



ANNUAL REPORT OF THE BOARD OF DIRECTORS OF ROMPETROL RAFINARE ON THE CONSOLIDATED FINANCIAL STATEMENTS PREPARED FOR THE FINANCIAL YEAR 2010

2010 figures include consolidated financial statements in accordance with International Financial Reporting Standards („IFRS”). Consolidated financial statements of Rompetrol Rafinare include the results of the parent company Rompetrol Rafinare and its subsidiaries Rompetrol Petrochemicals, Rom Oil, Rompetrol Downstream S.R.L., Rompetrol Quality Control S.R.L and Rompetrol Logistics S.R.L. (with its subsidiary Rompetrol Gas S.R.L.).

COMPANY HISTORY

Rompetrol Rafinare (formerly known as Petromidia) is the main refining facility of the Rompetrol Group located in Navodari, Constanta. Starting with December 1, 2007, the company also operates Vega refinery, located in Ploiesti. “Complexul Petrochimic Midia Navodari” (the former name of Rompetrol Rafinare S.A.) was part of the large oil refining plants which appeared after 1975. The plant was designed between 1975 and 1977 based on Romanian refining technologies and on foreign licenses. In 1991, Combinatul Petrochimic Midia Navodari became a stock company, by taking over all the assets of the former unit. In February 2001, as a result of the privatization of the company by the State Ownership Fund, The Rompetrol Group NV became the main shareholder. In 2003, by Decision no. 50640 of Trade Registry Directorate, based on the General Shareholders' Meeting as of February 20, 2003, the company was renamed S.C. Rompetrol Rafinare S.A. The company processes a variety of crude oils with different content of sulphur, reaching an average percent of 1.4% sulphur. The crude oil feeding (approx. – 90%) is carried out mainly through the marine terminal built by the Group, close to Petromidia Refinery, and the rest of 10% is carried out through Oil Terminal facilities in Constanta port. The refinery has its own railway loading and offloading points and vehicle loading ramps.

At the end of 2008 the company also finalized the operations for the 350% expansion of the transit capacity for finished products through Midia harbour, by building two new loading and offloading berths, Berth 9B and Berth 9C.

Pursuant to the decision of the Navodari Local Council n. 187/7/24/2009 (art. 6) regarding the zone distribution of the locality of Navodari, the denomination „Navodari Boulevard” granted to the portion of the County Road no. 226, which passes through the Company’s administrative territory, as well as the allocation of street numbers to edifices used by the Company in carrying out its activity, i.e. the Facility (Refinery), and taking into account the decision of the General Extraordinary Meeting of the Shareholders dated June 30, 2010 and the Decision n. 2 of the Board of Directors from October 19, 2010, the address of the Company’s legal office was changed from DJ 226 Km23 in **Navodari, 215, Navodari Blvd., Administrative Pavilion**, while the location remained the same.



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Romp Petrol Rafinare was traded on RASDAQ until November 2003. Starting with April 2004, Rompetrol Rafinare is listed and traded on the Bucharest Stock Exchange - BVB. The market symbol of the securities at the Bucharest Stock Exchange is RRC.

The company has an agreement with S.C. Depozitarul Central S.A. București (the former name S.C. REGISCO S.A.), authorized by the National Securities Committee according to the authorization 3564/14.12.2006.

The contact information for S.C. Depozitarul Central S.A. is: Fagaras Street no. 25, sector 1, Bucharest, site: www.depozitarulcentral.ro.

Symbols of Rompetrol Rafinare securities:	
Bucharest Stock Exchange	RRC
Bloomberg	RRC RO

Shares of Rompetrol Rafinare	2008	2009	2010
Number of shares	21.099.276.002	21.099.276.002	21.099.276.002 ^[1]
Stock exchange capitalisation, mio. lei ^[2]	390,336606	1.329,254388	1.213,208
Stock exchange capitalisation, mio. Euro ^[3]	99,329874	316,278288	282,951
Maximum price, lei ^[4]	0,11000	0,0705	0,0751
Minimum price, lei ^[5]	0,01700	0,0212	0,0530
Price at the end of the year, lei	0,01850	0,0630	0,0575

