

# ANNUAL REPORT

ACCORDING TO C.N.V.M. REGULATIONS NO. 1/2006  
FOR THE FINANCIAL YEAR 2011

Date of the report: 18.04.2012

## S.C. RAFO S.A. ONESTI TRADING COMPANY

HEADQUARTERS:	3 Industriilor Street, Onesti, Bacau County
TELEPHONE NUMBER:	+ 40 -234 - 316400
FAX NUMBER:	+ 40 -234 - 315640
SOLE REGISTRATION CODE	958772
ORDER NUMBER IN THE TRADE REGISTER	J 04 / 538 /1991
THE MARKET ON WHICH THE ISSUED	BUCHAREST STOCK EXCHANGE
SECURITIES ARE TRANSACTED:	UNLISTED SECURITIES MARKET
SUBSCRIBED AND PAID UP SHARE	2.194.936.967,5 Lei
CAPITAL:	

### 1. ANALYSIS OF THE TRADING COMPANY' S ACTIVITY

#### 1.1.

##### a) DESCRIPTION OF THE BASIC ACTIVITY OF S.C. RAFO S.A. ONESTI

The main object of activity of S.C. RAFO S.A. Onesti is "The manufacture of the products obtained from the crude oil processing".

##### Localization

The company is situated in the Eastern part of the country, in Moldova region, 5 km far from Onesti and near the road E 57 A.

##### b) GENERAL PRESENTATION OF THE COMPANY'S ACTIVITY

###### Brief history

S.C. RAFO S.A. ONESTI has been registered as an independent trading company since 1991, up to 1991 belonging to Borzesti Petrochemical Plant Complex. Borzesti Petrochemical Plant Complex was set up in 1956 by Government Decision, Refinery 1 Onesti being part of it and processing the sweet crude oil from the country.

Between 1979 -1980, Refinery 2 was put into operation for processing the sour crude oil from import.

Currently, the company is privatized and performs its activity as an independent trading company.

### **c) DESCRIPTION OF ANY SIGNIFICANT MERGER OR REORGANIZATION OF THE TRADING COMPANY OR OF ITS BRANCHES**

In 2011, S.C. RAFO S.A. continued the general modernization and revamping program initiated in 2008. As presented in the Administrator's Reports for the previous financial periods, beginning with 20.02.2008, the company's management decided to stop the production activity, due to the following reasons:

- The company initiated a preparation program in order to start the units' modernization and revamping works, aiming also to reduce the technological consumption and losses;
- In February 2008, RAFO had to stop the production mainly due to the fact that the operating licence for its own delayed coking unit (built in the '60s) could no longer be renewed, due to its general depreciation;
- The shut-down was justified because the environmental legislation no longer allowed the trading of Euro 4 petroleum products starting with January 2009 and the company's management undertaking to implement the modernization and revamping program in order to obtain Euro 5 products represents in itself a guarantee for the restart of the production process;
- The external factors that led to making this decision are the trials with the state's institutions in which RAFO was permanently involved and which led to the unreasonable delaying of issuing a decision regarding the closing of the Reorganization Plan;

#### **The main strategic objectives of RAFO's Management for 2011 were:**

1. the settlement of the litigations in which the company is involved;
2. the settlement of the existing fiscal issues with the state institutions;
3. the company's financial statement in 2011;
4. the continuation of the modernization and revamping program with the company's own financial resources.

## 1. The settlement of the litigations

The most important legal aspects in 2011 were:

- The irrevocable settlement of the file no. 411/62/2005, on the dockets of Brasov Court of Law – the Commercial and Administrative Section, having as object the reorganization procedure of S.C. RAFO S.A, was undeniably the most important event of the year 2011, from the legal point of view;
- The enforcement procedure for the amount of 9.256.628 lei, initiated by “Bivolaru” Group of Inventors after closing the judicial reorganization procedure. S.C. RAFO S.A. filed an appeal against enforcement, settled by Cluj-Napoca Court of Law through the Civil Sentence no. 16483/25.10.2011 rendered in the file no. 2081/270/2011, admitting it and canceling all the enforcement documents;
- The action for the recovery of possession over the quantity of 6.920 tons of gasoil, filed by Glencore Energy, making the object of the file no. 1963/110/2008 of Bacau Court of Law – Commercial and Administrative Section, was cancelled, finally and irrevocably, as it was insufficiently stamped;
- The legal action filed by Glencore Energy, by which it requests the trial court to oblige S.C. RAFO S.A. to refund in kind the quantity of 30.000 tons of crude oil, making the object of the file no. 4642/105/2008 of Prahova Court of Law – 2<sup>nd</sup> Civil, Administrative and Fiscal Section, was cancelled, finally and irrevocably, as it was not stamped;
- In the files no. 4810/110/2008 and 5005/110/2008 of Bacau Court of Law regarding the request of Glencore Energy to set up a legal levy over the quantities of 6.920 tons of gasoil and 123.530,158 tons of crude oil, the trial court found that their expiration occurred.

RAFO made all the efforts and took all the necessary steps in order to fulfill the Reorganization Plan, and after 6 years of trials, **Rafo’s reorganization procedure was closed on 21.06.2010**. The legal decision ordering the closing of S.C. RAFO S.A.’s reorganization procedure became irrevocable once with the settlement of the appeals against it, by means of the Decision no. 140/R/08.03.2011 of Brasov Court of Appeal.

## 2. The settlement of the existing fiscal issues with the state institutions

The company’s management took the necessary steps in order to settle some fiscal matters, materialized in the recognition of the certain, liquid and due debts that S.C.RAFO S.A. had towards the consolidated budget. As a result of such acknowledgement, these debts were used for paying the current obligations, as follows:

- RAFO requested the refunding of the amount of 9.874.437 lei, representing tax liabilities with additions and penalties calculated to the current fiscal liabilities, occurred after opening the judicial reorganization procedure. Following the steps taken by RAFO, the amount of 9.647.444 lei was recognized.
- Due to the steps taken, respectively several notifications and meetings with all the related authorities of ANAF, the management succeeded to obtain the recognition of a receivable amounting to 1.108.274 lei (representing the excise duty paid in advance) for which a request for clearing with the due liabilities was filed.
- In the period 2008-2009, the Fiscal Code stipulated at art. 160 the application of the simplification measures for the transactions made with companies that are under insolvency procedure. Our company filed the VAT settlement on 25.01.2010, requesting its reimbursement, in amount of 1.461.299 lei. Due to the steps that were taken and with the Government's support, the Fiscal Code was amended, thus allowing the resuming of the fiscal control and its finalizing with the resolution to accept the refunding of the amount 1.459.268 lei. For this amount the company filed a request for clearing with the due liabilities.

### 3. The company's financial statement in 2011

During 2011, the company managed to carry out the activity using its own resources. Thus, out of the total incomes worth **121.828.926 lei**, of which:

- the sale of CO2 allowances (46,7 million lei);
- selling of a quantity of crude oil which was stored in custody by Oil Terminal (27.6 million lei);
- incomes from fines and penalties as a result of reimbursing the accessory fiscal obligations (9,6 million lei);
- obtaining materials recovered from dismantling (4,5 million lei);
- selling scrap iron and metallic wastes resulted from dismantling (3,1 million lei);
- selling the petroleum sludge obtained from tanks' cleaning (1 million lei);
- other incomes (**3,5 million lei**).

As presented in the previous paragraph, the settlement of the issues we had with the state institutions contributed to the financing increase with the amounts approved to be refunded and cashed or through the cleared amounts (through the reduction of the payments to the State Budget).

The obtained incomes covered the current expenses registered in 2011, amounting to **104.340.948 lei**, from which:

- Expenses with the personnel (36,6 million lei) - 35% of total expenses;
- Expenses related to the goods (23,9 million lei) - 23% of total expenses;
- Expenses related to works and services provided by third parties (14,7 million lei) – 14% of total expenses;
- Expenses with materials (10,5 million lei) - 10% of total expenses;
- Expenses with energy and water (7,2 million lei) – 7% of total expenses;
- Expenses with taxes and charges (2,1 million lei) – 2% of total expenses;
- Other expenses (9,3 million lei) – 9% of total expenses.

The operating result, amounting to 17.487.977 lei, was obtained due the company's management efforts to overcome the economical crisis and to continue the undertaken modernization and revamping program.

#### **4. The continuation of the modernization and revamping program**

RAFO performed a complete series of studies regarding the possible development options for the refinery and in addition, it also made a series of initial investments from its own sources.

Several feasibility studies have been drawn up, allowing the decision factors to choose the strategic direction for RAFO's revamping and modernization: a fuels/ gasoline diagram or a gasoil/petrochemical products diagram. Currently, Rafo's management decided to approach the objectives of the modernization in several stages, the first stage being the restart of the refinery based on light crude oil with high sulphur content.

RAFO's investments program is aiming to increase the production of gasoil, for which there is a powerful local market, to eliminate the production of fuel oil, to increase the process efficiency (quality, conversion, and yield) and restore the market share. RAFO is planning to reduce the modernization cost by reusing the existing equipment and maximizing the real opportunities, one of such being the low cost of the local component (man/hour and equipment).

As far as the investments with own sources are concerned, it has to be mentioned that the total amount capitalized until 31.12.2011 corresponds to the value of the investments made, that is **181,3 million lei**. From this value, the amount of **105,7 million lei** was paid off to the third parties and the amount of **75,6 million lei** represents investments made by own forces. The investment activities made with the contracted third parties include the feasibility studies, engineering works, equipment supply, construction and assembly works.

RAFO's staff was involved in preservation works, as well as in the performance of repairs, site arrangement, dismantling and cleaning of the existing equipment, as per the modernization plan. During the cleaning of the refinery, assets worth **lei 15,4 million** have been recovered. RAFO's staff was also involved in the construction and modernization works of the utilities lines (steam, recycled water, instrumental air, hydrogen, etc).

**d) DESCRIPTION OF ASSETS PURCHASES AND/OR ALIENATIONS**

Lands from Mihai Viteazu Station – Cluj by expropriating a land area of 748 m<sup>2</sup>, worth 45.462 lei

**e) DESCRIPTION OF THE MAIN RESULTS REGARDING THE ASSESSMENT OF THE COMPANY'S ACTIVITY**

**THE PATRIMONIAL STATEMENT**, as of 31.12.2011, is presented as follows:

- RON -

BALANCE SHEET ITEMS	31.12.2010	31.12.2011	%
<b>A. BALANCE SHEET ASSETS</b>	<b>653,278,296</b>	<b>640,091,100</b>	<b>98.0</b>
<b>FIXED ASSETS</b>	461,247,050	483,954,947	104.9
- Intangible assets	8,468,663	8,365,589	98.8
- Tangible assets	448,786,033	471,597,008	105.1
- Financial assets	3,992,353	3,992,350	100.0
<b>CURRENT ASSETS</b>	191,984,137	156,098,152	81.3
- Stocks	172,765,951	144,505,502	83.6
- Receivables	19,107,536	11,499,657	60.2
- Short-term financial investments	0	0	-
- Cash and bank accounts	110,651	92,993	84.0
<b>EXPENSES IN ADVANCE</b>	47,109	38,000	80.7

<b>B. BALANCE SHEET LIABILITIES</b>	<b>653,278,296</b>	<b>640,091,099</b>	<b>98.0</b>
<b>DEBTS – PAYMENT TERM LESS THAN 1 YEAR</b>	63,800,876	14,766,822	23.1
- Advances in the account of orders	798,075	69,764	8.7
- Commercial debts	9,428,525	3,483,689	36.9
- Amounts owed to related entities	44,580,434	550,018	1.2
- Other debts	8,993,842	10,663,351	118.6
<b>DEBTS – PAYMENT TERM LONGER THAN 1 YEAR</b>	175,406,570	208,335,560	118.8
<b>PROVISIONS FOR RISKS AND EXPENSES</b>	6,017,891	5,614,250	93.3
<b>INCOMES IN ADVANCE</b>	1,940,857	1,958,388	100.9
<b>EQUITIES</b>	406,112,101	409,416,079	100.8
- Subscribed and paid up share capital	2,194,936,968	2,194,936,967	100.0
- Not-paid up subscribed capital	0	0	-
- Reserves from revaluation	57,427,499	56,168,069	97.8
- Surplus reserves from the revaluation reserves	25,135,545	26,326,785	104.7
- Other reserves	440,206	440,206	100.0
- Reported result	(1,817,123,361)	(1,865,350,744)	102.7
- Result of the financial period	(54,704,754)	(3,105,204)	5.7

#### 1.1.1. ELEMENTS RELATED TO GENERAL ASSESSMENT:

THE NET RESULT registered in 2011 materialized in the registration of a loss amounting to 3.105.204 lei that will be covered during the future accounting periods.

