ROMPETROL RAFINARE S.A.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2013

PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING STANDARDS
AS ENDORSED BY THE EUROPEAN UNION (EU)

Building a better working world

Ernst & Young Assurance Services SRL
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REPORT OF INDEPENDENT AUDITORS

To the shareholders of Rompetrol Rafinare S.A.

Report on the Consolidated Financial Statements

1 We have audited the accompanying consolidated financial statements of Rompetrol Rafinare S.A. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, all expressed in United States Dollar (USD). We have also reviewed the translation of these statements into Romanian lei on the basis described in Note 2 (d).

Management's Responsibility for the Consolidated Financial Statements

2 Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the consolidated financial statements of the Group expressed in USD, present fairly, in all material respects, the financial position of the Group as of 31 December 2013 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

7 In our opinion, the consolidated financial statements expressed in Romanian Lei have been properly translated on the basis as described in Note 2 (d).

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Report on conformity of the Administrators' Report with the financial statements

8 In accordance with the Order of the Minister of Public Finance no 1286/2012, article no. 16 point c) from chapter II, we have read the Administrators' Report. The Administrators' Report is not a part of the consolidated financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2013.

On behalf of

Ernst & Young Assurance Services SRL
Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

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Name of signing person: Garry R. Collins

Registered with the Chamber of Financial Auditors in Romania
Nr. 179/15 October 2000

Bucharest, Romania
27 March 2014

CONTENTS **PAGE**

ROMPETROL RAFINARE S.A.
Consolidated Statement of Financial Position
as at December 31, 2013
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Notes	December 31, 2013 USD	December 31, 2012 USD	December 31, 2013 RON	December 31, 2012 RON
Intangible assets	3	8,035,381	11,715,765	26,155,966	38,135,985
Goodwill	4	82,871,706	82,871,706	269,755,691	269,755,691
Property, plant and equipment	5	1,149,815,701	1,150,819,800	3,742,765,090	3,746,033,529
Available for sale investments	6	302,272	302,272	983,927	983,923
Long-term receivable	8	900,451	7,292,478	2,931,056	23,737,745
Total non current assets		**1,241,925,511**	**1,253,002,021**	**4,042,591,730**	**4,078,646,873**
Inventories, net	7	436,074,392	446,917,386	1,419,465,756	1,454,760,783
Trade and other receivables	8	320,937,214	284,613,763	1,044,682,721	926,446,259
Cash and cash equivalents	9	118,470,507	159,264,897	385,633,346	518,423,167
Total current assets		**875,482,113**	**890,796,046**	**2,849,781,823**	**2,899,630,209**
TOTAL ASSETS		**2,117,407,624**	**2,143,798,067**	**6,892,373,553**	**6,978,277,082**
Share capital	10	1,463,323,897	1,463,323,897	4,763,265,618	4,763,265,618
Share premium	10	74,050,518	74,050,518	241,041,841	241,041,841
Other reserves	10	(1,040,847)	283,383	(3,388,061)	922,440
Other reserves - Hybrid instrument	10	1,000,000,000	800,000,000	3,255,100,000	2,604,080,000
Effect of transfers with equity holders	10	(596,832,659)	(596,832,659)	(1,942,749,988)	(1,942,749,988)
Accumulated losses		(1,391,084,946)	(1,228,338,849)	(4,528,120,606)	(3,998,365,786)
Current year result		(95,399,941)	(162,746,097)	(310,536,351)	(529,754,820)
Equity attributable to equity holders of the parent		**453,016,022**	**349,740,193**	**1,474,612,453**	**1,138,439,305**
Non-Controlling interest		11,949,428	12,157,679	38,896,583	39,574,461
Total equity		**464,965,450**	**361,897,872**	**1,513,509,036**	**1,178,013,766**
Deferred tax liabilities	12	395,869	738,795	1,288,593	2,404,852
Provisions	15	73,246,042	68,797,216	238,423,191	223,941,818
Other non-current liabilities		145,214	130,990	472,685	426,386
Total non-current liabilities		**73,787,125**	**69,667,001**	**240,184,469**	**226,773,056**
Trade and other payables	13	1,044,036,705	917,143,556	3,398,443,885	2,985,393,979
Derivative financial instruments	28.5	63,466	2,520,211	206,579	8,203,539
Net obligations under finance leases	11	-	80,254	-	261,235
Short-term borrowings from shareholders and related parties	14	353,983,160	576,441,495	1,152,250,584	1,876,374,710
Short-term borrowings from banks	14	180,258,301	204,546,337	586,758,796	665,818,782
Provisions - current portion	15	313,417	11,501,341	1,020,204	37,438,015
Total current liabilities		**1,578,655,049**	**1,712,233,194**	**5,138,680,048**	**5,573,490,260**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**2,117,407,624**	**2,143,798,067**	**6,892,373,553**	**6,978,277,082**

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The accompanying notes on pages 11 – 73 are an integral part of these consolidated financial statements
English translation is for information purposes only. Romanian language text is the official text for submission.