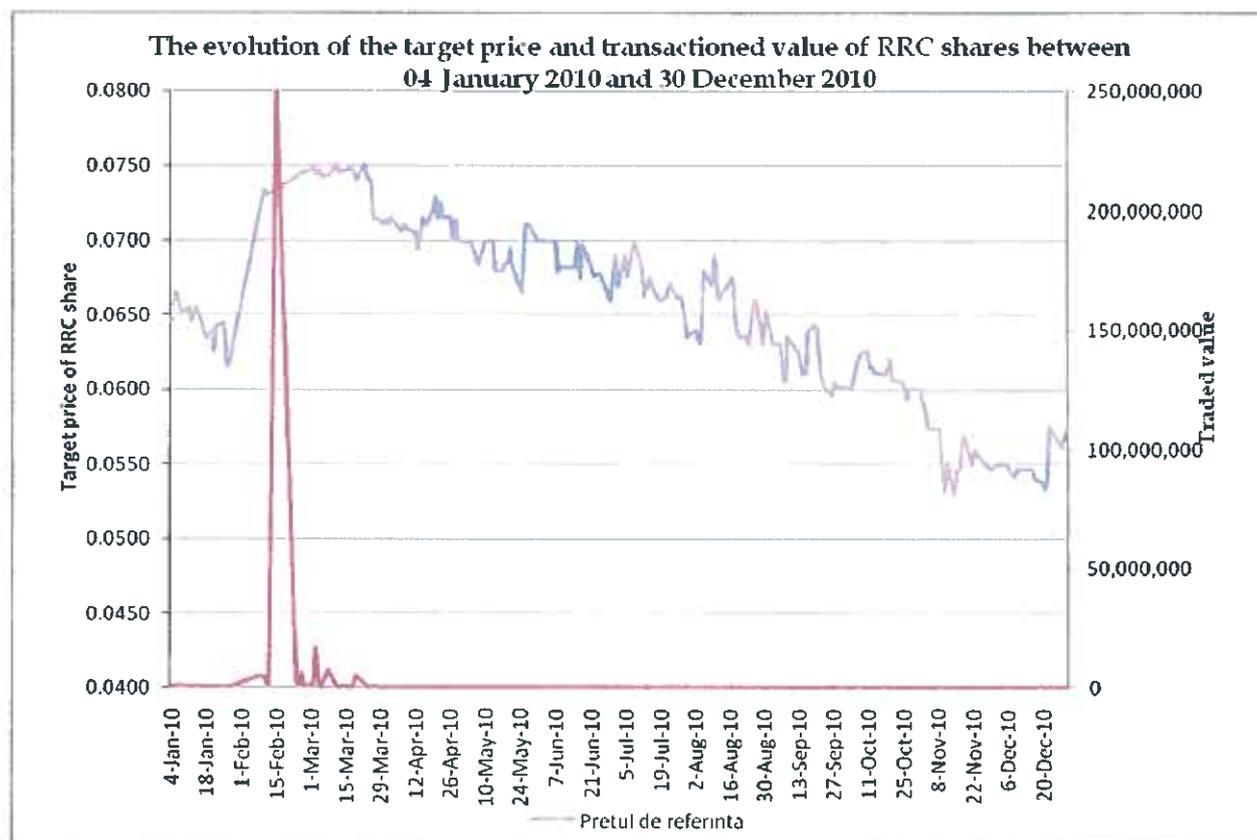
^[1] The number of shares as at December 31, 2010 in the Shareholders Register kept Depozitarul Central in Bucharest. The share capital increase from 21.099.276.002 to 24.394.196.673 shares approved by the Decision no. 1 of August 19, 2010 of the Board of Directors of the Company was registered with the Trade Register on December 27, 2010 and registered with Depozitarul central on February 15, 2011.

^[2] Computed based on the share price of the last trading day of the reported year, December 30, 2010

^[3] Computed based on the Euro rate (4,2877) valid on the last trading day of the reported year, December 30, 2010

^[4] Recorded on March 23, 2010

^[5] Recorded on November 15, 2010



The Weighted Average Price (WAP) of RRC shares during 2010 = **0,0734 RON/share**; WAP is equal to the one from 15 February 2010, when the total transactions accumulated a little over 80% from the volume traded during the whole year of 2010.

Rompertrol Rafinare Shareholders Structure

On 30 June 2010, the Extraordinary General Meeting of Shareholders decided to increase the share capital with 450 million Lei according to Decision no. 4, 5 and 6 of said meeting. Based on decision no. 1 of 19 August 2010 of the Board of Directors, the share capital was increased by Lei 329,492,067.1 and the shareholding structure has changed according to the subscriptions and payments made by shareholders.

Against the decision to initiate the increase of the share capital of 30 June 2010, a Counteraction and a Demand for suspension of enforcement of actions were filed by the Romanian State, through the Ministry of Public Finance; the demand for suspension of enforcement of judgments was irrevocably rejected, and the Counteraction is still pending.