- RON -

<b>INDICATORS</b>	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>31.12.2011</b>
- Turnover, of which:	<b>19.468.960</b>	<b>44,985,871</b>	<b>81.949.051</b>
- Sold production	7.583.490	43,586,919	54.122.646
- Incomes from the sale of goods	11.885.470	1,398,952	27.826.405

During 2011, no sales of finished petroleum products were performed, the greatest part of the incomes coming from the sale of emission allowances. According to the National Allotment Plan for emissions allowances, RAFO received **704.473** allowances, on a yearly basis, for the period 2008 - 2012. Considering that the refinery was stopped for modernization purposes, the refinery was able to sell these allowances through a broker specialized in their trading. The allowances related to 2011 were sold in the period March-April 2011, for the amount of **46.740.573 lei**, at an average price of 15 Euro/allowance.

The incomes from the sale of goods increased significantly mainly due to the sale of a quantity of 11,9 thousand tons of crude oil amounting to **27.669.704 lei**, stored in custody by Oil Terminal.

At the end of the financial period 2011, the statement of the company's cash assets, compared to the end of the previous financial period, is as follows:

- RON -			
<u>Cash assets</u>	<b>31.12.2010</b>	<b>31.12.2011</b>	<b>%</b>
- Amounts to be cashed	0	0	-
- Current accounts held in banks, of which:	1,661,466	1,657,496	99.8
- Accounts in Lei	1,661,050	1,656,983	99.8
- Accounts in foreign currency	416	513	123.2
- Amounts under settlement	0	0	-
- Money office	21,476	7,827	36.4
- Other amounts	162	124	76.4
- Letters of credit	0	0	-
- Treasury advances	0	0	-
- Provisions for depreciation	(1,572,454)	(1,572,454)	100.0
<b>TOTAL CASH ASSETS</b>	<b>110,651</b>	<b>92,993</b>	<b>84.0</b>

As of 31.12.2011, the cash assets in lei from current accounts held in banks amount to 1.656.983 lei, as follows:

- 1.572.208 lei – representing a bank deposit opened with the Romanian Discount Bank Bucharest;
- 84.775 lei – representing warehouse-keepers guarantees (84.459 lei) and current accounts opened with different banks (316 lei).

As of 31.12.2011, the cash assets in foreign currency, worth 513 lei, represent current currency accounts opened with different banks.



The depreciation provision, worth 1.572.454 lei, was established by the company in 2002, as a result of the difference between the balance of the bank accounts opened with the Romanian Discount Bank, registered in the accounting records of SC RAFO SA, as per the statements of account issued on the transaction date (November 2001) and the balance of the accounts as per the statements of account issued by the bank on 18.01.2002 after starting the inquiry concerning B.R.S. This provision shall be kept within the records until the settlement of the pending litigations and until the clearing up of the situation.

As of 31.12.2011, the statement of the shareholders' equity is as follows:

- RON -

<u>Shareholders' Equities</u>	31.12.2010	31.12.2011	%
SHAREHOLDERS' EQUITIES - TOTAL	406,112,101	409,416,079	100.8
- Share capital, of which:	2,194,936,968	2,194,936,968	100.0
Subscribed and unpaid capital	0	0	0.0
Subscribed and paid up capital	2,194,936,968	2,194,936,968	100.0
- Re-evaluation reserves	57,427,499	56,168,069	97.8
- Reserves representing the surplus from re-evaluation reserves	25,135,545	26,326,785	104.7
- Other reserves	440,206	440,206	100.0
- Reported result	(1,817,123,361)	(1,865,350,745)	102.7
- Result for the period	(54,704,754)	(3,105,205)	5.7

No changes occurred in the subscribed and paid up capital during the financial period 2011. The value of the share capital is of 2.194.936.967,5 lei, representing 877.974.787 nominative and dematerialized shares, evidenced through registration into account, with a face value of 2,5 lei/share. The controlling shareholder is Petrochemical Holding GmbH, with a number of 847.369.521 shares, in total face value of 2.118.423.802,5 lei, representing 96,5141 % of the total number of shares.

The re-evaluation reserves decreased while the reserves representing the surplus from the re-evaluation reserves increased. All these were due to the re-evaluation performed by Evex S.R.L. Bacau, in order to avoid the allocation in a higher tax rate for the buildings which were not re-evaluated during the last 3 years prior to the reference financial period, according to the Fiscal Code art. 253, paragraph (6).

The reported result underwent changes during 2011 financial year, as follows:

- 6.994.897 lei representing capitalization increase according to the Decision no. 291/02.11.2011;
- (517.526) lei – depreciation adjustment of the fuel distribution stations fixed assets, following their re-evaluation.

The company's equities, also representing the value of the accounting net asset, registers, both at the beginning of the period and at the end of the period, positive values.

### **1.1.2. EVALUATION OF THE COMPANY'S TECHNICAL LEVEL:**

The description of the main products obtained and/or services:

- a), b) In 2011, Rafo did not produce petroleum products.
- c) new products taken into account, for which a significant volume of assets shall be granted in the next financial period as well as the development stage of these products:
  - Benzene, toluene, paraxilene – the elaboration of the basic engineering in order to produce these products;
  - Euro V gasoil – the implementation of the project regarding the increase of the reaction zone at the gasoil hydrofining units in order to produce high quality gasoil.

### **1.1.3. THE EVALUATION OF THE TECHNICAL-MATERIAL PURCHASING ACTIVITY**

Considering that the production of the petroleum products is made by strictly observing the quality requirements imposed by the internal legislation, as well as by the European Community legislation, the additives and catalysts are imported, from well established producers:

- INNOSPEC ENGLAND
- AFTON ENGLAND
- GRACE DAVISON GERMANY
- INFINEUM ENGLAND
- AXENS FRANCE

The purchase of chemicals is made both from the domestic and external market, the main suppliers being the following:

*Domestic market:*

- Chimcomplex SA Borzesti
- Vega Chemicals SRL-Bucharest
- Chimexim SRL- Bucharest

- Chemical SA – Bucharest
- HACH LANGE ROMANIA SRL
- Linde Gaz Romania
- TIPOGRAFIX SRL ONESTI

*External market:*

- Interchim Austria
- Nalco Austria
- Ashland Austria
- GE BETZ Austria

For the purchase of other materials (fittings, tubes, electrical apparatus, lubricants, spare parts and other materials) the main domestic collaborators are:

- Com Gaz SA Ploiesti
- Ductil SA Buzau
- Gomar Lux Bistrita
- Primagra SRL Suceava
- IAIFO SA Zalau
- Romberfil SA Ploiesti
- Dedeman Bacau
- Danger-SRL Brasov

Information regarding the safety of the purchasing sources, the price of the raw materials and the dimension of the stocks for raw materials and materials:

The purchases of chemical products, catalysts and additives are made based on contracts, the price being established accordingly; moreover, a safety stock is considered for any raw material and material.

#### **1.1.4. THE EVALUATION OF THE SELLING ACTIVITY**

Taking into account that, during 2011, the company initiated a revamping program, the following petroleum products were traded:

1. Oil sludge = **1,884.16** tons
2. Ferrous and non-ferrous wastes originating from dismantling scrapped objectives = **2938** tons.

### 1.1.5. THE EVALUATION OF THE ASPECTS RELATED TO THE COMPANY'S EMPLOYEES/PERSONNEL

- a) The actual number of employees as of 31.12.2011 was of 948 persons, of which:
- >skilled workers 709 pers.
  - >unskilled workers 4 pers.
  - > white collar workers, with higher education 162 pers.
  - > white collar workers, with secondary education 73 pers.

The Trade Union membership is of 92,83% of the company's employees.

- b) The relations between the employer and the employees are regulated by the Collective Labor Contract and the Internal Rules.

In 2011, the personnel expenses were of 36.644.047 lei, compared to 38.928.752 lei registered in 2010. The decrease of the expenses with the personnel in 2011 compared to 2010 was due to the fact that no compensatory payments were granted as there were no dismissals.

The comparative structure and the dynamics per age brackets were as follows:

- % -

	2010	2011
Under 30 years	1,13	1,37
31-40 years	17,03	17,19
41-50 years	59,44	59,39
51-55 years	18,27	18,04
Over 55 years	4,13	4,01
<b>TOTAL</b>	<b>100,00</b>	<b>100,00</b>

Therefore, the personnel age structure as of 31.12.2011 compared to the end of 2010 is relatively constant, due to the very low personnel fluctuation.

As regards the qualification level, the structure of the personnel as of 31.12.2011 was as follows:

STRUCTURE OF THE PERSONNEL	31 <sup>st</sup> of December 2011	
	Number of persons	%
WHITE COLLAR WORKERS – total, of which:	235	24.79
Higher education	162	17.09
Secondary education	73	7.70
WORKERS – total, of which:	713	75.21
Skilled workers	709	74.79
Unskilled workers	4	0.42
<b>TOTAL</b>	<b>948</b>	<b>100.00</b>

QUALIFIED WORKERS PER JOBS	31 <sup>st</sup> of December 2011	
	Number of persons	%
Chemical operators + laboratory assistants	147	20.73
Mechanical locksmiths	141	19.89
Electricians	50	7.05
Instrumentation operators	46	6.49
Pump operators, compressor operators	48	6.77
Other jobs	277	39.07
<b>TOTAL</b>	<b>709</b>	<b>100.00</b>

In 2011, the personnel number has slightly decreased, only 30 departures being registered, of which:

1. upon request –13
2. retirements – 3
3. individual dismissals – 1
4. dismissals for misbehaviours – 6
5. termination of individual labor contract on fixed term – 3
6. decease – 4

As it can be noticed, a significant percentage in total departures was represented by “upon request” (43%) followed by dismissals for misbehaviours (20%).

