

Creating Value **Beyond Energy**

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KNOC Celebrates its 34th Anniversary and Launches a New Vision



With a new vision 'Creating Value beyond Energy', KNOC resolved to take a new leap by achieving qualitative growth.

Korea National Oil Corporation (KNOC) held a ceremony to celebrate its 34th anniversary and declare its new vision and management principles at the head office in Anyang on March 4, 2013. At the ceremony, CEO Moon-kyu Suh and all participants pledged to efficiently and proactively respond to recent rapidly-changing business environment and evolve into a world-class national oil corporation.

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34th Anniversary Ceremony & Vision Declaration

KNOC's new vision, 'Creating Value beyond Energy', embodies the commitment to going beyond the oil development business to promote happiness of the public by fulfilling the role and social responsibility of a public corporation who conducts governmental policy tasks. It also manifests the willingness to continuously achieve growth on the global stage by pursuing sustainable growth.



At the ceremony, CEO Suh also presented three new management principles of pursuing 'integrity', 'capability & organic growth', and 'sustainable development' that befit the new vision.

The 'integrity' means to fulfill social roles and responsibilities as a part of Korean society and as a public company by performing our duty with a sense of ownership, and the 'capability & organic growth' pursues balanced internal and external growth by focusing on enhancing the enterprise value and achieving qualitative advances in the areas of technology and management. The 'sustainable development' presents our commitment to responding preemptively to the changes in the external environment and maximizing KNOC's capabilities to secure sustainable growth.

CEO Suh elaborated on the meaning of each principle, encouraging employees and executives to work in unity to wisely overcome external and internal adversities. The new vision and management principles were developed by reflecting the results of



discussions and surveys participated by all employees and executives, and executive meetings that had been implemented over the period of five months between October

2012 and February 2013. The event was an opportunity for everyone to reaffirm the commitment to KNOC's new leap forward into a global player.

KNOC New Vision & Slogan

New Vision

**Creating Value
Beyond Energy**

New Slogan

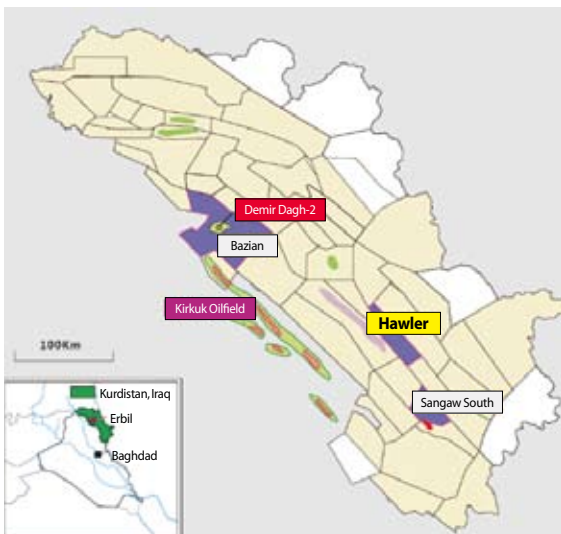
Explore Tomorrow

Declaration of a New Vision

KNOC aims to not only fulfill its duty as a public corporation but also become one of global top 50 oil and gas corporations. To this end, we established new vision, slogan and management principles, and strives to achieve them. Our new vision "Creating Value beyond Energy" and new slogan "Explore Tomorrow" represent our commitment to going beyond the oil development business to promote happiness of the public by fulfilling the role and social responsibility of a public corporation. It also manifests the willingness to continuously achieve growth on the global stage by pursuing sustainable growth.



Discover Oil at the Hawler Block in Iraq



KNOC publicly announced on March 27 that it has discovered oil at the first exploration well (Demir Dagh-2) of the Hawler Block in Kurd, northern area of Iraq. The Hawler Block is an onshore oil field with an area of 1,532 square kilometers encompassing Erbil, the capital of Kurd Authority, which is operated by the major share owner Oryx Petroleum with 65% stake. KNOC and Kurd Authority have 15% and 20% stakes, respectively. The drilling of the first exploration well (Demir Dagh-2) started in mid-July 2012 and has reached a depth of 4,020 meters in December 2012, followed by drill stem test. As a result, about 10 thousand barrels of crude oil was produced a day at 3 reservoirs. Accurate reserve volume will be calculated through the drilling of evaluation wells in the future. In Iraq, KNOC is conducting 3 exploration projects – Bazian, Sangaw South, and Hawler Blocks.