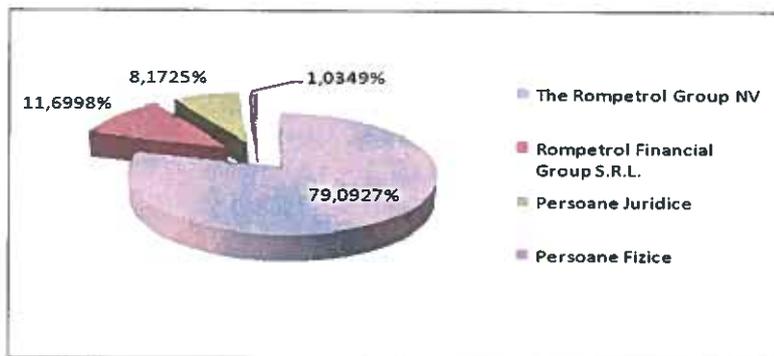


Through the Civil Judgement no. 958/11.10.2010 pronounced in file 10463/118/2010, the demands filed by the Company to record mentions were approved and all mentions included in Decision no. 1 of 19 August 2010 of the Board of Directors of the Company, having the scope to increase the share capital initiated through Resolutions no. 4, no. 5, and no. 6 of the Extraordinary General Meeting of Shareholders of 30 June 2010, were ordered to be literally recorded; as well as all operations relating to subsequent publishing were ordered to be effectuated.

By ex officio registration no. 68984/12/27/2010 the Company's details were registered with the Trade Register after the modification of the share capital according to Decision no. 1 of 19 August of the Board of Directors whereby the share capital of the Company was increased from 2,109,927,600.2 to 2,439,419,667.3 Lei, i.e. with a share number of 3,294,920,617 new shares with nominal value of 0.1 Lei.

As per Securities Registration Certificate No. AC - 2852 3/ 02/08/2011 issued by the National Securities Commission on 15 February 2011, Depozitarul Central S.A. recorded the above mentioned increase of the share capital in the Shareholders Register of Rompetrol Rafinare S.A.

The structure of the share capital resulted from the registration made by Depozitarul Central S.A. on 15 February 2011 of said increase of share capital is as follows:



Other securities issued by the Company

By Resolution of the Extraordinary General Meeting of Shareholders of 14 November 2003, the Company issued bonds in accordance with the Governmental Urgent Ordinance no. 118/2003, subsequently approved by Law no. 89/2005, published in the Official Gazette of Romania no. 320 of 15 April 2005. The emission value was EUR 570,302,44, representing 22,812,098 bonds, with a nominal value of EUR 25.

The holder of such bonds issued by the Company was the Romanian State, by means of the Ministry of Public Finance (sole holder), and the maturity date was 30 September 2010.



The Company fulfilled its obligations arising out of said emission to the bonds' holders, redeeming a number of 2,160,000 bonds by paying the amount of 229,321,800 Lei on 9 August 2010, and converting the difference of 20,652,098 into shares according to Resolutions no. 28 and no. 29 dated 30 September 2010 of the Extraordinary General Meeting of Shareholders, such Resolutions being under way of registration, as they were contested in several ways by the Romanian State, by means of the Ministry of Public Finance.

Company's own shares

At 31.12.2010, ROMPETROL RAFINARE S.A. held a number of 6.134.701 shares, having a nominal value of RON 0,10 per share and a total value of RON 613.470,10, which represents 0.029% of Company's share capital.

The Company did not trade (by acquiring or selling) its own shares during 2010.

Public offer of mandatory takeover of Company's shares

Based on the Decision no. 185/02/08/2010 made by the National Securities Commission, The Rompetrol Group N.V. (as "Bidder") initiated a public offer of mandatory taking over, addressed to all Company's shareholders, as per all legal valid regulations. Such offer aimed the acquisition of a number of 5,062,172,980 shares held by the Issuer (S.C. ROMPETROL RAFINARE S.A.) 's shareholders, that were in circulation and were not held by the Bidder (The Rompetrol Group N.V.) and by any persons with whom the Bidder has concerted actions, representing 23.99% of the share capital. The public offer of mandatory taking over took place between 15 February and 26 March, 2010.

The Bidder has acted concertedly with Rompetrol Financial Group S.R.L., Rompetrol S.A., Rompetrol Downstream S.R.L., Rompetrol Well Services S.A. and Rompetrol Rafinare S.A, all these companies being the Issuer's shareholders.

The premise of the concerted actions consisted of the fact that the Bidder was holding at the time of initiation of the public offer 72.22% of the share capital of Rompetrol Financial Group S.R.L., 100% of Rompetrol S.A., 51% of Rompetrol Well Services S.A. and 50.5924% of Rompetrol Rafinare S.A.

Rompetrol Downstream S.R.L. held 2.62% of Rompetrol Rafinare S.A. The Issuer holds a number of 6,134,701 of own shares.