#### **1.1.6. THE EVALUATION OF THE ASPECTS RELATED TO THE IMPACT OF THE ISSUER’S CORE ACTIVITY ON THE ENVIRONMENT**

S.C. RAFO S.A. established, documented, implemented, certified, maintained and continuously improved an integrated quality – environmental management system, in accordance with the requirements of SR EN ISO 9001:2008 and ISO 14001:2004 Standards.

In July 2011, the company TUV Management Service GmbH performed the audit for the recertification of the Integrated Quality – Environmental Management System, evidencing the fact that the management system implemented at RAFO was functional and effective (Certificate no. 12 100 10834 TMS, valid until 21.08.2014).

In this respect S.C. RAFO S.A.:

- defined the quality - environmental policy and its commitment to the integrated quality - environmental system;

- identified the processes necessary for the integrated quality – environmental management system and pursued their application within the organization;
- determined the necessary methods in order to ensure the effectiveness of the operation and control of these processes;
- ensures the availability of the necessary resources and information in order to sustain the operation and monitoring of these processes.
- monitors, measures and analyzes these processes;
- implements the necessary actions in order to achieve the results planned, as well as the continuous improvement of these processes.

In 2011 S.C. RAFO S.A. Onesti:

- operated based on the following environmental permits:
  - Water Management Permit no. 278/29.10.2010
  - Environmental Integrated Permit no. 19/29.12.2005 updated on 30.10.2007;
  - Permit no. 13/2008, Revision 1/14.02.2010, regarding the greenhouse gas emissions.
    - was allotted the greenhouse gas emissions, respectively 704.473 allowances relevant to 2011;
    - obtained Environmental Agreements for the investments works included in the modernization program.

The monitoring, registering and reporting activities regarding the environmental conditions at the company's level are continuously performed and ensured by the Monitoring Office within Environmental – QA Department.

Based on the "Environmental monitoring program", drawn up on the basis of the Environmental Integrated Permit, Water Management Permit and Greenhouse Gas Emission Permit, analyses, measurements and calculations are performed for the emissions of pollutants in the environment. The results are summarized and the relevant reports are drawn up and sent to the environmental authorities at the end of the month.

Currently, RAFO:

- complies with all the quality indicators regarding the pollutants emissions for the maximum values allowed by the environmental legislation in force;
- has made environmental investments for the accomplishment, in due time, of the measures provided by the Action Plan included in the Environmental Integrated Permit no. 19/2005 updated on 30.10.2007;
- continues to act in such a way as to improve the environmental performances.

### 1.1.7. THE EVALUATION OF THE RESEARCH AND DEVELOPMENT ACTIVITY

S.C. RAFO S.A. does not have its own research and development department, this activity being performed by specialized companies.

The technological investments, which required a part of the resources allotted for 2011 for the design, equipment purchase and constructions-assembly works are the following:

- The assembly of a new hydrogen plant with a processing capacity of 6500 Nm<sup>3</sup> / year hydrogen gases;
- The rehabilitation of the amine washing systems within the gasoil hydrofining units (121 HP, 122 HM) and vacuum gas oil hydrofining unit;
- The modernization of the instrumental air production unit;
- The modernization of Rafo's tanks.

**The presentation of the expenses for the current financial period, as well as the expenses forecasted for the next financial period, as regards the research-development activity:**

In 2011 (amounts taken from the Contracts –Investments Department):

No.	NAME OF THE CONTRACT	PAID, Lei 2011
1.	<b>RAAL CONSTRUCT</b> - The elaboration of the project for the demineralized water vessels foundations and the pumps station foundations	7000,00
2.	<b>ROTHEX Proiect</b> – Documentation regarding the protection against explosion for tanks, purification plant, vapors recovery unit and steam boiler	28086,00
3.	<b>Megatech - Bucharest</b> - The documentation for the work execution and the operation manual for the automation system of the instrumental air supply production unit	29919,00

Expenses forecasted for the next financial period as regards the research – development activity: 1.000.000 Euro.

### 1.1.8. THE EVALUATION OF THE TRADING COMPANY'S ACTIVITY AS REGARDS THE RISK'S MANAGEMENT

LIQUIDITY INDICATORS		2009	2010	2011
Current ratio	Current assets / current liabilities	5.38	3.01	10.57
Quick ratio	Current assets – inventories / Current liabilities	0.33	0.30	0.79

<b>RISK INDICATORS</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>
Indebtedness ratio	Borrowed share capital / equity	0.32	0.43	0.51
Interest cover ratio	Loss before the payment of interest and profit tax / interest expense	- 0.30	N/A	1.27

<b>ACTIVITY INDICATORS (management indicators)</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>
Inventory turnover	Sales cost / average inventory	0.18	0.25	0.18
Number of storage days	Average inventory * 365 / sales cost	1993 days	1439 days	2077 days
Days receivable outstanding	Average accounts receivable * 365 / Turnover	7 days	5 days	20 days
Days payable outstanding	Average accounts payable * 365 / acquisition of goods without services	248 days	626 days	1332 days
Non-current assets turnover	Turnover / non-current assets	0.04	1.10	0.17
Total assets turnover	Turnover / total assets	0.03	0.07	0.13

<b>PROFITABILITY INDICATORS</b>		<b>2009</b>	<b>2010</b>	<b>2011</b>
Return on invested capital	Loss before the payment of interest and profit tax / invested capital	- 0.01	- 0.09	0.03
Gross margin from sales	Gross loss from sales * 100 / turnover	77.00 %	-0.60%	0.21%

### **1.1.9. THE ELEMENTS OF PERSPECTIVE REGARDING THE ACTIVITY OF THE TRADING COMPANY**

According to RAFO's long-term strategy regarding the revamping and modernization program, the executive management of the company decided to propose this Business Plan as a first step in order for the company to become operational, using the light crude oil with high sulphur content.

The key objectives of the current Business Plan are:

- to raise the financing level of up to 70 million Euro from different creditors and from the main shareholder, with the guarantee of Eximbank, Romania of up to 50 million Euro;
- to significantly decrease the technological losses in order to obtain higher production efficiency;



- to upgrade the technological units along with new equipment acquisition but without the Delayed Coking Unit;
- to make the refinery business operational based on light crude oil with high content of sulphur due to the absence of the Delayed Coking Unit, which will allow to process a wide range of crude oil;
- to approach the feedstock suppliers of light crude oil with a high content of sulphur in order to obtain the high yields of products.

#### Key Financial Assumptions:

Project Financing for capital expenditures of up to 70 million Euro as a senior loan:

An amount of up to 60 million Euro from VTB Capital as a Senior Loan, including a guarantee granted by Eximbank Romania of up to 50 million Euro;

An amount of up to 10 million Euro from the main shareholder, Petrochemical Holding GMBH - Austria;

Maturity: 7 years, with 2 years grace period;

The arrangement and commitment fee will be capitalised during the investment period;

Investment period: 9 months;

Other financial and borrowing issues are subject to the market conditions.

The Business Plan proposed by the Executive Management will allow the company to obtain EURO 5 gasoline (the production of petrochemical products, depending on the existing market environment, could be an alternative approach) and EURO 5 gasoil. All the products will be in accordance with EU requirements and will allow the company to increase the oil processing efficiency, to generate financial profitability and to repay the loan in due term.

## 2. THE TANGIBLE ASSETS OF THE TRADING COMPANY

### Tangible assets

The structure and the evolution of the tangible assets between 01.01.2011 – 31.12.2011 is as follows:

- RON -

<b>Tangible assets</b>	<b>Balance as of 31.12.2010</b>	<b><u>Inputs</u></b>	<b><u>Outputs</u></b>	<b>Balance as of 31.12.2011</b>
Land plots	125,027,479	0	45,462	124,982,016
Constructions	190,723,281	14,120,319	1,639,214	203,204,386
Equipments, devices, units, transport means	250,642,663	50,527,900	818,904	300,351,659
Furniture, electronic and office equipment	5,020,679	79,564	160,160	4,940,083
Tangible assets in progress	55,584,345	32,587,844	64,634,709	23,537,480
Advances for tangible assets in progress	2,566,976	299,846	205,692	2,661,130
<b>Total inventory value</b>	<b>629,565,423</b>	<b>97,615,473</b>	<b>67,504,141</b>	<b>659,676,754</b>
Depreciations	(158,415,103)	2,364,301	9,665,618	(165,716,420)
Provisions for tangible assets depreciation	(20,968,812)	961	0	(20,967,851)
Provisions for the depreciation of the tangible assets in progress	(1,395,475)	0	0	(1,395,475)
<b>TOTAL NET VALUE</b>	<b>448,786,033</b>	<b>99,980,734</b>	<b>77,169,759</b>	<b>471,597,009</b>

During the financial period 2011, **inputs** of tangible assets worth **97.615.473 lei** were registered, as a result of the investments performed during the year, namely:

- Constructions – worth 14.120.319 lei, as a result of the delimitations on objectives of the investments, respectively the outputs from the tangible assets in progress;
- Equipments, devices, units, transport means – worth 50.527.900 lei, as a result of the delimitations on objectives of the investments, respectively the outputs from the tangible assets in progress;
- Furniture, electronic and office equipment – worth 79.564 lei;
- Tangible assets in progress – through investments performed both by third parties and by own forces, worth 32.587.844 lei (for details, see chapter VI – “Investments carried out during the financial period 2011”);
- Advances for tangible assets in progress – worth 299.846 lei.

On the other hand, during the financial period 2011 **outputs** of tangible assets in total amount of **67.504.141 lei** were registered, as follows:

- Lands – by the expropriation of a plot with a surface of 748 m<sup>2</sup> worth 45.462 lei;

- Constructions – by cassation worth 1.506.525 lei and by decrease with the amount of 132.689 lei of the value of the fuel distribution stations' buildings, due to their revaluation;
- Equipments, devices, units, transport means – by cassation worth 731.470 lei and by selling 3 vehicles in total amount of 87.434 lei;
- Furniture, electronic and office equipment – by cassation worth 66.925 lei and by taking off the records several inventory items in amount of 93.235 lei;
- Tangible assets in progress – by partial or total delimitation of the investments worth **64.634.709 lei**;
- Advances for tangible assets in progress – worth 205.692 lei.

**The tangible assets in progress** have as purpose the implementation of the technological and environmental investments for the objectives included in the Modernization and Revamping Program and they are going to be finalized in the near future. **Outputs** of tangible assets in progress were registered due to the delimitation of the investment works performed during 2011, in amount of **64.634.709 lei**. The main investment objectives, to which delimitations were made, are as follows:

- Modernization of the Delayed Coking Unit – 19.271.694 lei;
- Modernization of tanks – 15.289.777 lei;
- The Aromatics Complex– 7.698.987 lei;
- Increasing the reaction zone – 4.630.292 lei;
- Modernization of the 138 CC Catalytic Cracking Unit– 3.981.458 lei;
- Reconfiguration of the energy system – 3.419.768 lei;
- Rehabilitation of the hydrants network and Firefighting System Stations– 2.573.397 lei;
- The Hydrogen Plant – 1.654.738 lei;
- Modernization of the instrumental air station – 1.002.535 lei;
- Reconfiguration of the automation system in Rafo – 850.930 lei;
- Modernization of the Flare – Gasometer Unit – 770.216 lei;
- Boilers for steam production – 692.989 lei;
- Rehabilitation of the sewage system – 528.221 lei;
- Modernization of FGR Unit – 401.996 lei;
- Modernization of the Purification Plant – 384.860 lei;
- Rehabilitation of T1, T2 cooling water system – 228.585 lei;
- Modernization of DGRS Unit – 194.415 lei;
- The in-line blending Unit – 118.724 lei;
- Modernization of the railway infrastructure – 179.843 lei;
- Modernization of DAV unit – 161.199 lei;
- Other investments – 600.085 lei.