Strategy Meeting of Overseas Office Executives

KNOC held the 'Strategy Meeting of Overseas Office Executives 2013' from February 6 to February 7, 2013, in the headquarters under the slogan, 'The answer lies in the field. Global One KNOC.' Executives including our CEO Suh, the heads of ten overseas offices,

and managers of relevant divisions joined the meeting. The agenda included business strategy and management indicators for 2013, improvement of operating performances of subsidiaries, increase of exploration success rate, enhancement of

technological capability, and establishment of a technology roadmap. Also, the event provided an opportunity to develop substantial strategy to reinforce the execution of E&P strategy, solidify global network, and facilitate exchanges between the headquarters and subsidiaries.

In his opening remarks, CEO Suh said, "This year, we will do our best to succeed in the UAE oil field development project, the Korean-style shale gas project, and the exploration project in Iraq, through which we should harness our core values of can-do spirit and expertise to develop KNOC into a world-class national oil company." Meanwhile, the opinions and feedback collected in the meeting were provided to relevant divisions for the reflection of the information in establishing future plans.

Stirring Up Shale Gas Projects



KNOC held a workshop to highlight the needs to carry out shale gas projects, and come up with responses on February 5, 2013. Experts, employees, and executives from many different fields shared presentations and discussions on the trend and outlook of shale gas development, and the environment and economic feasibility of shale gas business of North American countries.

Moreover, CEO Suh participated in the 'Future of the Energy Market – A Rational Energy Mix' conference organized by the Korea Energy Economics Institute under the Ministry of Knowledge Economy (currently Ministry of Trade, Industry & Economy) on February 20, 2013. He expressed KNOC's commitment in the shale gas business by saying, "The shale gas revolution has been bringing change in the global energy market. Shale gas reserve amounts to 150

billion tons, which can be consumed for more than 60 years around the world. Since Korea has just set foot in the field, we need to proactively respond to the fierce competition driven by overseas countries."

KNOC had stirred up the shale gas development business in 2012.

In September 2012, it signed the 'Memorandum of Understanding (MOU) for the development and adoption of shale gas' with Korea Gas Corporation, the Energy and Mineral Resources Development Association of Korea, and Korea Plant Industries Association. The corporation has also been active in operating the business by jointly acquiring EP Energy, a North American company specialized in shale gas development. As such, KNOC has been strengthening efforts in the shale gas business, one of key growth engines for the future.

KNOC-Dana Meeting on Network Development by Function



A meeting on establishing networks by function between KNOC and Dana was held on January 22 and January 23, 2013 in the

headquarters.

The goal was to develop a standard model of Global KNOC. From Dana, the CEO and

executives from a total of four areas that are strategy · planning · finance, new business portfolio, exploration, and development · production joined the meeting through which presentations and free discussion were carried out to develop a model of communication and cooperation between KNOC and subsidiaries.

Especially, there were in-depth discussions to raise efficiency in the operation of networks by function, which included pre-emptive mediation between relevant divisions in order to resolve problems such as increasing workload in subsidiaries and prevention of duplicated works between functional divisions of the headquarters and Dana Group.

Sign an Agreement to Share Benefits of CMMS

KNOC concluded an agreement for shared growth with eManTec at its headquarters on February 5, 2013. The agreement was on the cooperation on 'Computerized Maintenance Management System (CMMS)' for DOOSUNG, Korea's only semisubmersible rig. The goal of CMMS is to develop a proprietary model that meets the international standards and is most optimized to maintain and manage a rig. By implementing the system, KNOC intends to help Korea's Small and Medium Enterprises

(SMEs) improve their capabilities in the offshore plant industry, while enhancing global reliability of DOOSUNG's safety and competitiveness. The agreement will also allow us to transfer our expertise in the operation of the rig and technological knowledge in their maintenance works to our business partner, which will represent our commitment to achieving shared growth with SMEs and meeting the policy of developing the domestic offshore plant industry.



Sign an MOU for Northern Ulsan Port Project

KNOC signed an MOU for mutual cooperation with Ulsan Port Authority at its headquarters on March 5, 2013.

The two parties agreed on detailed collaboration items such as reclamation and lease of project sites for Northern Ulsan Port Project to make Korea an oil hub in the Northeast Asia.

The agreement is expected to increase momentum for the project. Meanwhile, KNOC completed construction of a facility to stockpile 8.2 million barrels of oil in Yeosu late last year for the oil hub project and plans to commence its commercial operation soon in April, 2013.

The corporation will also build another storage facility to stockpile 9.9 million barrels of oil products in the northern area of Ulsan New Port as part of subsequent projects.