On 31 December 2009, the consolidated synthetic structure of the shareholders was as follows:

- | | |
|----------------------------------|-------------|
| a) The Rompetrol Group N.V. | - 50.5924%; |
| b) Rompetrol Financial Group SRL | - 13.5269%; |
| c) Legal persons | - 26.5039%; |
| d) Natural persons | - 9.3768% |

Thereby, on 31 December 2009, previous to the public offer, the majority shareholding and persons which had actions in a concerted manner, were jointly holding, directly and indirectly, 76.01% of the share capital of the Issuer.



During the course of the public offer of mandatory taking over, the voting rights resulting from the shares held that exceeded 33% of the voting rights over the issuer were suspended, as per art. 203, par. 3 of Law no. 297/2004.

As a result of the public offer, the companies of the Rompetrol Group have increased their shareholding from 75.99% to 98.62%. Subsequently, the main shareholder of the Company, The Rompetrol Group N.V., submitted to CNVM (The National Securities Commission) the necessary documentation to initiate the withdrawal procedure of minority shareholders aiming to deslist the Company, thus exercising the right conferred by the capital market legislation.

However, the right of The Rompetrol Group N.V. to start the minority shareholders' withdrawal was suspended by Ordinance No. 325/ 07/28/2010 issued by the National Securities Commission pronounced based on a demand filed to that effect by the Romanian State by means of the Ministry of Public Finance, on the background of resolving the problem of the issued bonds in accordance with the Governmental Urgent Ordinance no. 118/2003. The Rompetrol Group N.V. made public the appeal against such Ordinance.

The Financial Calendar proposed for the year 2010

Financial Calendar	Date
<i>Presentation of the preliminary, unaudited, individual and consolidated results of the year 2010 and IVth Quarter of 2010</i>	<i>February 15th, 2011</i>
<i>Ordinary General Assembly of Shareholders, to approve the annual financial results of year 2010</i>	<i>April 29th, 2011</i>
<i>Publication of the 2010 Annual Report (i.e. publication of the financial results of 2010)</i>	<i>April 29th, 2011</i>
<i>Presentation of the results recorded during the first quarter of 2011</i>	<i>May 12th, 2011</i>
<i>Presentation of the results recorded during the first semester and second quarter of 2011</i>	<i>August 11th, 2011</i>
<i>Presentation of the results recorded during the third quarter of 2011 and between January - September 2011</i>	<i>November 10th, 2011</i>

Important information and news of interest to the shareholders, analysts and investors, regarding Company's activity, are available on the web-site www.rompetrol.com, in the Investor Relations section, Rompetrol Rafinare sub-section.

Investor Relations Contact

The annual, semiannual and quarterly reports are made available to shareholders upon request. Requests may be submitted electronically, via e-mail at: office.rafinare@rompetrol.com.

**HIGHLIGHTS - CONSOLIDATED**

Financial	2010 USD	2009 USD	%	2010 RON	2009 RON	%
Gross Revenues	3,554,159,541	3,184,794,951	12%	11,389,304,249	10,205,675,420	12%
Net Revenues	2,782,957,387	2,480,440,002	12%	8,917,986,947	7,948,569,986	12%
EBITDA	5,901,220	3,258,567	N/A	18,910,460	10,442,078	N/A
EBITDA margin	0.2%	0.1%		0.2%	0.1%	
EBIT	(112,912,969)	(97,118,364)	N/A	(361,829,609)	(311,215,798)	N/A
Net profit / (loss)	(199,204,306)	(173,720,999)	N/A	(638,350,198)	(556,688,942)	N/A
Net Profit / (loss) margin	-7.2%	-7.0%		-7.2%	-7.0%	

Rompetrol Rafinare Constanta (RRC) gross revenues reached USD 3.55 billion in 2010. The increase in gross revenues, compared to the same period last year, is mainly the result of higher international quotations for petroleum products, on gasoline as well as on diesel.

**ENVIRONMENT**

		2010	2009	%
Brent Dated	USD/bbl	79.50	61.67	29%
Ural Med	USD/bbl	78.16	60.94	28%
Brent-Ural Differential	USD/bbl	1.34	0.73	83%
Ural Cracking Margin**	USD/bbl	4.11	2.90	42%
Premium Unleaded 10 ppm FOB Med	USD/t	729	583	25%
Diesel ULSD 10 ppm FOB Med	USD/t	682	533	28%
RON/USD Average exchange rate		3.18	3.05	4%
RON/USD Closing exchange rate		3.20	2.94	9%
RON/EURO Average exchange rate		4.21	4.24	-1%
RON/EURO Closing exchange rate		4.28	4.23	1%
USD/EURO Closing rate		1.34	1.44	-7%
Inflation in Romania*		7.90%	4.75%	

Source: Platts
* INSSE
**JBC

In Q4 2010, crude oil prices exceeded 75 - 85\$/bbl and settled to over 90\$/bbl at the end of December 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 increase of crude oil prices will be kept within boundaries by: OPEC spare capacity (approx. 5 million barrels), quota compliance, growing fears of supply glut due to additional potential volumes coming from Iraq and Brazil, higher energy consumption efficiency due to increase of prices, increased use of natural gas as substitute for crude oil.