### 3. THE MARKET OF THE SECURITIES ISSUED BY THE TRADING COMPANY

3.1. The securities issued by S.C. RAFO S.A. Onesti, respectively the shares with the face value of 2,5 RON, have been transacted at the Bucharest Stock Exchange since 09.04.1998; at present, the securities are transacted on the unlisted securities market.

3.2. No dividends can be distributed to the shareholders for the financial period 2011 because, on 31.12.2011, S.C. RAFO S.A. registered a **loss** worth **3.105.204** lei and, according to the Law no. 31/1990 republished, art. 67, paragraph 3, (“dividends can be distributed only if there are distributable profits available”).

3.3. The description of the own shares purchase activity –**not applicable**.

3.4. The statement of S.C. RAFO S.A. participations as of 31.12.2011 is the following:

#### I. THE COMPANIES IN WHICH S.C. RAFO S.A. ACTS AS A SHAREHOLDER / ASSOCIATE

The name of the company	Share capital / Face value	The value of the capital held by S.C. RAFO S.A. / Held percentage
S.C. HOTEL SPORT S.R.L. 43 Republicii Blvd, ONESTI J04/315/2003 Sole Registration Code 15317601	6.088.900 RON 10 RON / share	6.088.900 RON (100 %)
S.C. AMC ELECTRO SISTEM S.R.L. 3 Industriilor Street, Onesti J04/392/2002 Sole Registration Code 14701603	10.000 RON 10 RON / share	8.000 RON (80%)
S.C. IACO INVEST S.R.L. 2bis Gheorghe Donici Street, Bacau J04/1050/1997 Sole Registration Code 10030874	3.275.100 RON 100 RON / share	559.300 RON (17,077%)
SC PLASCARTON SRL 3 Industriilor Street, Onesti J04/171/1991 Sole Registration Code 12673183	2.338.230 RON 10 RON / share	2.228.230 (95,30 %)

#### II. THE COMPANIES UNDER LIQUIDATION IN WHICH S.C. RAFO S.A. ACTS AS A ASSOCIATE/SHAREHOLDER

1. S.C. PLASCARTON S.R.L. – company whose activity is temporary stopped;
2. S.C. RAFO TRANS S.R.L. - a judicial dissolution decision, as per the art. 237 of the Law 31/1990, is registered at Bacau Trade Register Office; at present, the company is under liquidation.

3. S.C. GRUP MEDIA SUD S.A. Constanta – company under bankruptcy procedure;
4. S.C. TEHNOCIN S.A. Onesti – company under dissolution;
5. S.C. TEHNOMOLD S.A. Onesti – company under dissolution;
6. RAFO Handelsgesellschaft GmbH Vienna – company under liquidation;
7. TOUR SCANDINAVIA S.A. Onesti, Bacau is under the Law no. 85/2006 - company under bankruptcy procedure.

#### 4. THE MANAGEMENT OF THE TRADING COMPANY

4.1. During 2011, the management of the company was performed by the Board of Directors, made up of 3 members:

1. Mr. Dermendjiev Miroslav, for the position of **Chairman of the Board of Directors, also acting as General Manager;**
2. Mr. Yurkevich Andrey, for the position of **member of the Board of Directors;**
3. Mr. Igor Rohlin, for the position of **member of the Board of Directors.**

The participation of the administrator in the trading company's share capital - **not applicable.**

The shareholding structure registered with Depozitarul Central SA and Bacau Trade Register Office as of 31.12.2011 is the following:

**PETROCHEMICAL HOLDING GmbH = 2.118.423.802,5 lei = 847.369.521 shares = 96,5141%**

**List with the natural and legal persons shareholders = 76.513.165 lei = 30.605.266 shares = 3,4859%**

There were no changes in the subscribed and paid up share capital in 2011.

4.2. In 2011, the structure of the executive management 2011 was as follows:

NO.	POSITIONS	NAME AND FORENAME	PERIOD
1	GENERAL MANAGER	Miroslav Dermendjiev	01.01.2011-31.12.2011
2	TECHNICAL DEPUTY GENERAL MANAGER	Gadetskiy Alexander	01.01.2011 -31.12.2011
3	HUMAN RESOURCES MANAGER	Luchian Liliana	01.01.2011 - 31.12.2011
4	FINANCIAL – ACCOUNTING MANAGER CHIEF ACCOUNTANT	Ticu Laura Roza	01.01.2011-03.10.2011 03.10.2011-31.12.2011
5	FINANCIAL MANAGER CHIEF FINANCIAL OFFICER	Durlesteanu Mariana	20.06.2011-22.09.2011 22.09.2011-31.12.2011

6	QUALITY MANAGER	Magureanu Gabriela	01.01.2011-31.12.2011
7	PRODUCTION PROJECT MANAGER	Stanciu Ioan	01.01.2011 - 22.09.2011
8	PRODUCTION PROJECT MANAGER	Luca Narcis	22.09.2011-31.12.2011
9	ENTREPRENEURIAL – MAINTENANCE OPERATIONS MANAGER	Ionescu Teodor	01.01.2011-31.12.2011
10	SU-SSM MANAGER	Manea Vasile	01.01.2011-31.12.2011
11	INVESTMENTS MANAGER	Paval Florin	01.07.2011-31.12.2011

The participation of the executive management in the trading company's share capital – **Not applicable**

## 5. THE FINANCIAL – ACCOUNTING STATEMENT

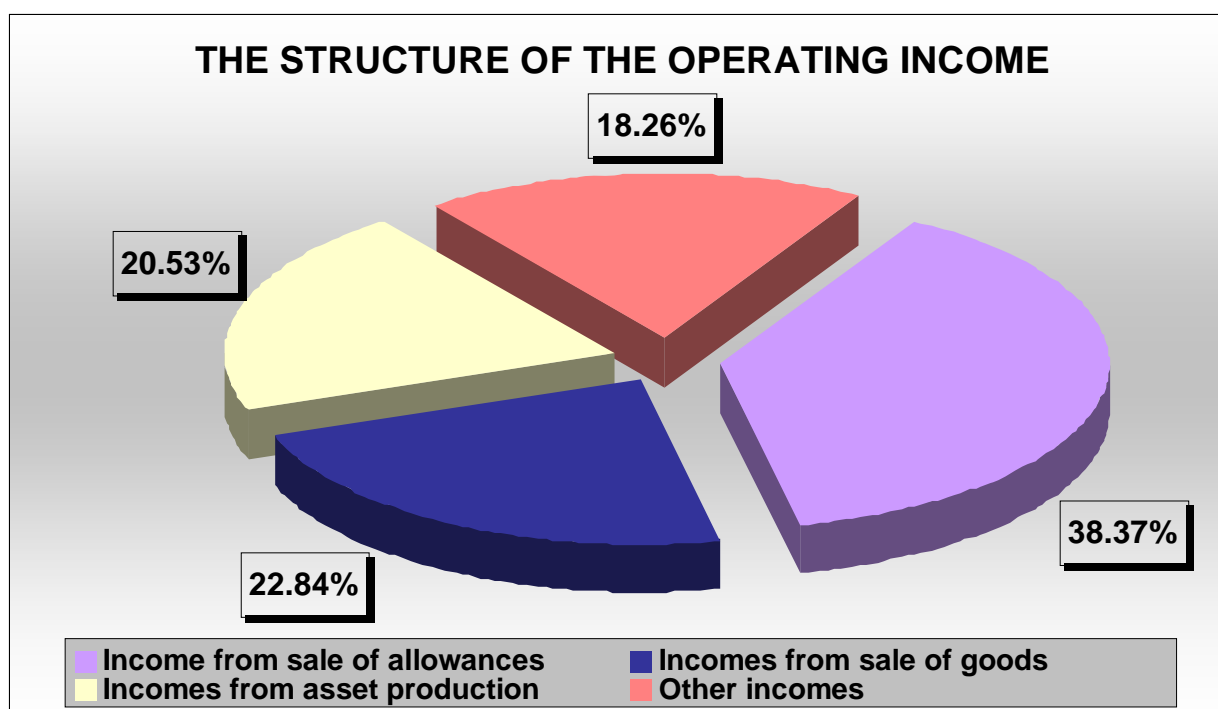
The profit and loss account, in synthetic form, as of 31.12.2011, compared to the last 3 years, is as follows:

Indicators	31.12.2009	31.12.2010	31.12.2011
Operating incomes	135.086.033	65,969,390	121.828.925
Operating expenses	120.151.480	93,084,951	104.340.947
<b>1. OPERATING RESULT</b>	<b>14.934.553</b>	<b>(27,115,561)</b>	<b>17.487.978</b>
Financial incomes	8.920.045	38,735,944	40.380.587
Financial expenses	16.393.015	66,278,132	60.928.307
<b>2. FINANCIAL RESULT</b>	<b>(7.472.971)</b>	<b>(27,542,189)</b>	<b>(20.547.720)</b>
<b>3. CURRENT RESULT (1+2)</b>	<b>7.461.583</b>	<b>(54,657,749)</b>	<b>(3.059.742)</b>
Extraordinary incomes	0	0	0
Extraordinary expenses	0	30,505	45.462
<b>4. EXTRAORDINARY RESULT</b>	<b>0</b>	<b>(30,505)</b>	<b>(45.462)</b>
Total incomes	144.006.078	104,705,334	162.209.512
Total expenses	136.544.495	159,393,588	165.314.716
<b>5. GROSS RESULT OF THE FINANCIAL PERIOD</b>	<b>7.461.583</b>	<b>(54,688,254)</b>	<b>(3.105.204)</b>
Profit tax	28,667	16,500	0
<b>6. NET RESULT OF THE FINANCIAL PERIOD</b>	<b>7.432.916</b>	<b>(54,704,754)</b>	<b>(3.105.204)</b>

## THE OPERATING ACTIVITY

Compared to the last 3 years, the structure of the operating incomes, is as follows:

INDICATORS	- RON -		
	31.12.2009	31.12.2010	31.12.2011
<b>OPERATING INCOMES - TOTAL</b>	<b>135.086.033</b>	<b>65,969,391</b>	<b>121,828,925</b>
- Turnover, of which:	<b>19.468.960</b>	<b>44,985,872</b>	<b>81,949,051</b>
• Sold production	7.583.490	5,983,006	7,382,073
• Income from the sale of emission allowances		37,603,913	46,740,573
• Incomes from the sale of goods	11.885.470	1,398,953	27,826,405
- Stocks fluctuation	(517.700)	(21,073)	(18,300)
- Income from our own work capitalized	20.688.174	17,524,689	25,013,949
- Other operating income	95.446.600	3,479,904	14,884,225



As it was presented in the reports related to the previous financial periods, in February 2008 the stopping of the production activity was decided, concomitantly with the initiation of the modernization and revamping program. Notwithstanding, the operating incomes registered an increase comparatively to the previous year, respectively of 84,7 % as to 2010, and in absolute value, an increase by 55.859.535 lei.