* Northeast Asia Oil Hub Project

Establishing a hub for oil trading in northeast Asia by building oil stockpiling facilities in Yeosu and Ulsan



Visit to Petronas and Contract for a Participating Interest in an Oil Block

KNOC signed a contract to acquire shares of the Block 2B in Kuala Lumpur, Malaysia on January 29, 2013. The agreement will allow the corporation to participate in the Block 2B exploration block off the Sarawak coast by holding a 15% participating interest out of Sarawak Shell's Block 2B PSC shares. The ceremony was attended by CEO Suh and the head of the New Ventures Dept. representing KNOC, and Vice President of Asia and Australia Exploration Group and two other people from Shell. The contract will enable the corporation to closely cooperate with Shell in the future. The collaboration is also expected to help strengthen KNOC's technological capability in exploration and expand its E&P business



in Asia.

In addition, CEO Suh met with Tan Sri Dato' Shamsul Azhar Abbas, CEO of Petronas in Kuala Lumpur on the same day to discuss

cooperation on E&P business based on strategic cooperative ties between two national oil corporations.

Meeting with Ambassador of the Republic of Kazakhstan in Korea



► ADA Block in Kazakhstan which is operated by KNOC

CEO Suh met with Ambassador Mr. Dulat Bakishev at the Embassy of the Republic of Kazakhstan in Korea on February 20, 2013. During the meeting, the ambassador expressed strong interest in KNOC's Zhambyl field project. He said he would heartily welcome the participation of Korean companies in the consortium for the distribution of new oil blocks in Kazakhstan. In addition, CEO Suh and the ambassador promised to cooperate to ensure the production contract for ADA oil field to be successfully completed. Approval from the

Ministry of Environment is only required for the contract. Meanwhile, KNOC is producing 13,006 barrels a day at nine fields in Kazakhstan and planning to increase the daily production volume to 34,000 barrels by 2017. Furthermore, the corporation is jointly carrying out Zhambyl field project with KazMunaiGas, Kazakhstan's national oil company, and a drilling rig completed test drilling. As a result, two boreholes will be drilled starting from April, 2013, and it is expected to secure 2 billion barrels of oil and gas when the drilling is successful.



Talk with Statoil Executives

CEO Suh talked with the delegation of Statoil that visited KNOC headquarters on March 6, 2013. The two parties discussed ways to continue mutual cooperation in terms of

jointly implementing overseas E&P projects and global petroleum stockpile projects, sharing best practices, and developing unconventional resources in North America.

In particular, two corporations agreed to sign a strategic partnership in consideration of business development, financial status, and value creation. The partnership will encompass the joint-implementation of new E&P projects (exploration, unconventional resources, and projects in remote areas), and collaboration in the trading business. Further discussions on such projects are expected to follow in the future.

This strategic partnership is expected to not only solidify the international joint oil stockpiling business of two corporations that is operated with 4.9 million barrels of reserve oil in Yeosu stockpile base but also create synergy effect in the development of unconventional resources in North America which is one of strategic businesses of the two parties in the future.

Meeting with the Minister of Energy of the Republic of Malawi



Vice President Hong-geun Im held a meeting with the government delegation of the Republic of Malawi that paid a visit

to the KNOC headquarters on January 30, 2013. The delegation included Hon Ibrahim Matola, the Minister of Energy, John Kandula, the CEO of ESCOM, a state-owned power company, and Winford Masanjala, the senior secretary of the Ministry of Energy.

It was an opportunity to discuss ways for consistent cooperation between the two parties including the Dana projects implemented by KNOC in Africa, and feasibility of new projects.

Meanwhile, multiple mid- to large-sized oil fields have been discovered in Lake Albertine, Uganda, which is a part of the Western Branch. In this regard, Malawi has designated seven oil blocks along Lake Malawi (Nyasa) within its borders to proactively carry out exploration projects.

Meeting with Russian Congressman



CEO Suh held a meeting with Zuga Igor Mikhaylovich, a congressman of Russia, on February 14 in order to discuss oil-related technological cooperation between Korea and Russia, and ways to enter into the Russian oil development market.

Talk with John Major, Former British Prime Minister



On March 15, 2013, CEO Suh met John Major who was former British Prime Minister and is now working as a senior advisor of Credit Suisse Group that had been an underwriter

on the public offering of debentures for the acquisition of Dana in 2010. At the meeting, KNOC presented its expanded investments in E&P business since the acquisition of Dana and asked him for continuous mutual cooperation. He also answered that Credit Suisse would work closely on diverse areas including KNOC's fundraisings as well as introduce promising business opportunities and oil and gas field assets. KNOC had secured a bridgehead for entering the North Sea and Africa markets on the basis of the acquisition of Dana.