The consolidated financial statements on pages 3 to 73 were approved on March 27, 2014 and submitted for approval by the General Assembly of shareholders on April 29, 2014 by:

AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

SORIN GRAURE
CHIEF EXECUTIVE OFFICER

GIANI IULIAN KACIC
CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE S.A.
Consolidated Income Statement
for the year ended at December 31, 2013

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Notes	2013 USD	2012 USD	2013 RON	2012 RON
Revenues	16	3,910,907,653	3,843,481,873	12,730,395,501	12,510,917,845
Cost of sales	17	(3,750,650,407)	(3,672,713,538)	(12,208,742,141)	(11,955,049,838)
Gross profit		160,257,246	170,768,335	521,653,360	555,868,007
Selling, general and administrative expenses, including logistic costs	18	(219,726,314)	(220,106,359)	(715,231,124)	(716,468,208)
Other operating income/(expenses), net	19	24,027,568	(70,194,271)	78,212,135	(228,489,372)
Operating loss		(35,441,500)	(119,532,295)	(115,365,629)	(389,089,573)
Financial cost	20	(62,318,316)	(58,146,025)	(202,852,350)	(189,271,127)
Financial income	20	4,654,231	2,157,232	15,149,987	7,022,006
Foreign exchange gain / (loss), net	20	(2,403,724)	11,955,758	(7,824,363)	38,917,188
Loss before income tax		(95,509,309)	(163,565,330)	(310,892,355)	(532,421,506)
Income tax	21	(98,883)	531,597	(321,874)	1,730,402
Loss for the year		(95,608,192)	(163,033,733)	(311,214,229)	(530,691,104)
Attributable to:					
Equity holders of the parent		(95,399,941)	(162,746,097)	(310,536,351)	(529,754,820)
Non-Controlling interest		(208,251)	(287,636)	(677,878)	(936,284)
Earnings per share *(US cents/share)*					
Basic	24	(0.216)	(0.369)	(0.703)	(1.201)

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ROMPETROL RAFINARE

AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

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Graure

GIANI IULIAN KACIC
CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Other Comprehensive Income
for the year ended at December 31, 2013

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	2013 USD	2012 USD	2013 RON	2012 RON
Net loss for the year	(95,608,192)	(163,033,733)	(311,214,229)	(530,691,104)
Other comprehensive income				
Actuarial gains/(losses) on retirement benefits	(1,297,537)	(117,628)	(4,223,613)	(382,891)
Other comprehensive income (loss) for the year, net of tax	(1,297,537)	(117,628)	(4,223,613)	(382,891)
Total comprehensive loss for the year, net of tax	(96,905,729)	(163,151,361)	(315,437,842)	(531,073,995)
Attributable to:				
Equity holders of the parent	(96,697,478)	(162,863,725)	(314,759,964)	(530,137,711)
Non-Controlling interest	(208,251)	(287,636)	(677,878)	(936,284)
Total comprehensive loss for the year, net of tax	(96,905,729)	(163,151,361)	(315,437,842)	(531,073,995)

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CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Cash Flows
for the year ended at December 31, 2013

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	2013 USD	2012 USD	2013 RON	2012 RON
Net result before income tax	**(95,509,309)**	**(163,565,330)**	**(310,892,355)**	**(532,421,506)**
Adjustments for:				
Depreciation and amortisation	88,807,210	76,626,435	289,076,346	249,426,711
Provisions for receivables and inventories (incl write-off)	(3,460,692)	61,246,822	(11,264,899)	199,364,530
Impairment for property, plant and equipment (incl write-off)	(12,086,974)	(999,955)	(39,344,305)	(3,254,954)
Provision for environmental and other liabilities	(8,322,689)	59,570,019	(27,091,185)	193,906,369
Restructuring and retirement benefit provisions	286,054	301,050	931,134	979,948
Late payment interest	(2,084,072)	2,309,053	(6,783,864)	7,516,198
Interest expense and bank charges, net	45,738,091	47,336,777	148,882,061	154,085,944
Unrealised gains from derivatives	1,880,885	12,905,240	6,122,469	42,007,847
(Gain)/Loss on sale or disposal of property, plant and equipment	(52,381)	(138,907)	(170,506)	(452,156)
Unrealised foreign exchange (gain)/loss from restatement and monetary items	3,620,334	610,320	11,784,549	1,986,653
Cash generated from operations before working capital changes	**18,816,457**	**96,201,524**	**61,249,445**	**313,145,584**
Net working capital changes in:				
Receivables and prepayments	(33,118,186)	(33,268,001)	(107,803,002)	(108,290,676)
Inventories	15,860,123	(116,781,425)	51,626,286	(380,135,217)
Trade and other payables, excluding payables for capital expenditures	119,962,365	82,343,171	390,489,491	268,035,256
Change in working capital	**102,704,302**	**(67,706,255)**	**334,312,775**	**(220,390,637)**
Income tax paid	-	-	-	-
Cash payments for derivatives, net	**(4,364,323)**	**(4,552,949)**	**(14,206,308)**	**(14,820,304)**
Net cash provided by/(used in) operating activities	**117,156,436**	**23,942,320**	**381,355,912**	**77,934,643**
Cash flows from investing activities				
Purchase of property, plant and equipment	(71,004,391)	(131,928,665)	(231,126,395)	(429,440,997)
Changes in payables for capital expenditures	6,449,655	(33,909,474)	20,994,272	(110,378,729)
Purchase of intangible assets	(974,958)	(1,064,318)	(3,173,585)	(3,464,461)
Proceeds from sale of property, plant and equipment	129,360	245,168	421,080	798,046
Net cash used in investing activities	**(65,400,334)**	**(166,657,289)**	**(212,884,628)**	**(542,486,141)**
Cash flows from financing activities				
Loans (repaid to) received from shareholders	(22,458,335)	229,570,862	(73,104,126)	747,276,113
Loans (repaid to)/drawn from banks, net	(24,273,812)	78,154,007	(79,013,685)	254,399,108
Lease repayments	(80,254)	(1,706,560)	(261,235)	(5,555,023)
Interest and bank charges paid, net	(45,738,091)	(57,096,711)	(148,882,059)	(185,855,504)
Net cash from financing activities	**(92,550,492)**	**248,921,598**	**(301,261,105)**	**810,264,694**
Increase / (Decrease) in cash and cash equivalents	**(40,794,390)**	**106,206,629**	**(132,789,821)**	**345,713,196**
Cash and cash equivalents at the beginning of period	**159,264,897**	**53,058,268**	**518,423,167**	**172,709,971**
Cash and cash equivalents at the end of the period	**118,470,507**	**159,264,897**	**385,633,346**	**518,423,167**