During 2011 no sales of finished petroleum products were performed, the greatest part of the incomes coming from the sale of emissions allowances. According to the National Allotment Plan for emission allowances, RAFO received **704.473** allowances, on a yearly basis, for the period 2008-2012. Considering that the refinery was stopped for modernization purposes, the refinery was allowed to sell these allowances through a broker specialized in their trading. The allowances related to 2011 were sold in the period March - April 2011, for the amount of **46.740.573 lei**, at an average price of 15 Euro/allowance.

The incomes from the sale of goods increased significantly mainly due to the sale of a quantity of 11,9 thousand tons of crude oil amounting to **27.669.704 lei**, stored in custody by Oil Terminal.

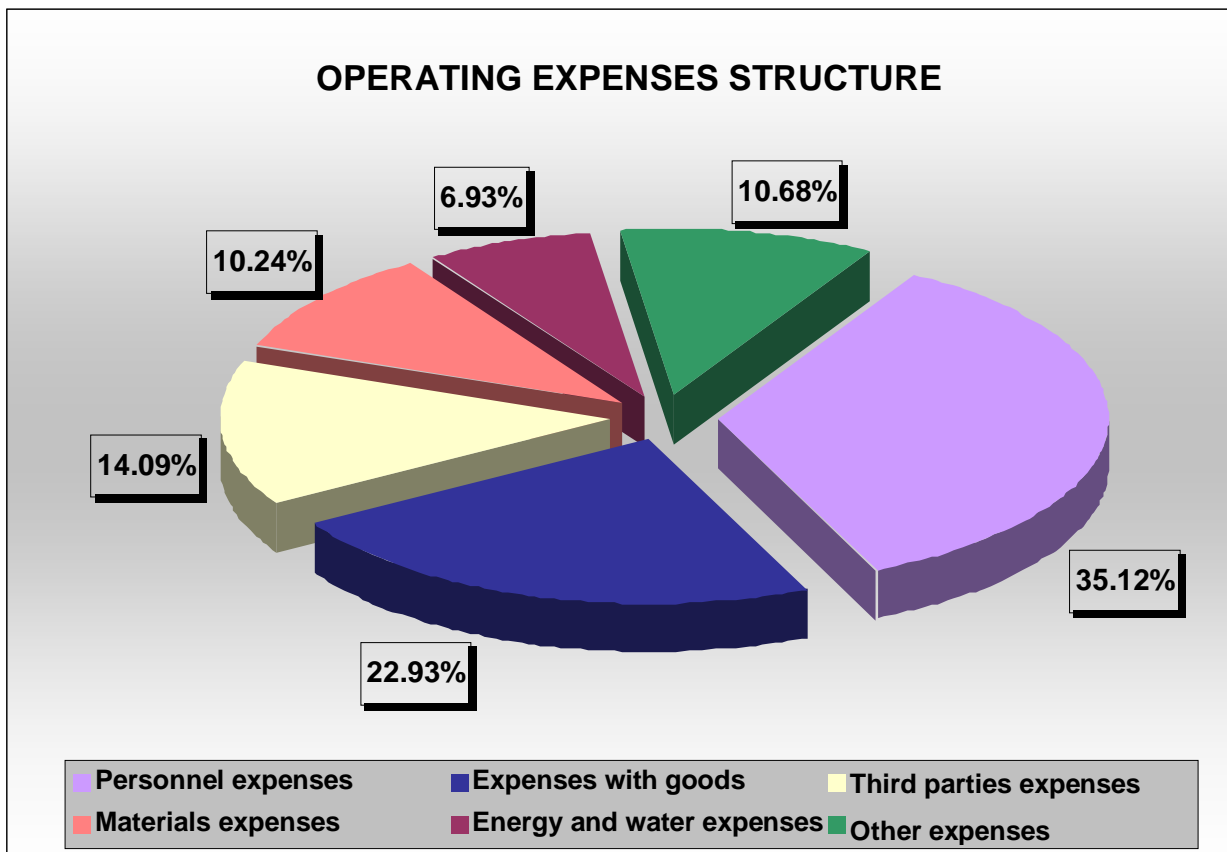
As it can be noticed from the above-mentioned table, incomes were obtained also from our own work capitalized, amounting to **25.013.950 lei**, respectively from the execution of investment works with our own forces. Among the most important objectives, we point out:

- ❑ Modernization of the Delayed Coking Unit – 5.885.649 lei;
- ❑ Modernization of the Tanks – 5.229.210 lei;
- ❑ Modernization of the Catalytic Cracking Unit – 2.136.521 lei;
- ❑ Reconfiguration of the energetic system – 1.984.350 lei;
- ❑ Modernization of the Gasometer – Flare unit – 1.533.737 lei;
- ❑ Rehabilitation of the hydrants and PSI (fires prevention and fighting) stations – 1.321.362 lei;
- ❑ Hydrogen Plant – 1.294.279 lei;
- ❑ Rehabilitation of sewer system – 671.746 lei;
- ❑ Modernization of the Atmospheric and Vacuum Distillation Unit (DAV) – 594.322 lei;
- ❑ The Aromatics Complex – 548.732 lei;
- ❑ Modernization of the system for steam production and distribution – 487.010 lei;
- ❑ Rehabilitation of the cooling water system – towers T1, T2 – 458.620 lei;
- ❑ Modernization of the Catalytic Reforming Unit – 423.963 lei;
- ❑ Increase of the reaction zone for the hydrofining units HDV, HM, HP – 412.327 lei;
- ❑ Modernization of the waste water treatment station – 388.075 lei;
- ❑ Modernization of the instrumental air supply station – 387.598 lei;
- ❑ Modernization of the FGR unit – 330.538 lei;
- ❑ Modernization of DGRS unit – 319.544 lei;
- ❑ Modernization of the railways infrastructure – 318.671 lei, s.a

The operating expenses in the period analysed registered the following evolution:



INDICATORS	31.12.2009	31.12 2010	31.12 2011
<b>OPERATING EXPENSES - TOTAL</b>	<b>120.151.480</b>	<b>93,084,951</b>	<b>104,340,949</b>
- Expenses for the raw materials and other materials	6.596.293	6,294,349	10,540,771
- Other expenses with materials	233.825	83,819	158,255
- Expenses with the energy and water	8.443.181	6,447,763	7,232,275
- Expenses with goods	10.635.998	7,576,700	23,927,609
- Received commercial discounts		(16,750)	(13,557)
- Expenses with personnel	40.864.816	38,928,752	36,644,047
- Adjustment of the non-current assets value (depreciation)	14.217.021	23,402,450	9,291,825
- Adjustment of the current assets value (provisions)	(2.088.378)	(14,251,303)	(1,419,613)
- Expenses with external services	26.165.106	12,332,175	14,704,055
- Expenses with other taxes, charges, payments	2.130.253	2,104,192	2,059,817
- Expenses with environmental protection		581,682	422,979
-Expenses with compensations, donations and disposed assets,	22.606.918	9,601,123	1,196,125
of which: : - fines and penalties	526.557	281,879	469,004
- disposed assets and other capital operations	11.258.230	1,141,508	707,784
- other expenses		8,177,737	19,337
- Adjustments regarding the provisions for risks and expenses	(9.653.554)	0	(403,641)



The result registered from the operating activity during 2011 materialized in the registration of a profit worth **17.487.977 lei**.

Strictly analysing the operating activity performed during the financial period 2011, respectively taking into account only the operating incomes and their related expenses, one can see that an operating profit worth **2.029.414 lei** was registered, as follows:

2011			
<u>OPERATING INCOME</u>	- RON -	<u>OPERATING EXPENSES</u>	- RON -
<b>Operating income</b>	<b>121,828,926</b>	<b>Expenses for operation</b>	<b>104,340,949</b>
Shall be deducted:		Shall be deducted:	
- incomes from provisions	403,641	- provisions for the depreciation of the fixed assets	53,752
- incomes from adjustments for the depreciation of the fixed assets	961	- provisions for depreciation of current assets	1,980,520
- incomes from adjustments for the depreciation of the current assets	4,336,539	- losses from receivables and various debtors	936,406
- incomes from fines and penalties	9,678,239	- expenses with fines and penalties	469,004

- incomes from the disposal of the assets	4,559,786	- expenses regarding the assets disposed	707,784
- other operating incomes	646,201	- other operating expenses regarding the administration operations	19,337
<b>=&gt;TOTAL OPERATING INCOMES</b>	<b>102,203,559</b>	<b>=&gt; TOTAL OPERATING EXPENSES</b>	<b>100,174,145</b>
		<b>OPERATING RESULT</b>	<b>2,029,414</b>

The result registered by S.C. RAFO S.A. in 2011 has to be analyzed taking into account that the refinery did not perform the crude oil processing activity, as it would have been done under normal operating conditions. Thus, the registered operating result is justified by the incomes obtained from the sale of allowances for emissions, incomes obtained from crude oil sale, incomes obtained from our own work capitalized, incomes from petroleum sludge selling, incomes from rental and other services. These incomes covered the current expenses of the company (wages, utilities, works and services provided by the third parties, taxes and charges).

**Compared to the last 3 years, the financial activity is as follows:**

<u>Indicators</u>	- RON -		
	31.12.2009	<b>31.12.2010</b>	<b>31.12.2011</b>
FINANCIAL INCOMES - TOTAL	8.920.045	<b>38,735,944</b>	<b>40.380.587</b>
- Incomes from equity investments	0	91,782	65.649
- Incomes from interests	403.122	507,984	78.932
- Other financial incomes	8.516.922	38,136,177	40.236.006
FINANCIAL EXPENSES - TOTAL	16.393.015	<b>66,278,132</b>	<b>60.928.307</b>
- Expenses regarding the interests	10.680.901	14,083,046	13.739.014
- Other financial expenses	5.138.239	50,976,505	47.191.783
- Adjustment of the financial assets value	573.876	1,218,581	(2.490)
THE FINANCIAL RESULT	(7.472.971)	<b>(27,542,189)</b>	<b>(20.547.720)</b>

During 2011, incomes from equity investments as dividends to be collected from AMC Electrosistem were registered and the provision previously set for the depreciation of the shares held in S.C. Expert Office S.R.L. amounting to 2.490 lei was cancelled, following company's liquidation.

The financial result of the financial period 2011 has been materialized in the registration of a loss amounting 20.547.719 to lei. This loss is due mainly to the following reasons:

- Expenses with interests, worth 13.739.014 14 lei, whereas the interests incomes were worth only 78.932 lei, resulting a loss from interests worth 13.660.082 lei, respectively 66.5% out of total financial losses;
- the disadvantageous currency exchange rates differences, worth 47.191.783 lei, whereas the advantageous currency exchange rates differences only amounted to 40.236.006 lei, resulting a loss from the exchange rates differences in amount of 6.955.777 lei, respectively 33,8% out of total financial losses.

During 2011, extraordinary expenses amounting to **45.462** lei were registered, due to the expropriation of a land with a surface of 748 m<sup>2</sup> of Mihai Viteazu fuel distribution station, Cluj.

**THE NET RESULT registered in 2011** materialized in the registration of a loss worth **3.105.205** lei that will be covered during the future accounting periods.