During last quarter, Urals differential to Brent increased by 0.76\$/bbl and reached 1.75\$/bbl in December when the quote was above the benchmark of 90\$/bbl . Market analysts expect premium of Urals Mediterranean over North-West Europe to increase after Russian officials announced their intention to re-route some volumes from the Black Sea both North and Eastwards.

Contrary to Q3 forecast and seasonal trends, gasoline performed well during Q4 (110 \$/mt higher in Q4 2010 than in Q4 2009). Recovery can be mainly attributed to short term developments: French strikes, unplanned shutdowns, run cuts in the US and strong support for naphtha. In the near future, the gasoline performance is not expected to improve significantly, as diesel will become the driving factor again and efficiency improvements in Western markets will not bring positive results. Naphtha will become again an important supporting factor for light products.

In Q4 2010 middle distillates yielded to 132\$/mt. This trend was partially supported by: the strikes in France resulting in increased import volumes, followed by refinery run rebounds from 74% in October to 82% in November. Nevertheless, subsequent high stock levels show that existing shortage was over-compensated. In 2010 the demand had a positive trend compared with 2009. At the same time, the specification change in Turkey (fully 10 ppm diesel) starting with January 2011 will induce a demand shift from Gasoil .1 to Diesel 10 ppm, but its impact is hard to



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quantify. In the future, the distillates should remain the principal margin driver at least through Q1 2011, based on healthy demand outlook (especially East of Suez) and improving on-shore and floating stock levels.

The French strikes had a positive influence on European refineries improving the forecasted shrinking margins on short term. An additional benefit came from China's shortage of middle distillates and a generally improved global demand reported by major agencies. Still, market analysts are sustaining their view concerning bleak outlook for downstream players on mature OECD markets. In Q1 2011 the cracking margins are forecast at 2.9\$/bbl in North-West Europe and 2.5\$/bbl in the Mediterranean. During 2011, a limited increase of distillation capacity in Asia is expected which may entail the export growth from Europe to the East.



REFINING

Financial		2010	2009	%	2010	2009	%
		USD	USD		RON	RON	
Gross Revenues	USD/RON	2,822,071,920	2,700,415,540	5%	9,043,329,468	8,653,481,598	5%
Net Revenues	USD/RON	2,212,742,024	2,038,188,994	9%	7,090,731,816	6,531,376,631	9%
EBITDA	USD/RON	(28,541,307)	(36,289,500)	N/A	(91,460,618)	(116,289,703)	N/A
EBITDA margin	%	-1.3%	-1.8%	N/A	-1.3%	-1.8%	N/A
EBIT	USD/RON	(72,707,218)	(82,354,477)	N/A	(232,990,280)	(263,904,922)	N/A
Net profit / (loss)	USD/RON	(143,128,288)	(143,629,866)	N/A	(458,654,599)	(460,261,906)	N/A
Net profit / (loss) margin	%	-6.5%	-7.0%		-6.5%	-7.0%	
Gross cash refinery margin/tonne	USD/(RON)/t	34.53	29.83	16%	110.65	95.59	16%
Gross cash refinery margin/bbl	USD/(RON) /bbl	4.75	4.11	16%	15.23	13.16	16%
Net cash refinery margin/tonne	USD/(RON)/t	(2.81)	(6.77)	-58%	(9.01)	(21.69)	-58%
Net cash refinery margin/bbl	USD/(RON)/bbl	(0.39)	(0.93)	-58%	(1.23)	(2.97)	-58%
Operational							
Feedstock processed	Kt	3,496	4,092	-15%			
Gasoline produced	Kt	1,162	1,342	-13%			
Diesel & jet fuel produced	Kt	1,397	1,649	-15%			
Motor fuels sales - domestic	Kt	1,283	1,465	-12%			
Motor fuels sales - export	Kt	1,060	1,347	-21%			
Export	%	45%	48%				
Domestic	%	55%	52%				

Note: Refining segment comprises the results of Petromidia and Vega Refineries.



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Rompétrol Rafinare computes Gross cash refinery margin as follows – (Oil Product Sales – Cost of Feedstock) / Quantity of Feedstock related to the sales. Net Cash Refinery margin is the EBITDA of the refinery divided by quantity of feedstock related to sales.