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AZAMAT ZHANGULOV
PRESIDENT of the BOARD of DIRECTORS

SORIN GRAURE
CHIEF EXECUTIVE OFFICER

Graure

GIANI IULIAN KACIC
CHIEF FINANCIAL OFFICER

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Consolidated Statement of Changes in Equity
for the year ended at December 31, 2013

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

Amount in USD

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-Controlling interest	Total equity
December 31, 2011	**1,463,323,897**	**74,050,518**	**(1,228,338,849)**	**(596,832,659)**	**401,011**	**(287,396,082)**	**12,445,315**	**(274,950,767)**
Net loss for 2012	-	-	(162,746,097)	-	-	**(162,746,097)**	(287,636)	**(163,033,733)**
Other comprehensive income	-	-	-	-	(117,628)	**(117,628)**	-	**(117,628)**
Total comprehensive income	-	-	**(162,746,097)**	-	**(117,628)**	**(162,863,725)**	**(287,636)**	**(163,151,361)**
Hybrid instrument - reserves	-	-	-	-	800,000,000	**800,000,000**	-	**800,000,000**
December 31, 2012	**1,463,323,897**	**74,050,518**	**(1,391,084,946)**	**(596,832,659)**	**800,283,383**	**349,740,193**	**12,157,679**	**361,897,872**
Net loss for 2013	-	-	(95,399,941)	-	-	**(95,399,941)**	(208,251)	**(95,608,192)**
Other comprehensive income	-	-	-	-	(1,297,537)	**(1,297,537)**	-	**(1,297,537)**
Total comprehensive income	-	-	**(95,399,941)**	-	**(1,297,537)**	**(96,697,478)**	**(208,251)**	**(96,905,729)**
Hedging reserves					(26,693)	**(26,693)**		**(26,693)**
Hybrid instrument - reserves					200,000,000	**200,000,000**		**200,000,000**
December 31, 2013	**1,463,323,897**	**74,050,518**	**(1,486,484,887)**	**(596,832,659)**	**998,959,153**	**453,016,022**	**11,949,428**	**464,965,450**

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Changes in Equity
for the year ended at December 31, 2013

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

Amount in RON

	Share capital	Share premium	Accumulated losses	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2011	4,763,265,618	241,041,841	(3,998,365,786)	(1,942,749,988)	1,305,331	(935,502,984)	40,510,745	(894,992,239)
Net loss for 2012	-	-	(529,754,820)	-	-	(529,754,820)	(936,284)	(530,691,104)
Other comprehensive income	-	-	-	-	(382,891)	(382,891)	-	(382,891)
Total comprehensive income	-	-	**(529,754,820)**	-	**(382,891)**	**(530,137,711)**	**(936,284)**	**(531,073,995)**
Hybrid instrument - reserves	-	-	-	-	2,604,080,000	2,604,080,000	-	2,604,080,000
December 31, 2012	4,763,265,618	241,041,841	(4,528,120,606)	(1,942,749,988)	2,605,002,440	1,138,439,305	39,574,461	1,178,013,766
Net loss for 2013	-	-	(310,536,351)		-	(310,536,351)	(677,878)	(311,214,229)
Other comprehensive income	-	-	-		(4,223,613)	(4,223,613)		(4,223,613)
Total comprehensive income	-	-	**(310,536,351)**	-	**(4,223,613)**	**(314,759,964)**	**(677,878)**	**(315,437,842)**
Hedging reserves	-	-	-		(86,888)	(86,888)	-	(86,888)
Hybrid instrument - reserves	-	-	-	-	651,020,000	651,020,000	-	651,020,000
December 31, 2013	4,763,265,618	241,041,841	(4,838,656,957)	(1,942,749,988)	3,251,711,939	1,474,612,453	38,896,583	1,513,509,036

The consolidated financial statements on pages 3 to 73 were approved on March 27, 2014 and submitted for approval by the General Assembly of shareholders on April 29, 2014 by:

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1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Parent Company" or "the Company" or "the Parent" or "RRC") is a company incorporated under Romanian law. The Parent Company operates Petromidia Refinery and Vega Refinery. Petromidia Refinery, located on the Black Sea coast, processes exclusively, imported crude oil and produces E.U. standard motor fuels, other petroleum products and certain petrochemicals. Petromidia refinery was designed and built during 1975-1977 and was further modernized in the early 1990's and from 2005 to 2012.

Rompetrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all production facilities located in Romania. The number of employees of the Group at the end of 2013 and 2012 was 3,725 and 3,803 respectively.

The registered address of Rompetrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. Rompetrol Rafinare S.A. and its subsidiaries are part of The Rompetrol Group N.V. with a registered address World Trade Centre, Strawinskylaan 807, Tower A, 8th floor, 1077 XX Amsterdam, the Netherlands.

The ultimate parent of the Group is the "State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan.

The Company is a joint stock company listed on the Bucharest Stock Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation and statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of December 31, 2013, as endorsed by the European Union ("EU").

The consolidated financial statements are prepared under the historical cost convention except for derivative financial instruments and available-for-sale (AFS) financial aseets that have been measured at fair value.

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2013 and 2012 the Group reported net assets including non-controlling interest, of USD 465 million and USD 362 million respectively. For the years ended December 31, 2013 and 2012 the Group reported losses of USD 96 million and USD 163 million respectively. The accumulated losses incurred so far, are due to the fact that the Group has been undertaking an ongoing development of its refinery and petrochemicals activities and has looked to develop its operational network in Romania.