Receivables:

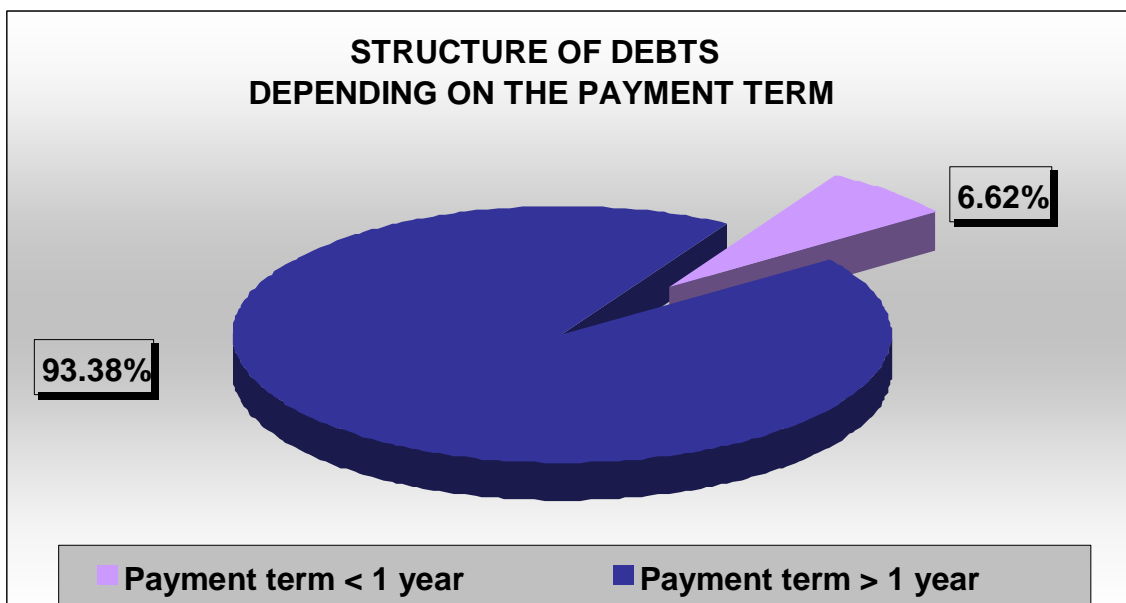
- RON -

Receivables	Balance as of 31.12.2011	Liquidity term < 1 year
Trade receivables	287,751	287,751
Amounts to be cashed from the affiliated entities		0
Other receivables	11,211,906	11,211,906
<b>Total</b>	<b>11,499,657</b>	<b>11,499,657</b>

Debts:

- RON -

Debts	Balance as of 31.12.2011	Maturity date < 1 year	Maturity date 1-5 years
Commercial debts	3,483,689	3,483,689	
Amounts due to the affiliated entities	15,276,759	550,019	14,726,740
Advances received on orders	69,764	69,764	
Other debts	204,272,171	10,663,351	193,608,820
<b>Total</b>	<b>223,102,383</b>	<b>14,766,823</b>	<b>208,335,560</b>



**The provisions statement, as of 31.12. 2011, is as follows:**

- Provisions established for the depreciation of the tangible assets

The total value of the provisions for the depreciation of the tangible assets as of the end of the year is of 20.967.851 lei, of which:

1. 20.948.529 lei – provision previously set for the depreciation of Grup Electrogen
2. 19.322 lei – provisions previously set for the depreciation of the fixed assets dismantled from the fuels distribution stations

In 2011, a provision established for the depreciation of the fixed assets from Clujului – Oradea fuels distribution station, in amount of 961 lei, was cancelled.

- Provisions established for the depreciation of the tangible assets in progress

In 2011, no provision for the depreciation of the assets in progress was established.

The total value of the provisions for the depreciation of the assets in progress as of the end of the year is of 1.395.475 lei, of which:

1. 906.114 lei – provision previously set for the advance payment not recovered from Brom Build;
2. 489.361 lei – provision previously set for the advance payment not recovered from QPS Holland.

- Provisions established for the depreciation of held equity investments

During 2011, the provisions established for the depreciation of the shares held by S.C. RAFO S.A. diminished. Because S.C. Expert Office S.R.L. Onesti was liquidated in 2011, the

provision previously established in this respect was cancelled, and the amount of 2.490 lei was registered on costs.

- The provisions for the depreciation of the equity investments held by S.C.RAFO S.A., as of the end of the financial period 2011, are in total amount of 22.138.680 lei, as follows:

- 12.208.485 lei – provision for the depreciation of the equity investments held at S.C. Tour Scandinavia S.R.L. (company under bankruptcy procedure);
- 4.962.170 lei – provision for the depreciation of the equity investments held at S.C. Plast Carton S.R.L. (company whose activity is temporary stopped);
- 2.562.879 lei – provision for the depreciation of the equity investments held at Hotel Sport S.R.L.;
- 1.288.186 lei - provision for the depreciation of the equity investments held at Rafo Handelsgess GmbH Vienna (company under liquidation);
- 412.690 lei - provision for the depreciation of the equity investments held at S.C. Tehnocin S.A. (company under dissolution);
- 378.250 lei – provision for the depreciation of the equity investments held at S.C. Tehnomold S.A. (company under dissolution);
- 225.100 lei – provision for the depreciation of the equity investments held at S.C. Grup Media Sud S.A. (company under bankruptcy procedure);
- 100.920 lei – provision for the depreciation of the equity investments held at S.C. Iaco Invest S.R.L.

- Provisions for risks and expenses

On 31.12.2011, the accounting records show a provision amounting to 5.614.250 lei, which was established in March 2007, representing the counter-value of a quantity of 3.380 tons of gasoline CO 92, being under litigation with Glencore.

- Other long-term receivables

As of 31.12.2011, no other long-term receivables are registered in the accounting records.

- Provisions established for the depreciation of other long-term receivables.

As of 31.12.2011, no provisions for the depreciation of other long-term receivables are registered in the accounting records.

## **The continuation of the modernization and revamping program**

RAFO performed a complete series of studies regarding the possible development options for the refinery and, in addition, it also made a series of initial investments from its own sources.

Several feasibility studies have been drawn up, allowing the decision factors to choose the strategic direction for RAFO's revamping and modernization: a fuels/ gasoline diagram or a gasoil/petrochemical products diagram. Currently, Rafo's management decided to approach the objectives of the modernization in several stages, the first stage being the restart of the refinery based on light crude oil with high sulphur content.

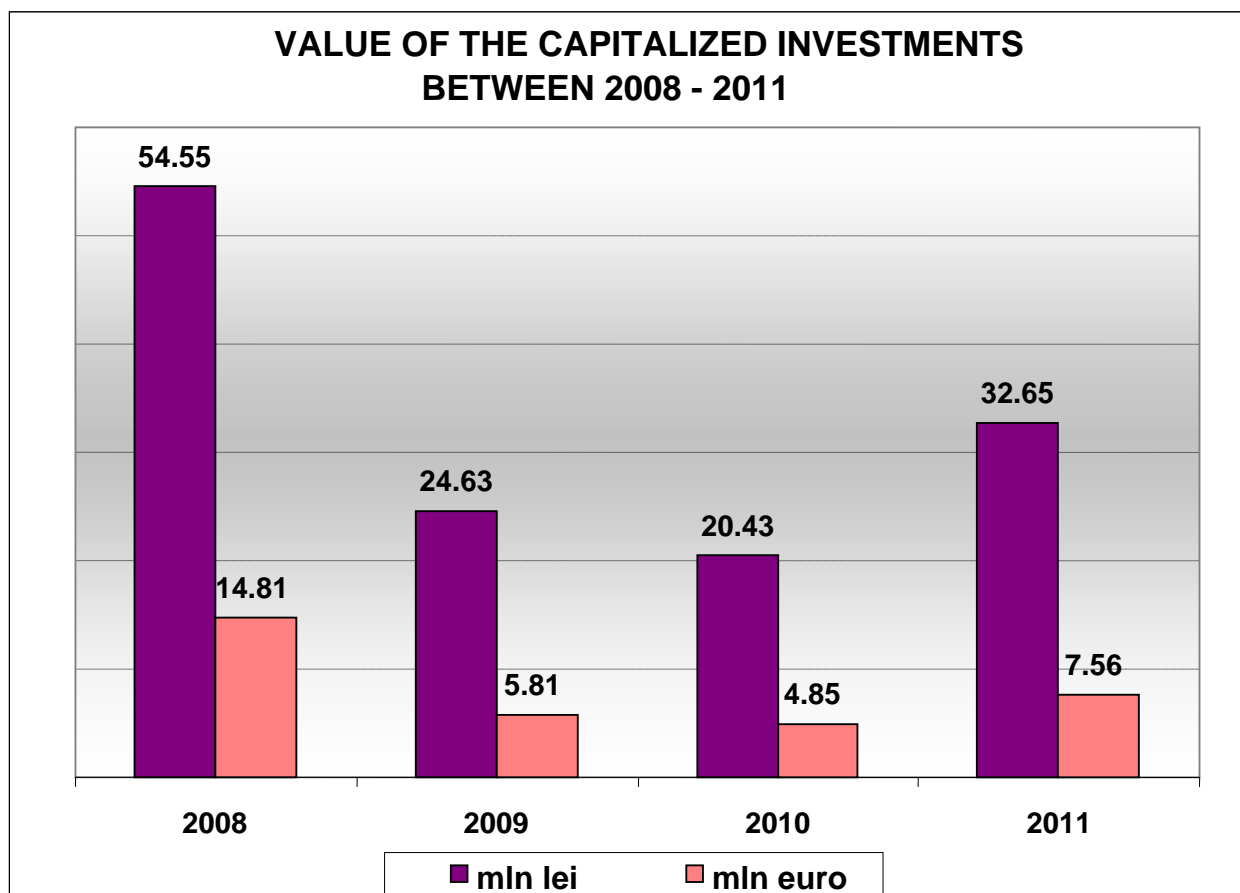
Rafo's investments program is aiming to increase the production of gasoil, for which there is a powerful local market, to eliminate the production of fuel oil and to increase the process efficiency (quality, conversion, yield). Also, RAFO is planning to reduce the modernization cost by reusing the existing equipment and maximizing the real opportunities, one of such being the low cost of the local component (man/hour and equipment).

The total amount capitalized until 31.12.2011 corresponds to the value of the investments performed, that is **181,3 million lei**. From this value, the amount of **105,7 million lei** was paid off to the third parties and the amount of **75,6 million lei** represents investments made by own forces. The investment activities performed with the contracted third parties include the feasibility studies, engineering works, equipment supply, construction and assembly works.

RAFO's staff was involved in preservation works, as well as in the performance of repairs, site arrangement, dismantling and cleaning of the existing equipment, as per the modernization plan. During the cleaning of the refinery, assets worth **15,4 million lei** have been recovered. RAFO's staff was also involved in the construction and modernization works of the utilities lines (steam, recycled water, instrumental air, hydrogen, etc).

## **THE INVESTMENTS MADE DURING THE FINANCIAL YEAR 2011**

As regards the investment objectives achieved and the amounts invested during 2010 and 2011, they are as follows:



The main objectives and works performed per objectives in **2011** were the following

:

#### 1. DCS

- The routes and locations for implementing the DCS system contracted with Yokogawa were prepared, the works being performed by own resources.

#### 2. Aromatics complex

- For the implementation of the drafts in progress with GTC Th, works regarding the preparation on site and verification of the existing equipments by own resources were performed.

