December 31, 2010 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements an unqualified audit opinion was issued.

Consolidated Statement of Comprehensive Income

	2010	2009
Net loss for the year	**(178,121,248)**	**(161,761,550)**
Other comprehensive income		
Exchange differences on translation of foreign operations	(902,685)	(659,571)
Actuarial losses related to defined benefit plan	(2,448,866)	-
Other comprehensive income/(loss) for the year, net of tax	**(3,351,551)**	**(659,571)**
Total comprehensive income/(loss) for the year, net of tax	**(181,472,799)**	**(162,421,121)**
Attributable to:		
Equity holders of the parent	(154,472,496)	(121,007,559)
Non-controlling interests	(27,000,303)	(41,413,562)
Total comprehensive loss for the year, net of tax	**(181,472,799)**	**(162,421,121)**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended December 31, 2010 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements, an unqualified audit opinion was issued.

Consolidated Statement of Cash Flow

	2010	2009
Loss before tax	**(167,775,029)**	**(154,704,079)**
Adjustments for:		
Depreciation and amortisation	130,977,627	130,125,751
Reserves for receivables and inventories and write-offs	12,394,016	(5,760,051)
Impairment and provisions for property, plant& equipment	7,211,722	14,210,338
Other provisions	11,740,763	(21,997,666)
Late payment interest	11,590,236	18,217,095
Unwinding of discount on hybrid instruments	1,084,943	(15,546,188)
Interest expense, commission and bank charges and collection discounts	36,625,531	85,165,534
Interest expense shareholders	13,619,396	17,712,794
Finance income	(5,915,775)	(11,243,992)
Net loss from non-current assets disposals and write-off	517,671	25,734
Net loss from sale of Group subsidiaries and financial investments	423,382	-
Unrealised losses from derivatives on petroleum products	4,510,298	20,951,561
Realized losses from derivatives on petroleum products	5,314,460	10,748,842
Share in profits of associates	(553,824)	(631,142)
Negative goodwill	-	(577,456)
Net result from liquidation of Group investments	71,693	-
Unrealised foreign exchange (gain)/loss on hybrid instruments and other monetary items	9,461,589	1,308,852
Operating profit before working capital changes	**71,298,699**	**88,005,927**
Net working capital changes in:		
Receivables and prepayments	(7,001,660)	46,724,764
Inventories	(144,363,352)	(110,472,672)
Trade and other payables	89,687,402	(24,507,729)
Change in working capital	**(61,677,610)**	**(88,255,637)**
Income tax paid	(4,580,619)	(12,059,497)
Cash payments for derivatives, net	(5,314,460)	(10,748,842)
Net cash provided by operating activities	**(273,990)**	**(23,058,049)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(211,973,005)	(189,116,356)
Purchase of intangible assets	(14,609,004)	(31,279,811)
Changes in payables for capital expenditures	39,818,676	(61,286,917)
Dividends received from associated companies	279,269	751,395
Proceeds from sale of property, plant and equipment	1,961,762	2,904,589
Cash of subsidiaries being disposed off	(240,707)	-
Proceeds from liquidation/sales of subsidiaries/investments	(275,657)	-
Cash of subsidiaries being liquidated	62,340	-
Consideration paid for acquisition of non-controlling interest	(126,436,203)	(12,065,899)
Net cash used in investing activities	**(311,412,529)**	**(290,092,999)**
Cash flows from financing activities		
Cash and cash equivalents as a result of capital injection	-	1,100,000,000
Dividends paid to non-controlling interests	-	(1,256,140)
Hybrid partial payment	(71,024,745)	-
Coupon paid on hybrid instruments	(22,498,405)	(22,885,609)
Interest and bank charges paid	(54,848,055)	(108,066,612)
Interest received and other financial income	5,915,775	10,818,305
Drawings of long term borrowings from shareholders	300,000,000	82,842,682
Repayments of long term borrowings from shareholders	-	(133,333,334)
Repayments of long term loans from banks	(4,614,532)	(30,989,766)
Movement in short-term borrowings	122,209,280	(482,961,751)
Repayments of finance leases	(10,029,770)	(4,737,818)
Net cash from financing activities	**265,109,548**	**409,429,957**
(Decrease)/Increase in cash and cash equivalents	**(46,576,971)**	**96,278,909**
Cash and cash equivalents at the beginning of period	267,501,391	171,222,482
Cash and cash equivalents at the end of the period	**220,924,420**	**267,501,391**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended December 31, 2010 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements, an unqualified audit opinion was issued.

Consolidated Statement of Changes in Equity

	Issued capital	Share premium	Retaine earnings	Revaluation reserves	Additional paid-in capital	Effect of transfers with equity holders	Other reserves	Translation reserve	Non-controlling interests	Total equity
December 31, 2009	**144,010**	**2,631,512**	**(362,003,805)**	**20,625,249**	**1,100,000,000**	**-**	**146,823,448**	**(933,946)**	**22,331,941**	**929,618,409**
Net loss for 2010	-	-	(151,120,945)	-	-	-	-	-	(27,000,303)	(178,121,248)
Other comprehensive income/loss	(10,298)	-	(2,448,866)	-	-	-	-	(892,387)	-	(3,351,551)
Total comprehensive income	**(10,298)**	**-**	**(153,569,811)**	**-**	**-**	**-**	**-**	**(892,387)**	**(27,000,303)**	**(181,472,799)**
Dividends payable to non-controlling interest	-	-	-	-	-	-	-	-	(375,379)	(375,379)
Changes in Group structure - acquisition of Rompetrol Bulgaria non-controlling interests	-	-	(2,083,238)	-	-	-	-	-	2,083,238	-
Changes in Group structure - acquisition of Rompetrol Rafinare non-controlling interests	-	-	(119,853,528)	-	-	-	-	-	2,192,131	(117,661,397)
Changes in Group structure - acquisition of Rompetrol Well Services non-controlling interests	-	-	(636,021)	-	-	-	-	-	(7,588,787)	(8,224,808)
Changes in Group structure - acquisition of Rompetrol Georgia non-controlling interests	-	-	(502,804)	-	-	-	-	-	(47,196)	(550,000)
Hybrid conversion into Share Capital and Share Premium of Rompetrol Rafinare SA	-	-	-	-	-	39,230,655	-	-	(39,230,655)	-
Effect of transfers with equity holders	-	-	-	-	-	75,798,703	(146,823,448)	-	-	(71,024,745)
Other Changes	-	-	-	-	-	-	-	-	(209,936)	(209,936)
December 31, 2010	**133,712**	**2,631,512**	**(638,649,207)**	**20,625,249**	**1,100,000,000**	**115,029,358**	**-**	**(1,826,333)**	**(47,844,946)**	**550,099,345**

The abbreviated financial information is derived from the Consolidated Financial Statements as of and for the year ended December 31, 2010 and should be read in conjunction with these audited Consolidated Financial Statements. On the full consolidated financial statements, an unqualified audit opinion was issued.

ERNST & YOUNG

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Independent auditor's report

To: The Shareholder and Board of Directors of The Rompetrol Group N.V.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements for the year ended December 31, 2010 which are part of the financial statements of The Rompetrol Group N.V., Amsterdam, which comprise the consolidated statement of financial position as at December 31, 2010, the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows and the consolidated statements of changes in equity for the year then ended a summary of the significant accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these 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 Dutch Civil Code, and for the preparation of the Directors' report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated Financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 an opinion on 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 with respect to the consolidated financial statements
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, 2010, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Directors' report, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 27, 2011

Ernst & Young Accountants LLP

J.J. Vernooij

Distribution Map of the Rompetrol Group in Romania