The 2014-2018 strategy is a mixture of cost optimization projects for production and network expansion for retail. The main objective for the 2014-2018 strategies to expand distribution operations in countries around the Black Sea, to benefit from increased vertical integration with refining operation for improved financial performance through the followings:

- Strengthen The Rompetrol Group's Retail network presence following the upgrading of the Petromidia Refinery.
- Reduce cost initiatives in refining with the purpose to to streamline processes and increase profitability:
    - The material technological improvements brought by the Refinery Upgrade Package are expected to increase refinery savings by an additional USD 2 million/year in net profit, and USD 4 /ton from expected savings in processing costs (from USD 28/ton currently).

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- **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

    - Further to the technological improvements, Petromidia refinery management will continue to focus on cost competitiveness (further cost reduction initiatives) and energy efficiency for optimum refinery performance.

The management believes that the developments mentioned above will result in an enhancement of the Group's ability to support its continuing operations.

The estimated operating profit margins for the next 5 years by Cash Generating Units are detailed in Note 4.

The Group has completed during 2013 additional bank borrowings and facilities that have provided additional funding for investments and operations. The Group has received confirmation of its ultimate parents continuing support during the next twelve months should the need arise for additional funding to what is or will be available from its own operations and/or third party sources.

Based on the Group's plans for 2014 and other matters mentioned above, it is considered that the preparation of the financial statements on a going concern basis is appropriate.

c) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except for the following amendments to IFRS effective as of 1 January 2013:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income.**
- **IAS 19 Employee Benefits (Revised)**
- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
- **IFRS 13 Fair Value Measurement**
- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**
- **Annual Improvements to IFRSs – 2009 – 2011 Cycle**

The adoption of the standards or interpretations is described below:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

    The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendment affects presentation only and has no impact on the Group's financial position or performance.. The Group has assessed that the amendment has no impact on its financial position or performance as the Group does not have any such assets.

- **IAS 19 Employee Benefits (Revised)**

    IAS 19 initiates a number of amendments to the accounting for defined benefit plans, including actuarial gains and losses that are now recognised in other comprehensive income (OCI) and permanently excluded from profit and loss; expected returns on plan assets that are no longer recognised in profit or loss, instead, there is a requirement to recognise interest on the net defined benefit liability (asset) in profit or loss, calculated using the discount rate used to measure the defined benefit obligation, and; unvested past service costs are now recognised in profit or loss at the earlier of when the amendment occurs or when the related restructuring or termination costs are recognised. Other amendments include new disclosures, such as,

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27 MAR 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

quantitative sensitivity disclosures. The Group has early adopted OCI method and no further changes are to be performed.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**

  These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. The Group has assessed that the amendment has no impact on its financial position or performance as the Group does not have any such assets.

- **IFRS 13 Fair Value Measurement**

  IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 Financial Instruments: Disclosures. This standard has no material impact on the Group.

- **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**
  This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This interpretation has no impact on the Group.

- The **IASB has issued the Annual Improvements to IFRSs – 2009 – 2011 Cycle**, which contains amendments to its standards and the related Basis for Conclusions. The annual improvements project provides a mechanism for making necessary, but non-urgent, amendments to IFRS. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.

  - **IAS 1 Presentation of Financial Statements:** This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative period is the previous period.
  - **IAS 16 Property, Plant and Equipment:** This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.
  - **IAS 32 Financial Instruments, Presentation:** This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12 Income Taxes.
  - **IAS 34 Interim Financial Reporting:** The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

d) Foreign currency translation

The group currency translations are consistent with those of the previous financial year ("US Dollar" or "USD"), which is the Group's functional currency, representing the currency of the primary economic environment in which the Group operates.

ERNST & YOUNG
27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Transactions and balances not already measured in USD, and that are primarily measured in RON or other currencies, have been re-measured in USD as follows:

Monetary assets and liabilities

Cash and cash equivalents, receivables, payables and short-term loans have been translated into USD at the year-end USD/RON exchange rate. Gain or loss on translation of these assets and liabilities denominated in RON is recorded in the income statement.

Non-monetary assets and liabilities

Non-monetary assets and liabilities are translated from their historical cost or valuation by applying the exchange rate USD/RON from the date of acquisition, valuation or contribution to the statement of financial position.

Consolidated statements of income

Consolidated statements of income items have been translated applying the exchange rate USD/RON from the month when the items were initially recorded to the consolidated income statement.

Exchange gains and losses arising on the re-measurement that are not denominated in USD are credited/ charged to the consolidated Income Statement for the year.

Other matters

Within Romania, the official exchange rates are determined by the National Bank of Romania ("Central Bank" or "National Bank") and are considered to be a reasonable approximation of market exchange rates.

The translation of RON denominated assets and liabilities into USD for the purpose of these consolidated financial statements do not indicate that the Group could realize or settle in US dollars the reported values of these assets and liabilities. Likewise it does not indicate that the Group could retain or distribute the reported USD values of equity to its shareholders.

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by mutliplying the values in USD with the 31 December 2013 closing exchange rate of RON 3.2551 = USD 1, for both 2013 and 2012 amounts.

e) Significant accounting judgments, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. However, uncertainty about these assumptions and estimates could result in outcomes that require an adjustment to the carrying amount of the assets or liabilities affected in the future periods.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

ERNST & YOUNG
27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Impairment of Goodwill on acquisitions

The Group's impairment test for goodwill is based on fair value less costs to sell calculations that use a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to undertake. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- Impairment of non- financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the carrying amounts for major property, plant and equipment are reviewed for possible impairment annually, while all assets are reviewed whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recovered. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is higher of fair value less costs to sell, and value in use determined as the amount of estimated discounted future cash flows. Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. Estimates of future cash flows are based on management estimates of future commodity prices, market supply and demand and product margins. Other factors that can lead to changes in estimates include restructuring plans and variation in regulatory environments. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model, as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to comply with the regulations in the various jurisdictions in which the Group operates, and to settle any legal or constructive obligation. Analysis and estimates are performed by the Group together with its technical and legal advisers, in order to determine the probability, timing and amount involved with probable required outflow of resources. Estimated restoration costs, for which disbursements are determined to be probable, are recognized as a provision in the Group's financial statements. When the final determination of such obligation amounts differs from the recognized provisions, the Group's income statement is impacted.