The gross revenues of the refining segment reached USD 2.8 billion in 2010 higher by 5% compared with the same period last year. The increase in gross revenues is mainly the result of higher international quotations for petroleum products.

The operational results for 2010 were positively influenced by higher international quotations for petroleum products, mainly for fuels, although the production of petroleum products decreased due to the refinery planned turnaround.

Ural/Brent differential increased (1.34 USD/bbl in 2010 compared with 0.73 USD/bbl in 2009), leading to improved operating results. In addition, the diesel quotations increased by 28% from 533 USD/bbl in 2009 to 682 USD/bbl in 2010, as well as gasoline quotations increased from 583 USD/to to 782 USD/to.

In 2010, the refining capacity utilization rate was 77.67% by 5.1% lower than in 2009 due to the overhaul.

The companies of the Rompétrol Group, which perform their activity on the Petromidia and Vega platforms, and the company DuPont Safety Resources signed in January 2010 a consultancy agreement for the efficient implementation of a strategic programme for raising the safety level on the two industrial platforms. The main aim of this programme is to help Rompétrol become a leader in good safety practices and in labour protection. By starting this programme, and by continuing the investments in state-of-the-art technologies, Rompétrol Rafinare is continuing its path towards its declared goal to rank in the Top 25 of the most efficient refineries in Europe.

Rompétrol Rafinare and Rompétrol Petrochemicals were selected among the first 10 green companies in Romania, according to a top made by the Ministry of Environment and Green Revolution Association. The two companies occupied the 5th place - Rompétrol Rafinare and the 10th place – Rompétrol Petrochemicals, out of a total of 180 participants from various fields of activity. Green Business Index Top (GBI) focused on creating an environment assessment and monitoring instrument for the companies in Romania, being made based on the measures adopted and implemented by the 180 companies for environment protection. Continuation of investments and, implicitly, increase of the degree of environment protection were among the criteria that were considered, along with identification and implementation of new environment and social responsibility projects.

Rompétrol Rafinare continued to be an important contributor to Romania's fiscal budget with almost 1 billion in 2010.



MARKETING

		2010	2009	%	2010	2009	%
Financial		USD	USD		RON	RON	
Gross Revenues	USD/RON	2,199,075,415	1,961,007,497	12%	7,046,937,167	6,284,048,524	12%
EBITDA	USD/RON	31,544,508	47,273,465	-33%	101,084,376	151,487,819	-33%
EBIT	USD/RON	(21,377,277)	(5,229,799)	N/A	(68,503,484)	(16,758,891)	N/A
Net profit / (loss)	USD/RON	(37,190,335)	(28,298,939)	N/A	(119,176,429)	(90,683,950)	N/A
Operational							
Quantities sold in retail	Kt	732	755	-3%			
Quantities sold in wholesale	Kt	666	662	1%			
Retail Gross Margin	USD/t	114	129	-12%	365	414	-12%
Wholesale Gross Margin	USD/t	47	61	-23%	151	196	-23%

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

The sustained growth from recent years was followed in 2010 by a slight decline of 1% in trading volumes, visible mostly in the retail segment (-3%), more sensitive to economic crisis than the wholesale segment, which recorded an increase of 1%.

In accomplishing its 2010 objectives of volume increase, the company had also as direct support the efficient reorganization process of its sales force.

The financial results were influenced by the decrease in the commercial margins due to the economic crisis, as well as by the RON depreciation against the US dollar by 9% compared with 2009.

At the end of 2010, the distribution sector operated a network of 788 stations, by 2% lower compared with 2009, of which: 131 own stations, 153 gas stations operated in franchise system, 151 express stations, 155 RIB (Rompetrol Internal Basis) and 198 CUVA stations.

**PETROCHEMICALS**

		2010	2009	%	2010	2009	%
Financial		USD	USD		RON	RON	
Revenues	USD/RON	265,705,423	240,151,382	11%	851,453,028	769,565,104	11%
EBITDA	USD/RON	14,025,240	(13,665,459)	N/A	44,943,882	(43,790,963)	N/A
EBIT	USD/RON	(351,034)	(12,046,384)	N/A	(1,124,889)	(38,602,637)	N/A
Net profit / (loss)	USD/RON	(4,945,288)	(8,291,119)	N/A	(15,847,176)	(26,568,891)	N/A
Operational							
Propylene processed	kt	107	107	0%			
Ethylene processed	kt	72	107	-33%			
Sold from own production	kt	175	222	-21%			
Sold from trading	kt	20	16	29%			
Total sold		195	238	-18%			
Export	%	55%	60%				
Domestic	%	45%	40%				

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 versus 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, therefore EBITDA reached USD 14 million in 2010, higher compared with the same period last year.