#### 3. Tanks Farm

- Works were performed for the compliance with Work Health and Safety (SSM) and Fire Prevention and Fighting (PSI) at all the tanks that will enter in the modernization program.
- Works consisting in dyeing the tanks R239, R240, R262, T84 and T85 and insulation works of R261 tank were performed.

#### 4. Fire prevention and fighting network

- Works regarding the extension of the alarming and automatic signalling network were performed.



- The fire hydrants were replaced and controls and tests were performed of PSI water network with our own resources.
- Revamping works for the fire water storage tanks B1, B2, B3 and of the corresponding lines were performed with our own resources.

#### 5. New Hydrogen Plant

- The works regarding installing the newly purchased unit shall continue and these are performed with our own resources.

#### 6. Instrumental air production unit

- The works at the instrumental air production unit were finalized and they were performed by own resources.

#### 7. Modernization of the Atmospheric and Vacuum Distillation Unit (DAV)

- Preparation works on site and checking of the existing equipment were performed by our own resources.

#### 8. Modernization of HB2 unit

- Preparation works on site and checking of the existing equipment were performed by our own resources.

#### 9. Modernization of RC2 unit

- Preparation works on site and checking of the existing equipment were performed by our own resources.

#### 10. Modernization of HP, HM, HM2 units

- Preparation works on site and checking of the existing equipment were performed by our own resources.

#### 11. Modernization of HDV unit

- Preparation works on site and checking of the existing equipment, mechanical works at the foam lines to the tanks related to unit were performed by our own resources.

#### 12. Modernization of FGR unit +sphere tanks

- Preparation works on site and checking of the existing equipment, mechanical works on the technological pipes, works on the cables scaffolds and chutes were performed by our own resources.

#### 13. Modernization of the Isomerization unit

- Preparation works on site and checking of the existing equipment were performed by our own resources.

#### 14. Modernization of the Flare – Gasometer Unit

- Preparation works on site and checking of the existing equipment, modernization works on the technological lines were performed by our own resources.

#### 15. Steam production system and network

- Preparation works on site and checking of the existing equipment, mechanical works on the technological lines, foundations for the deionized water storage vessels were performed, and the vessels were assembled by our own resources.

#### 16. Reconfiguration of the energy system in RAFO

- Works at the power cables scaffolds located on scaffold bridges, modernization works at the electric stations of 6KV were performed, thermal power stations were assembled and the related heating routes were performed, by our own resources.

#### 17. Modernization of the industrial railways infrastructure

- Modernization works of the industrial railways were performed by our own resources.

#### 18. Modernization of CC3 unit

- Preparation works on site and checking of the existing equipment, preparation works of steam supply stations and condensate gathering at the heat tracers, checking works for lighting equipment, ground connection, power cables and actuating cables were performed by our own resources.

#### 19. Permits

- The Construction Permits for the investment objectives were extended.

- RON -

NAME OF THE OBJECTIVE	TOTAL YEAR 2010	TOTAL YEAR 2011
<b>INVESTMENTS AND MODERNIZATION WORKS (I+II)</b>	<b>20,427,220</b>	<b>32,648,564</b>
<b>I. Environmental investments, of which</b>	<b>121,906</b>	<b>442,765</b>
Ecologization of pond 8	0	0
Modernization of the waste water treatment station	121,906	442,765
<b>II. Technological investments, of which:</b>	<b>20,305,314</b>	<b>32,205,799</b>
Modernization of the Atmospheric and Vacuum Distillation (DAV) section	46,119	1,286,819
Increase of the reaction zone for the HM, HP, HDV units	1,882,194	931,113
Modernization of the Delayed Coking Unit	1,721,455	6,052,651
Modernization of the Sulfur Recovery Unit	532,960	581,171
Modernization of the FGR Unit	412,566	495,714
Hydrogen Plant	2,546,784	1,585,974
Modernization of the system and network for steam production	1,394,819	888,082

Rehabilitation of the hydrants group	1,298,455	1,519,372
Tanks modernization	5,395,836	7,474,617
The Aromatics Complex	1,228,260	2,558,055
Nitrogen Plant	27,943	11,578
Modernization of the industrial railway	297,234	449,079
Modernization of Flare – Gasometer Unit	79,386	1,541,149
Modernization of the Catalytic Cracking unit	359,696	2,234,789
Reconfiguration of the energy system	845,682	2,311,663
Reconfiguration of the automation system	753,526	268,760
Modernization of the instrumental air supply station	659,156	441,744
Rehabilitation of the cooling system	73,045	591,070
Rehabilitation of sewerage network	8,243	675,913
Other investments	459,911	245,766
Endowments	282,044	60.720
<b>MODERNIZATION OF THE FUELS DISTRIBUTION NETWORK</b>	<b>0</b>	<b>0</b>
<b>LICENSES AND SOFTWARES</b>	<b>0</b>	<b>0</b>
<b>GRAND TOTAL</b>	<b>20,427,220</b>	<b>32,648,564</b>

The value of the capitalized investments increased in 2011, compared to 2010, by **59.8 %**, respectively by **12.221.344 lei**, as absolute value.

The company's management, given the blockage generated by the economic crisis, permanently allocated resources to continue the implementation of undertaken investments program, as we can see from the above table.

## 6. THE SITUATION OF THE MAIN LITIGATIONS

As we informed the shareholders through the Report presented within the Ordinary General Shareholders Meeting dated 28.04.2011, the settlement of the file no. 411/62/2005, on the dockets of Brasov Court of Law – the Commercial and Administrative Section, having as an object the reorganization procedure of S.C. RAFO S.A., opened since 2004 was of major importance for the future of the company. After a significant period of time, when S.C. RAFO S.A. performed its activity as per the Laws no. 64/1995 and no. 85/2006, through the Civil sentence nr. 1224/sind/21.06.2010, rendered in the file no. 411/62/2005, Brasov Law Court – the Commercial and Administrative Section ascertained the fulfillment of all the payment obligations undertaken through the Reorganization Plan and ordered, based on the dispositions of the art. 132, paragraph (1) of the Law no. 85/2006, the closure of the reorganization procedure against S.C. RAFO S.A., having as consequence the company's reintroduction within the normal economic activity.

Also, as an effect of the closure of the procedure, S.C. RAFO S.A. was discharged, according to the law, from the balance between the value of the obligations before plan 's confirmation and the one provided by the plan, and the official receiver and the other persons who participated in the procedure were discharged from any obligation and responsibility regarding this procedure, the debtor and his assets, the creditors, the holders of securities, the shareholders and the associates.

The appeals filed against this judgment by Glencore Energy UK Ltd., "Bivolaru" Group of Inventors and Horga Nicolaie, the latter also filing a motion to intervene for the interest of the petitioner Glencore Energy UK Ltd., were settled by the Decision no. 140/R/08.03.2011 rendered in the file no. 411.5/ 62/ 2005, by Brasov Court of Appeal – the Commercial Section. Both the motion to intervene and the appeal filed by Horga Nicolaie were cancelled as unstamped, the appeal of the "Bivolaru" Group was rejected as tardily filed and the appeal filed by Glencore Energy UK Ltd. was rejected as groundless, thus, the Civil Sentence no. 1224/sind/21.06.2010, thorough which the closure of the reorganization procedure against S.C. RAFO S.A. was ordered remained final and irrevocable.

Glencore Energy UK Ltd filed a motion for revision against the Decision no. 140/R/08.03.2011, but it was rejected by the High Court of Cassation and Justice – the Commercial Section, the decision being rendered in the file no. 2726/1/2011.

During the period analyzed by this Report, following the irrevocable closure of the reorganization procedure, a series of litigations have been filed/re-filed against S.C. RAFO S.A, by natural and legal persons whose alleged claims appeared before the opening of the insolvency procedure against our company and which could only be used within this special procedure. Thus:

- "Bivolaru" Group of inventors was registered in the final receivables table, within the judicial reorganization procedure, with the amount of 10.874.066 lei. As per the settlement decision of the courts of law having jurisdiction over the special procedure, the receivable registered in the final receivables table under the category of salary receivables was redeemed in the percentage expressly stipulated by the Reorganization Plan, respectively 10% of the total value, our company being released for the balance.

Once the judicial reorganization procedure was irrevocably closed, "Bivolaru" Group of Inventors initiated an enforcement of judgment for the amount of 9.256.628 lei. S.C. RAFO S.A. filed an appeal against enforcement, settled by Cluj-Napoca Court of Law through the Civil Sentence no. 16483/25.10.2011 rendered in the file no. 2081/270/2011,

admitting it and canceling all the enforcement documents. The second appeal filed by the alleged creditors was rejected as groundless by Cluj Court of Law on 27.02.2012, the judgment delivered by the trial court remaining in force, being final and irrevocable.

- Banca Romana de Scont (The Romanian Discount Bank) through the liquidator, Deposits Security Fund in the Banking System, took legal actions against our company before the opening of the insolvency procedure against S.C. RAFO S.A., claiming the payment of the amount of 5.664.850 lei. Once the special procedure against S.C. RAFO S.A. was initiated, the settlement of the legal action filed by Banca Romana de Scont was suspended de iure, on the grounds of the insolvency law and the only settlement modality of the receivable against our company remained within the judicial reorganization procedure.

Banca Romana de Scont filed a petition for the acceptance in the statement of affairs of its receivable amounting to 5.664.850 lei. The official receiver rejected the petition, all the means of appeal filed by the alleged creditor being also irrevocably rejected by the relevant courts of law, stating the fact that our company does not owe this amount. After the irrevocable closure of the judicial reorganization procedure, Banca Romana de Scont requested the redocketing of the suspended file, still claiming the obligation of S.C RAFO S.A. to pay the amount of 5.664.850 lei. The case is pending before Bacau Court of Law – The Administrative and Fiscal Section, making the object of the file no. 418/110/2005.

- S.C. EURO RIN S.R.L. took legal actions against our company, claiming the payment of the amount of 61.536,91 lei plus the legal interest calculated until the date of the actual payment of the debt. The settlement of the legal action filed by S.C. EURO RIN S.R.L. was suspended de iure, on the grounds of the insolvency law and the only settlement modality of the receivable against our company remained within the judicial reorganization procedure. The alleged creditor did not file a claim within the special procedure, thus losing the right to materialize the receivable against our company.

Subsequent to the irrevocable closure of the reorganization procedure, S.C. EURO RIN S.R.L. requested the redocketing of the suspended file, still claiming the obligation of S.C RAFO S.A. to pay these amounts. Through the Civil sentence no. 5659/23.06.2011 rendered by Bacau Court of Law in the file no. 1102/180/2006\* the loss of right exception invoked by our company was admitted and the writ of summons was rejected. The judgment is final and irrevocable as the plaintiff did not file a second appeal.