Further details on provision for environmental liability are provided in Note 15.

- Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

Further details on deferred tax assets are provided in Notes 12 and 21.

- Retirement benefits costs

Payments made to state-managed retirement benefit schemes are dealt with as defined contribution plans, meaning that the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered.

Under collective labor agreements in place in certain of the Group's entities, employees are entitled to certain retirement benefits, payable on retirement, if they are employed with these entities at the date of

ERNST & YOUNG
27 MAR 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

their retirement. These amounts are estimated as of the reporting date based on benefits provided in the agreement, employees with the company and actuarial assumptions on future liabilities. The actuarial valuation method involves various assumptions. These include determination of discount rates, future salary increases, mortality rates and future pension increases. Due to complexity of computation and the long term nature of these benefits a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in statement of comprehensive income.

The Group has no other liabilities with respect to future pension, health and other costs for its employees. Further details on retirement benefits costs are provided in Note 15.

- *Carrying value of trade and other receivables*

The Group assesses at each reporting date the requirement for an allowance for impairment in trade and other receivables. The Company uses its judgment, based on the nature and extent of overdue debtors and historical experience, in order to estimate the amount of such an allowance. The allowance is recognized where there is an objective evidence that a particular trade receivable or a group of trade receivables have impaired.

- *Carrying value of inventories*

The Group considers on a regular basis the carrying value of inventories in comparison to expected use of items, impact of damaged or obsolete items, technical losses and a comparison to estimated net realizable value compared to cost, based on latest available information and market conditions. As applicable a reserve against the carrying value of inventories is made.

f) Standards issued but not yet effective

The Group has not early adopted the following standards/interpretations:

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**

  The Standard is effective for annual periods beginning on or after 1 January 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The Group does not expect that this change will have an impact on the financial position or performance of the Group.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

  The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

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27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 9 Financial Instruments: Classification and Measurement and subsequent amendments to IFRS 9 and IFRS 7-Mandatory Effective Date and Transition Disclosures; Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39**

  IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The subsequent package of amendments issued in November 2013 initiate further accounting requirements for financial instruments. These amendments a) bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; b) allow the changes to address the so-called 'own credit' issue that were already included in IFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and c) remove the 1 January 2015 mandatory effective date of IFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. This standard and subsequent amendments has not yet been endorsed by the EU. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2014 IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities.

  IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

- **IFRS 11 Joint Arrangements**

  The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Group does not expect that this change will have an impact on the financial position or performance of the Group.

- **IFRS 12 Disclosures of Interests in Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**
  The guidance is effective for annual periods beginning on or after 1 January 2014. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'.

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27 MAR 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**
  The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualifies as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organisations, venture capital organisations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **IFRS 14 Regulatory Deferral Accounts**
  The standard is effective for annual periods beginning on or after 1 January 2016. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject in 2014. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
  This amendment is effective for annual periods beginning on or after 1 January 2014. These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
  This amendment is effective for annual periods beginning on or after 1 January 2014. Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument.

- **IAS 19 Defined Benefit Plans (Amended): Employee Contributions**
  The amendment is effective from 1 July 2014. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. This

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the disclosure requirements

- **IFRIC Interpretation 21: Levies**
  The interpretation is effective for annual periods beginning on or after 1 January 2014. The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This interpretation has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.

- **Improvements to IFRS's**

  The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the disclosure requirements

  - **IFRS 2 Share-based Payment:** This improvement amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition' (which were previously part of the definition of 'vesting condition').
  - **IFRS 3 Business combinations:** This improvement clarifies that contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of IFRS 9 Financial Instruments.
  - **IFRS 8 Operating Segments:** This improvement requires an entity to disclose the judgments made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly.
  - **IFRS 13 Fair Value Measurement:** This improvement in the Basis of Conclusion of IFRS 13 clarifies that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting if the effect of not discounting is immaterial.
  - **IAS 16 Property Plant & Equipment:** The amendment clarifies that when an item of property, plant and equipment is revalued, the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.
  - **IAS 24 Related Party Disclosures:** The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity.
  - **IAS 38 Intangible Assets:** The amendment clarifies that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 July 2014. These annual improvements have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.
  - **IFRS 3 Business Combinations:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
  - **IFRS 13 Fair Value Measurement:** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.

- **IAS 40 Investment Properties:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

g) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2013.

Subsidiaries are fully consolidated from the date of the acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. Control is considered to be achieved where the Group (either directly or indirectly), owns more than 50% of the voting rights of the share capital of another enterprise and is able to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses and unrealized gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to Non-controlling Interest even if that results in deficit balance.

Non-controlling interests represents the amount of those non-controlling interests at the date of acquisition and share of changes in equity since the date of combination and are presented separately in the consolidated income statement and within equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

Acquisition of non-controlling interest is considered as equity transactions i.e transaction between the shareholders.