The decrease in the quantity of raw materials processed compared with 2009 is the result of the shutdown of HDPE unit, starting November 2009.

In 2010 Rompetrol Petrochemicals improved the quality of its products, thus the weight of high quality rated products reached 97% compared with an average of 96% in 2009.

Against the background of the reduction or shutting down of production capacities in Central and Eastern Europe, the company maintains its objective set in 2007 of becoming one of the main suppliers and producers of polymers in the region. In November 2010 the high density polyethylene installation (HDPE) was restarted. In 2011 the modernization program will allow an increase in the installation capacity, a reduction in the processing costs, a diversification of the range of products provided, as well as an increase in the operating safety.



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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.

Rompetro 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. Its dynamic development strategy has secured the company a competitive position on the domestic and regional markets – in the Balkans Region. One of the advantages of the company is determined by its proximity to its customers, providing the products required Just - In - Time, as well as offering technical consulting and monitoring of their production cycle.



APPENDIX 1 – CONSOLIDATED INCOME STATEMENT 2010, AUDITED

	2010	2009	%	2010	2009	%
	USD	USD		RON	RON	
Gross Revenues	3,554,159,541	3,184,794,951	12%	11,389,304,249	10,205,675,420	12%
Sales taxes and discounts	(771,202,154)	(704,354,949)	9%	(2,471,317,302)	(2,257,105,434)	9%
Net revenues	2,782,957,387	2,480,440,002	12%	8,917,986,947	7,948,569,986	12%
Cost of sales	(2,571,847,316)	(2,283,545,985)	13%	(8,241,484,724)	(7,317,623,109)	13%
Gross margin	211,110,071	196,894,017	7%	676,502,223	630,946,877	7%
Selling, general and administration	(305,779,609)	(298,070,317)	3%	(979,870,757)	(955,166,331)	3%
Other expenses, net	(18,243,431)	4,057,936	N/A	(58,461,075)	13,003,656	N/A
EBIT	(112,912,969)	(97,118,364)	N/A	(361,829,609)	(311,215,798)	N/A
Finance, net	(78,946,215)	(84,228,263)	N/A	(252,983,145)	(269,909,469)	N/A
Unrealized net foreign exchange (losses)/gains	2,744,171	19,894,310	N/A	8,793,696	63,751,317	N/A
Realized net foreign exchange (losses)/gains	(9,296,932)	(11,912,248)	N/A	(29,792,019)	(38,172,799)	N/A
EBT	(198,411,945)	(173,364,565)	N/A	(635,811,077)	(555,546,749)	N/A
Income tax	(792,361)	(356,434)	N/A	(2,539,121)	(1,142,193)	N/A
Net result	(199,204,306)	(173,720,999)	N/A	(638,350,198)	(556,688,942)	N/A
EBITDA	5,901,220	3,258,567	N/A	18,910,460	10,442,078	N/A



APPENDIX 2 – CONSOLIDATED BALANCE SHEET DECEMBER 31, 2010, AUDITED

	Decembrie 31, 2010	Decembrie 31, 2009	%	Decembrie 31, 2010	Decembrie 31, 2009	%
	USD	USD		RON	RON	
Assets						
Non-current assets						
Intangible assets	29,244,456	44,958,147	-35%	93,713,858	144,068,382	-35%
Goodwill	82,871,706	100,355,787	-17%	265,562,382	321,590,119	-17%
Property, plant and equipment	1,022,541,570	939,880,630	9%	3,276,734,461	3,011,847,479	9%
Financial assets and other	3,390,005	2,375,022	43%	10,863,270	7,610,755	43%
Total Non Current Assets	1,138,047,737	1,087,569,586	5%	3,646,873,971	3,485,116,735	5%
Current assets						
Inventories	357,368,919	290,325,030	23%	1,145,188,701	930,346,559	23%
Trade and other receivables	324,492,795	314,185,381	3%	1,039,837,162	1,006,807,053	3%
Cash and cash equivalents	53,177,253	45,565,498	17%	170,406,507	146,014,638	17%
Total current assets	735,038,967	650,075,909	13%	2,355,432,370	2,083,168,250	13%
Total assets	1,873,086,704	1,737,645,495	8%	6,002,306,341	5,568,284,985	8%
Equity and liabilities						
Total Equity	- 17,175,833	161,304,208	111%	- 55,039,957	516,899,336	111%
Non-current liabilities						
Hybrid instrument - long-term portion	-	-	-	-	-	-
Long-term debt	1,907,918	5,208,938	-63%	6,113,923	16,692,042	-63%
Other	31,832,739	31,446,531	1%	102,008,012	100,770,409	1%
Total non-current liabilities	33,740,657	36,655,469	-8%	108,121,935	117,462,451	-8%
Current Liabilities						
Trade and other payables	709,940,734	530,207,451	34%	2,275,005,081	1,699,049,771	34%
Hybrid instrument - current portion	-	22,601,564	100%	-	72,426,712	100%
Short-term debt	1,146,581,146	986,876,803	16%	3,674,219,282	3,162,446,715	16%
Total current liabilities	1,856,521,880	1,539,685,818	21%	5,949,224,363	4,933,923,198	21%
Total equity and liabilities	1,873,086,704	1,737,645,495	8%	6,002,306,341	5,568,284,985	8%