Meeting with the Chairman of Perupetro

CEO Suh met with Luis Ortigas, the Chairman of Perupetro, during his business trip to Peru from March 21 to March 23. At the meeting, CEO Suh introduced KNOC's businesses in Peru including the operation of Savia-Peru which had been acquired by KNOC, and requested steadfast partnership such as cooperation and support of subsidiary organizations for timely environmental permission in the development of blocks. He also visited Javier Genaro Gutiérrez Pemberthy, CEO of Ecopetrol which is a joint operator of Savia-Peru, at the same day. CEO Suh said that KNOC and Ecopetrol had maintained a close collaboration as business partners despite the differences in culture and language, and hoped the meeting would be a momentum for solidifying the relationship between two corporations. KNOC and Ecopetrol had decided to make a technical service agreement for providing its manpower to Savia-Peru in 2009. At the meeting, he also expected Savia-Peru to achieve a visible growth through steadfast cooperation in the future.

Held the HSE Leadership Workshop

KNOC held the HSE leadership workshop targeting 46 vice presidents of business groups and general managers of the domestic branches. Tim Ingram and David Ringrose who are serving as the HSE advisor and drilling advisor respectively shared presentations and there were active discussions about HSE concept, leadership

capability, case study on accidents in the oil industry, and issues and risks on KNOC's HSE activities. This workshop was prepared to introduce the HSE leadership that was essential for us to leapfrog into a global oil player to the management and to improve the awareness of safety. Other focuses were on managing key HSE issues and risks.



Declaration of Vision on Shared Growth with Suppliers

KNOC held a ceremony to publicly announce its vision on shared growth, 'Realizing a Global Oil Corporation That Grow Along with Small and Medium Enterprises', on January 21, 2013. At the ceremony, three strategic directions including reinforcing competitiveness of small- and mid-sized suppliers, and seven strategic tasks such as expanding support for technological development and commercialization were also revealed. KNOC is planning to build momentum to realize the vision ahead of schedule backed by the strategic directions and tasks.



Declaration of Commitment to Labor-Management Co-prosperity

The labor union of KNOC held a ceremony on January 3 to announce and resolve its commitment to co-prosperity between the labor and management that will result in solid business performance. The event was carried out to achieve sustainable growth and fulfill social responsibility by building trust, and strengthening cooperation between management and labor. The labor union and the management agreed to collaborate in a proactive manner to stabilize the organization, improve performance, facilitate mutual communication, and fulfill social responsibility.



Visit to Dongbu Traditional Market of Seosan & Donation to Regional Children's Center

Joong-hyun Kim, Exe VP for Administration Group of KNOC visited the Dongbu traditional market in Seosan where one of nine stockpile bases of KNOC is located before Seolnal, the largest Korean traditional holiday marking the beginning of the lunar new year, on January 31, 2013. This was an effort in line with the government's plan to revitalize traditional markets as part of stimulating domestic demand. Mr. Kim held a meeting with merchants of the market, and purchased goods that were donated to a regional children's center and a welfare center for the disabled. The corporation is committed to making consistent contribution to developing the local community and increasing domestic demand.

Oil Development Scholarship Award for the First Half of 2013

The oil development scholarship award for the first half of 2013 was held in the KNOC headquarters on February 27, 2013. The event was the 15th round of its kind, where a total of 28 college and graduate school students majoring in oil engineering and geology received a total of USD 75.6 thousand (USD 2.7 thousand per student). CEO Suh encouraged the students to play a pivotal role in the field of oil development by fortifying expertise. KNOC plans to continuously secure talents and expand infrastructure in the oil development area through various programs to nurture high-caliber manpower in resource development.



Substantive Support to Low-income Family Students

KNOC provided low-income family students entering middle and high schools with financial support to purchase school uniforms. A total of 110 students of public assistance recipient households in eight districts of Guri, a city where KNOC's branch office is located, were designated as recipients, to whom USD 135 was delivered, respectively. This support practically eased the economic burden of low-income families and contributed to stable school life for their students. In the meantime, KNOC has been proactively implementing educational support programs customized to the local community both in Korea and overseas. The programs include scholarship, financial support for school lunch of underprivileged children, and construction of elementary school buildings.



Creating Value beyond Energy

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Our new vision includes our commitment to growing together with and coming up to people for their happiness and the nation's future.