A change in ownership interest of subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over subsidiary it:

- De-recognizes the assets (including goodwill) and liabilities of the subsidiary.
- Derecognizes the carrying value of Non-controlling Interest.
- Derecognizes the cumulative translation differences, recorded in equity.
- Recognizes the fair value of consideration received.
- Recognizes the fair value of investment retained
- Recognizes any surplus of deficit in profit and loss account
- Reclassifies the Parent's share of component's previously recognized Other Comprehensive Income to profit & loss account or retained earnings as appropriate

Basis of consolidation prior 1 January 2010

Certain of the above-mentioned requirements were applied on prospective basis. The following differences, however, are carried forward from the previous basis of consolidation:

- Acquisition of Non-controlling Interests, prior to 1 January 2010, were accounted for using the Parent-Entity Extension Method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the Non-controlling Interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent, unless the Non-

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27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

controlling Interest had a binding obligation to these. Losses prior to 1 January 2010 are not re allocated between Non-controlling Interest and the parent shareholders.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net assets value at the date control was lost. The carrying value of such investment at 1 January 2010 have not been restated.

h) Business combinations and goodwill

Basis of combination from 1 January 2010

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

When the Group acquired a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date.

If combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through period profit and loss.

Goodwill is initially measured at cost being the excess of the cost of the business combination over the Group's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's Cash Generating Unit that is expected to benefit from the combination.

Goodwill is tested for impairment annually (as at 31 December) and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash –generating units) to which the goodwill related. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses related to goodwill cannot be reversed in future periods.

Basis of combination prior to 1 January 2010

In comparison to the above-mentioned requirements the following differences applied:

- Business combinations were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. Non-controlling Interest (formerly known as Minority Interest) was measured at the proportionate share of the acquiree's identifiable net assets.
- Business combination achieved in stages were accounted for as separate steps. An additional acquired share of interest did not affect previously recognized goodwill.
- Contingent consideration was recognized, if and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognized as part of goodwill.

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27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Financial instruments

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held to maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit and loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

The Group determinates the classification of its financial assets and liabilities at initial recognition.

Group's financial assets include cash and cash equivalents, trade and other receivables, unquoted financial investments and derivative financial instruments. Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts, derivative financial instruments and trade and other payables. For each item the accounting policies on recognition and measurement are disclosed in this note. Management believe that the estimated fair values of these instruments approximate their carrying amounts.

Financial assets are recognized and derecognized on a trade date where a purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at cost, including transaction costs.

For financial assets at fair value through profit and loss, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the net profit or loss for the period.

Hybrid instruments are regarded as a compound instrument, consisting of a liability component and an equity component. At the date of issue of the Hybrid instruments, the fair value of the instrument was assessed based on the valuation report prepared by an independent investment bank, engaged by the Group to assist it in establishing the present value of the Hybrid instruments. Difference in values exceeding 10% is considered to be extinguishment of old debt and issue of a new debt. Such differences are charged to consolidated income statement.

j) Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets than can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter in bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

k) Property, plant and equipment

Property, plant and equipment are stated at cost. Starting 1 January 2012, the Group changed its accounting policy for Rompetrol Rafinare S.A. and Rompetrol Petrochemicals S.R.L. from the revaluation model to the cost model. The Company has elected to regard those values as deemed cost at the date of the revaluation (December 2003) since they were broadly comparable to fair value. Consequently, as of 31 December 2012 all items of property, plant and equipment are stated at cost.

ERNST & YOUNG
27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

When assets are sold or retired, their cost and accumulated depreciation are eliminated from the accounts and any gain or loss resulting from their disposal is included in the income statement.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been put to operation, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

Construction in progress represents plant and properties under construction and is stated at cost, less any impairment loss. This includes cost of construction and other direct costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation for property, plant and equipment except land and construction in progress is computed using the straight-line method over the following estimated useful lives.

Buildings and other constructions	10 to 60 years
Reservoirs	20 to 30 years
Tank cars	25 years
Machinery and other equipment	3 to 20 years
Gas pumps	8 to12 years
Vehicles	5 years
Furniture and office equipment	3 to 10 years
Computers	3 years

Assets held under finance leases are recorded in the statement of financial position and depreciated over their expected useful lives on the same basis as owned assets, or where shorter the term of the relevant lease.

l) Intangible assets

Intangible assets are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives.

Intangible assets consist of software and licenses and are amortized on a straight-line basis over 3 to 5 years.

Development costs for specific projects which are reasonably anticipated to be recovered through commercial activity as well as expenditure on acquired computer software licenses are capitalized and amortized using the straight-line method over their useful lives, generally 3 years. The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. External and internal costs specifically associated with the maintenance of already existing computer software programmes are expensed as incurred.

m) Impairment of non-financial assets

At each reporting date the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to

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27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the assets (or cash-generating unit) is reduced to its recoverable amount. Impairment losses are recognized as an expense immediately, unless the relevant asset is property, plant and equipment stated at revalued amount in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Goodwill

Goodwill is tested for impairment annually (as at December 31) and when circumstances indicated that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than their carrying amount an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

n) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset, but only when the reimbursement is virtually certain. The expense related to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental liabilities

Environmental expenditure that relates to current or future revenues is expensed or capitalized as appropriate. Expenditure that relates to an existing condition caused by past operations and that does not contribute to current or future earnings is expensed.

The Group has an environmental policy which complies with existing legislation and any obligations resulting from its environmental and operational licenses. In order to comply with all rules and regulations the Group has set up a monitoring mechanism in accordance with the requirements of the relevant authorities. Furthermore, investment plans are adjusted to reflect any known future environmental requirements. The above mentioned expenses are estimated based on the relevant environmental studies.