Risk Management

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

Commodity price risk

The Group is exposed to changes in commodity prices both on the purchase of crude oil and the eventual sale of the finished oil products. The Group is an importer of crude oil and was influenced by the increase in average crude oil prices in 2010 and 2009. The Group exports almost half of its petroleum products on external markets, the rest being sold on the Romanian market. The prices for crude oil and petroleum products bought/sold are determined by reference to international quotations, while the price of petroleum products for domestic market are mainly market driven.

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 Company has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Company to both fair value and cash flow risk.

Foreign exchange risk

The Company's functional currency is USD since crude oil imports and a significant part of petroleum products are all denominated in foreign currencies, principally US Dollars. In addition, certain assets and liabilities are denominated in foreign currencies. Group Treasury is responsible for handling the Group foreign currency transactions.

Liquidity and cash flow risks

The liquidity risk consists in not having financial resources available in order to fulfill company obligations when they are due. Based on the forecasted cashflow, the management of the company checks daily the liquidity level and ensures the fulfillment of obligations to suppliers, to the state budget, to the local tax authorities etc. according to their maturity. The current and immediate liquidity ratios are monitored permanently.

One of the concerns of the management of Rompetrol Rafinare is to know the effects of all these risks in order to ensure that the economic-financial activity of the company is carried out without any problems. During 2010 the company enjoyed continuous financing resources at the needed levels and ensured that no cases of temporary lack of financial resources or of lack of liquidity of the company occurred, as a result of selling



products guaranteed with payment instruments and negotiating receipt terms from clients and payment terms from suppliers that are advantageous, maintaining at the same time a good relation with the business partners.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract leading to a financial loss. The Group is exposed to credit risk from its operating activities primarily for trade receivables and from its financing activities including bank deposits, foreign exchange transactions and other financial instruments.

Trade receivables

The retail operational segment is exposed to credit risk. Overdue customer receivables are regularly monitored.

Financial instruments and bank deposits

Credit risk from balances with banks and financial institutions is managed by the Group's treasury in accordance with the Group's policy.

Operational risk

The operational risk derives from the possibility that accidents, errors, malfunctions may occur, as well as from the influences of the environment upon the operating and financial results. Rompetrol Rafinare S.A. has continued a broad revamp process on the refinery technology, for the purpose of increasing the production, reducing the technological losses, as well as eliminating the accidental shut-downs in the industrial process. Also, the Company is preoccupied with maintaining and improving the quality-environment-safety integrated system on a constant basis, aiming to improve the organizational image, by complying with the requirements on quality, environmental protection and work safety, by improving the relationship with the authorities and with the socio-economic society, by limiting the civil and criminal liability and by meeting the legal requirements for quality – environment – security.

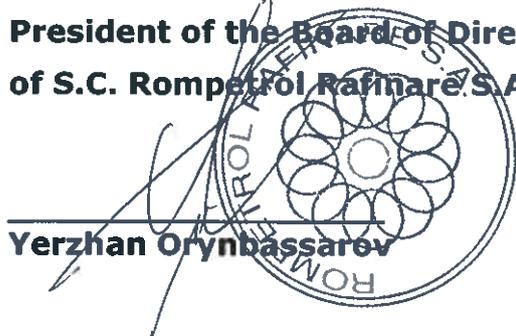


ROMPETROL

Note: The Board of Directors Annual Report was prepared based on the audited financial statements.

The functional currency, as basis for preparing the financial statements, is USD. RON currency is used as currency for presenting the informations in USD, according to the International Financial Reporting Standards. All the RON information were obtained by multiplying the USD values with the exchange rate USD/RON = 3.2045 as of 31 December 2010.

**President of the Board of Directors
of S.C. Rompetrol Rafinare S.A.**


Yerzhan Orynbassarov

Chief Executive Officer


Arman Kairdenov

Chief Financial Officer


Gabriel Vasile Manole