In the period analyzed by this Report, the following litigations, already settled or under settlement, can be mentioned:

- The payment request filed by S.C. E-ON GAZ Romania S.A. in the file no. 411/62/2005 of Brasov Court of Law – Commercial and Administrative Section, requesting the immediate payment of the current debts amounting to 1.887.535,95 lei, was settled by the Decision no. 667/sind/08.04.2010. Thus, Brasov Law Court admitted the requisition exception regarding the amount of 532.612,5 lei representing the counter-value of the consumed but not paid natural gases and admitted, partially, the payment request of S.C. E.ON GAZ ROMANIA S.A., forcing S.C. RAFO S.A. to the payment of the amount of 1.106.490,56 lei representing contractual penalties (the counter-value of the quantity of contracted but not consumed natural gases) and of the amount of 248.432,89 lei representing the counter-value of the delay penalties. S.C. E.ON GAZ ROMANIA S.A. and S.C. RAFO S.A. filed an appeal, Brasov Court of Appeal – the Commercial Section rendered the Decision no. 594/R/17.11.2010, concerning the file no. 411.6/62/2005 and rejected the appeal filed by S.C. E.ON GAZ ROMANIA S.A. and accepted the second appeal filed by S.C. RAFO S.A., thus partially annulling the appealed sentence and sending the case for a re-trial to the same court in relation to the claims amounting to 248.432,89 lei and to 1.106.490,56 lei. During retrial by Brasov Court of Law, as a result of S.C RAFO S.A.'s legal reorganization procedure irrevocable closure, the trustee's in bankruptcy lack of functional jurisdiction exception was accepted and the case was transferred to a direct commercial court which, on its turn, admitted court's lack of territorial jurisdiction exception and declined the settlement jurisdiction for this case in favor of Mures Court of Law. At the time of this Report's drawing up, the case is pending registration on the dockets of Mures Court of Law, after the Civil Section of Mures Court of Law admitted the exception of lack of functional jurisdiction.
  
- The appeals filed by Glencore Energy UK Ltd., within the file no. 411/62/2005 of Brasov Court of Law – Commercial and Administrative Section, against the refusal of the official receiver and of the special administrator to respond and to enforce the request for the direct and immediate payment of the amount of 61.114.472,55 USD, representing the counter-value of a quantity of 123.530,158 tons of crude oil, and of the amount of 13.935.252,92 USD, representing the counter-value of the quantity of 30.000 tons of crude oil, plus commercial interest, and against the refusal of the official receiver and of the special administrator to respond and to enforce the request for direct and immediate payment of the amount of 4.194.015 USD, representing the counter-value of the quantity of 6.920 tons of gas oil, plus commercial interest, were rejected, at retrial, by Brasov Court of Law, through the Civil Sentence no. 861/sind/06.05.201.

Glencore Energy UK Ltd. filed the second appeal against the judge's decision. Through the Decision no. 574/R/05.11.2010, rendered in the file no. 411.7/62/2005, Brasov Court

of Appeal – Commercial Section admitted the second appeal, annulled the Civil Sentence no. 861/sind/06.05.2010, by sending the case to the same court for retrial. During the retrial by Brasov Court of Law, following the irrevocable closure of the judicial reorganization procedure against S.C. RAFO S.A., the trustee's in bankruptcy lack of functional jurisdiction exception was admitted and the case was transferred to Division II of the Civil Court, Administrative and Fiscal Section, being under settlement at the time of this Report drawing up.

- The writ of summons filed by Glencore Energy UK Ltd., requesting the court to oblige S.C. CONPET S.A. not to pump the crude oil from the pipe transporting crude oil to any destination without its consent, or, subsequently specified request of obliging S.C. RAFO S.A. to return in kind the quantity of 30.000 tons of crude oil was initially settled by the Sentence no. 179/10.06.2009 rendered in the file no. 4642/105/2008, Prahova Court of Law – Commercial and Administrative Section canceling the action as unstamped. Glencore Energy UK Ltd. filed an appeal and through the Decision no. 159/16.12.2009, Ploiesti Court of Appeal – Commercial Section, admitted the appeal only in relation with the non-granting of a deadline for paying the judicial stamp tax corresponding to the claimed value, the other grounds of appeal (including the consideration of the action as an obligation to do with the consequence of paying a fixed judicial stamp tax) being groundless from the point of view of the court of appeal, the case being sent for retrial. The second appeal filed by Glencore Energy UK Ltd. was rejected by the High Court of Cassation and Justice – Commercial Section, through the Decision no. 2949/28.09.20100.

During retrial, Prahova Court of Law– Division II of the Civil Court, Administrative and Fiscal Section, rendered the Sentence no. 583/23.09.2011, admitting the exception and cancelled the petition as unstamped. The judgment is final and irrevocable as the plaintiff did not file an appeal.

- The action for the recovery of possession over the quantity of 6.920 tons of gasoil, filed by Glencore Energy UK Ltd., making the object of the file no. 1963/110/2008 of Bacau Court of Law– Commercial and Administrative Section, was cancelled as insufficiently stamped and remained final and irrevocable through the rejection by Bacau Court of Appeal – Commercial, Administrative and Fiscal Section on the date of 18.05.2010, of the appeal filed against the Sentence no. 202/01.06.2009 as well as of the second appeal, by the High Court of Cassation and Justice – Commercial Section, on 23.02.2011.

Regarding the petition of Glencore Energy UK Ltd. concerning a writ of sequestration upon the quantity of gasoil that made the object of the file no. 4810/110/2008 and whose settlement was suspended upon the plaintiff's request until the irrevocable judgment of the file no. 1963/110/ 2008, on 25.11.2011, Bacau Court of Law found that its expiration occurred..

- The action for the recovery of possession over the quantity of 123.530,158 tons crude oil, forwarded by Glencore Energy UK Ltd., making the object of the file no. 5004/110/2008 of Bacau Court of Law - Commercial and Administrative Section was initially cancelled as unstamped, by Bacau Court of Law, through the Court Resolution dated 24.11.2008. The appeal filed by Glencore Energy UK Ltd. was admitted by Bacau Court of Appeal – Commercial, Administrative and Fiscal Section, only in relation with the non-granting of a deadline for paying the judicial stamp tax corresponding with the claimed value, the other grounds of appeal (including the consideration of the action as an obligation to do with the consequence of paying a fixed judicial stamp tax) being groundless from the point of view of the court of appeal, the case being sent for retrial. Glencore Energy UK Ltd. forwarded a second appeal, which was rejected by the High Court of Cassation and Justice – Commercial Section, on 27.04.2010.

During the retrial, Bacau Court of Law - Commercial and Administrative Section rendered the Civil Sentence no. 854/29.11.2010, admitting the exception and cancelled the petition as unstamped. The judgment is final and irrevocable as the plaintiff did not file an appeal. Regarding the petition of Glencore Energy UK Ltd. concerning a writ of sequestration upon the quantity of gasoil that made the object of the file no. 5005/110/2008, and whose settlement was suspended upon the plaintiff's request until the irrevocable judgment of the file no. 5004/110/ 2008, Bacau Court of Law, found that its expiration occurred, on 30.11.2011.

- The action to legally establish the absolute nullity of the A.G.E.A. Decision dated 21.07.2009, regarding the share capital increase in principle and the A.G.E.A. Decision dated 11.11.2009 regarding the effective increase of S.C. RAFO S.A. share capital with the amount of 2.424.440 lei, as per the provisions of the Reorganization Plan, filed by Horga Nicolaie was rejected as groundless through the Sentence no. 9/22.03.2010, rendered in the file no. 5437/110/2009 by Bacau Court of Law - Commercial and Administrative Section. The appeal filed by Horga Nicolaie was rejected by Bacau Court of Appeal – Commercial, Administrative and Fiscal Section through the Decision no. 3/CC/24.02.2011. Also, the second appeal filed by Horga Nicolaie was rejected by the High Court of Cassation and Justice – Division II of the Civil Court, on 06.03.2012.



- In 2010, the criminal prosecution of the defendants Iacob Mihai and Nicolaescu Teodor was finalized, the Public Prosecutor's Office attached to the High Court of Cassation and Justice referring them to justice for deception offences, conspiracy to commit offences and forgery in deeds under private signature, BANCA ROMANA de SCONT and S.C. DRAMIRAL GROUP S.A. having the capacity of responsible parties in the civil lawsuit. S.C. RAFO S.A. became civil party, right from the stage of criminal investigation, with the amounts of 1.570.587,45 lei and 2.002.550 USD. The criminal file is on the dockets of the Bucharest Court of Law – First Criminal Division, as trial court, under no. 11126/3/2010 and it is under settlement.

S.C. RAFO S.A. is involved in several litigations in contradiction with the local public authorities, regarding the legality of establishing the taxation areas of Onesti city built up area (according to which the land tax due by our company is calculated). Thus, we filed:

- Motion to intervene for personal interest in the file no. 15249/3/2011 of Bucharest Court of Law – Division IX, Administrative and Fiscal Court, having as object a petition for suspending the execution of the Decision issued by Onesti Local Council no. 35/31.05.2004 filed by S.C. ENERGY BIO CHEMICALS S.A.. With the Civil Sentence no. 1246/28.03.2011 the suspension claims were rejected, but the second appeal filed was admitted with the Civil Decision no. 1592/01.09.2011 rendered by Bucharest Court of Appeal – Division VIII, Administrative and Fiscal Court, irrevocably ruling the suspension of the execution of the Decision no. 35/31.05.2004 issued by Onesti Local Council until the settlement of the case on the merits. Please note that according to the Decision no. 35/31.05.2004 issued by Onesti Local Council, the land on which the Refinery is located, on the industrial platform of Onesti city, was included in the taxation area B.
- Prior petition and motion to intervene for personal interest and for joined interest with the plaintiff S.C. ENERGY BIO CHEMICALS S.A., in the file no. 49949/3/2011 of Bucharest Court of Law - Division IX, Administrative and Fiscal Court, having as object the action for annulment of the Decision issued by Onesti Local Council no. 35/31.05.2004 filed by S.C. ENERGY BIO CHEMICALS S.A.. The trial is under settlement.
- Prior petition and motion to intervene for personal interest in the file no. 5109/110/2011 of Bacau Court of Law – Administrative and Fiscal Court, having as object the action for annulment of the Decision issued by Onesti Local Council no. 63/09.09.2011 filed by Bacau Prefecture. The case is pending settlement. Please note that according to the Decision no. 63/09.09.2011 issued by Onesti Local Council, the land where the Refinery

- Appeal against the Enforceable title no. 15129/10.10.2011 and of the Summons no. 15130/10.10.2011 issued by Onesti City Hall – Economic-Financial Direction, establishing our company’s payment obligations towards the local budget, mostly coming from the land tax established as per the taxation area where our land was included. With the Civil Sentence no. 3851/13.12.2011 rendered in the file no. 6386/270/2011, Onesti Court of Law rejected the appeal against enforcement. A second appeal was filed against the sentence, at the time of this Report drawing up pending registration on the dockets of Bacau Court of Law - Administrative and Fiscal Section, after the Civil Section of Bacau Court of Law admitted the exception of its lack of functional jurisdiction.
- Appeal against the Taxation Decision for 2011 for establishing the land tax and against the Orders of Onesti City Mayor no. 1827/25.11.2011 and 4971/ 13.12.2011, making the object of the file no. 6766/110/2011 Bacau Court of Law – Administrative and Fiscal Section. The case is under settlement.
- Prior petition against the Decision no. 87/30.11.2011 of Onesti Local Council approving the final classification in the taxation area A (the area with the highest tax value) of the land where the Refinery is located, namely on the industrial platform of Onesti city, under settlement.
- Administrative means of appeal against the Taxation Decision per 2012 for establishing of the land tax, under settlement.

**MIROSLAV DERMENDJIEV**  
**PRESEDINTELE CONSILIULUI DE ADMINISTRATIE**