Liabilities for environmental remediation costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

o) Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of the ownership to the lessee. All other leases are classified as operating leases. The Group has assets held under finance leases and that have been measured at their fair values at the date of acquisition. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Finance costs, that represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the consolidated income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Leased assets are depreciated over the useful life of the asset. However, if there is no reasonable certainty that the group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight line basis over the lease term.

p) Inventories

Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred in bringing the inventories to their present location and condition and is determined by weighted average method for all the inventories.

q) Trade receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators the receivable should be impaired. The amount of the provision is the difference

ERNST & YOUNG

27 MAR 2014

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

between the asset's carrying amount and the present value of estimated future cash flow discounted at the effective interest rate.

r) Cash and cash equivalents

Cash includes cash on hand, cash with banks and checks in course of being cashed. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with remaining three months or less to maturity from the date of acquisition and that are subject to an insignificant risk of change in value.

s) Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties and other sales taxes, rebates and sales incentive discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized, that the Group:

- Has primary responsibility for providing the goods or service
- Has inventory risk
- Has discretion in establishing prices
- Bears the credit risk

In addition:

- Sales of goods are recognized when delivery has taken place and transfer of significant risks and rewards has been completed.

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

- Interest income is recognized on a time-portion basis using the effective interest method.

- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

t) Interest bearing loans and borrowings

All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest method.

Gains and losses are recognized in the income statement when the liabilities are derecognized as well through the amortization process.

u) Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective assets. All the other costs are expensed in the period they occur.

Borrowing costs consists of interest and other cost that an entity incurs in connection with the borrowing of funds.

Ernst & Young
27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Group capitalized borrowing costs for all eligible assets where construction was commenced on or after 1 January 2008. The Group continues to expense borrowing costs relating to construction projects that commenced prior to 1 January 2008 as IAS 23 revised was early adopted from that date.
The rate of interest used is the weighted average interest of borrowings from shareholders.

v) Retirement benefit costs

Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered. The total amount of social security, pension contributions and other non-income tax expenses in relation to salaries incurred by the Group during 2013 was USD 11.9 million (2012: 11.7 million) out of which a sum of USD 9.8 million (2012: 9.5 million) has been paid during the year.

Under collective labour agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the reporting date based on: applicable benefits provided in the agreement; the number of employees with the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of reporting date comprises the present value of the defined benefit obligation with the related service cost charged to the income statement. All actuarial gains and losses are fully recognised in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses are recognised in other comprehensive income in the period in which they occur.

The Group has no other liabilities with respect to future pension, health and other costs for its employees.

w) Taxes

- *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, by the reporting date, in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

- *Deferred tax*

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

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

- *Sales tax*

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

x) Dividends

Dividends are recorded in the year in which they are approved by the shareholders.

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27 MAR 2014
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

y) Emission Rights

The Group refining and petrochemicals operations are allocated CO2 emission rights quota. For period 2013-2020 the allowances are posted on the Romanian Environmental Ministry website and are awaiting formal approval of the by the European Union. The Group received its quota allocation for 2013 on March 1, 2014. The Group accounts for the liability for these emissions using net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective companies.

z) Foreign Currencies Transactions

The Group translates its foreign currency transactions and balances into functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of transaction. Exchange rate differences arising on the settlement of monetary assets and liabilities or on reporting them at rates different from those at which they were initially recorded during the period or reported in the previous financial statements are recognized in the consolidated income statement in the period they arise.

aa) Derivative Financial Instruments

The Group enters into contracts to purchase and sell crude oil and oil products at future delivery dates. These contracts expose the Group primarily to commodity risks of changes in fair value of crude oil and related oil products. The Group also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with the fluctuation of foreign exchange.

For foreign exchange related derivatives, the Group treats the unrealized part as Derivative Financial Asset/Liability in the statement of financial position with corresponding impact on financial charges. The use of financial derivatives is governed by the Group's policies approved by board of directors, which provide written principles on the use of financial derivatives. The Group determines gain/loss on a net basis based on the daily open positions.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates.

Changes in fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognized directly in equity and the ineffective portion is recognized immediately in period profit or loss. The Company's policy with respect to hedging forecasted transactions is to designate it as a cash flow hedge. If the cash flow hedge of a forecasted transaction results in the recognition of an asset or a liability, then at the time the asset or liability is recognized, the associated gains or losses on the derivative that had previously been recognized in equity are included in the initial measurement of the asset or liability. For hedges that do not result in the recognition of an asset or liability, amounts deferred in equity are recognized in period profit or loss in the same period in which the hedged items affects period profit or loss.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

For the future contracts (purchase and sales contracts) that are entered into by the Group the realised and unrealised gains/losses are included in Cost of sales for the period (see Note 17).

ab) Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

A contingent asset is not recognized in the financial statements but disclosed when an inflow of economic benefits is probable.

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2012	**31,853,881**	**32,666,939**	**1,165,162**	**65,685,982**
Additions	-	-	1,064,318	1,064,318
Transfers from CIP	360,339	4,607,694	(4,968,033)	-
Disposals	-	(26,289)	-	(26,289)
Transfers and reclassifications*	(424,200)	620,623	3,916,351	4,112,774
Closing balance as of December 31, 2012	31,790,020	37,868,967	1,177,798	70,836,785
Additions	3,792	-	971,166	974,958
Transfers from CIP	20,628	1,257,480	(1,278,108)	-
Disposals	(23,714)	(215,600)	-	(239,314)
Transfers and reclassifications*	5,165	(39,730)	1,234,450	1,199,885
Closing balance as of December 31, 2013	31,795,891	38,871,117	2,105,306	72,772,314
Accumulated amortization				
Opening balance as of January 1, 2012	**(31,678,546)**	**(18,137,770)**	**-**	**(49,816,316)**
Charge for the year	(4,292,695)	(4,929,657)	-	(9,222,352)
Accumulated amortization of disposals	-	17,054	-	17,054
Reclassification between categories*	6,197,058	(6,296,464)	-	(99,406)
Impairment	646,572	(123,192)	(523,380)	-
Closing balance as of December 31, 2012	(29,127,611)	(29,470,029)	(523,380)	(59,121,020)
Charge for the year	(2,024,083)	(3,822,733)	-	(5,846,816)
Accumulated amortization of disposals	23,714	212,522	-	236,236
Reclassification between categories*	(67,316)	61,983	-	(5,333)
Impairment	-	-	-	-
Closing balance as of December 31, 2013	(31,195,296)	(33,018,257)	(523,380)	(64,736,933)
Net book value				
As of December 31, 2012	2,662,409	8,398,938	654,418	11,715,765
As of December 31, 2013	600,595	5,852,860	1,581,926	8,035,381

*) *Include, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*

The significant part of "Other Intangible Assets" relates to licenses.

In 2013, out of the total additions of USD 0.97 million, USD 0.6 million refers to construction in progress for Rompetrol Downstream mainly reffering to costs for integration IT applications into ERP sistem.

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2 7 MAR 2014
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3. INTANGIBLE ASSETS (continued)

Amounts in RON

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2012	**103,687,568**	**106,334,153**	**3,792,719**	**213,814,440**
Additions	-	-	3,464,462	3,464,462
Transfers from CIP	1,172,939	14,998,505	(16,171,444)	-
Disposals	-	(85,573)	-	(85,573)
Transfers and reclassifications*	(1,380,813)	2,020,190	12,748,114	13,387,491
Closing balance as of December 31, 2012	**103,479,694**	**123,267,275**	**3,833,851**	**230,580,820**
Additions	12,343	-	3,161,242	3,173,585
Transfers from CIP	67,146	4,093,223	(4,160,369)	-
Disposals	(77,191)	(701,800)	-	(778,991)
Transfers and reclassifications*	16,813	(129,325)	4,018,258	3,905,746
Closing balance as of December 31, 2013	**103,498,805**	**126,529,373**	**6,852,982**	**236,881,160**
Accumulated amortization				
Opening balance as of January 1, 2012	**(103,116,835)**	**(59,040,255)**	**-**	**(162,157,090)**
Charge for the year	(13,973,153)	(16,046,527)	-	(30,019,680)
Accumulated amortization of disposals	-	55,512	-	55,512
Reclassification between categories*	20,172,043	(20,495,620)	-	(323,577)
Impairment	2,104,657	(401,002)	(1,703,655)	-
Closing balance as of December 31, 2012	**(94,813,288)**	**(95,927,892)**	**(1,703,655)**	**(192,444,835)**
Charge for the year	(6,588,595)	(12,443,378)	-	(19,031,973)
Accumulated amortization of disposals	77,191	691,782	-	768,973
Reclassification between categories*	(219,120)	201,761	-	(17,359)
Impairment	-	-	-	-
Closing balance as of December 31, 2013	**(101,543,812)**	**(107,477,727)**	**(1,703,655)**	**(210,725,194)**
Net book value				
As of December 31, 2012	**8,666,406**	**27,339,383**	**2,130,196**	**38,135,985**
As of December 31, 2013	**1,954,993**	**19,051,646**	**5,149,327**	**26,155,966**

Transfers and reclassifications of USD 1.19 million (RON 3.9 million) represent transfer to property, plant and equipment, reclassifications between categories and other adjustments.

The significant part of "Other Intangible Assets" relates to licenses.

ERNST & YOUNG
27 MAR 2014
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4. GOODWILL

The carrying value of goodwill as of 31 December 2013 and 2012 was USD 82,871,706 (RON: 269,755,691).

The whole carrying amount of goodwill has been allocated to Downstream Romania Cash Generating Unit ("Downstream Romania CGU"). Two other cash generating units in the Group are: Refineries and Petrochemicals.

Impairment test

Impairment tests have been performed by the Group for the carrying value of goodwill as of 31 December 2013 on the Downstream Romania cash generating units ("CGU"). Based on the impairment tests no impairment has been identified.

Downstream Romania

The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A.

The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 9.7% (2012: 10.1%) and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.2% (2012: 8.6%).

Key assumptions used in fair value less costs to sell calculations

The key assumptions used in the fair value less costs to sell calculations for the above-mentioned are:
- Operating profit;
- Discount rates;
- Growth rate used for extrapolate cash flows beyond the budget period.

Following Operating profit margin on the basis of Net revenues were applied for the relevant Cash Generating Units:

	2014	2015	2016	2017	2018
Downstream Romania	1.8%	2.5%	2.8%	2.6%	2.6%

Discount rates - Discount rates reflect the current market assessment of the risks specific to each cash generating unit. The discount rate was estimated based on the average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

Growth rate estimates - Rates are based on published industry research.

Sensitivity to changes in assumptions

With regard to the assessment of the fair value less costs to sell for cash generating units, management believes than no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount, other than as disclosed below:

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 72.3% reaching the following Operating profit margins:

ERNST & YOUNG
27 MAR 2014
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4. GOODWILL (continued)

	2014	2015	2016	2017	2018
Break-even Operating profit margin	0.5%	0.7%	0.8%	0.7%	0.7%

**Operating profit margins were re-computed considering net revenue*

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2 7 MAR 2014
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5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost					
As of January 1, 2012	827,406,478	714,454,724	105,573,300	366,749,098	2,014,183,600
Acquisitions	120,303	403,181	78,552	141,086,563	141,688,599
Transfers from CIP	86,696,977	280,285,873	1,002,004	(367,984,854)	-
Disposals	(276,130)	(966,174)	(2,434,076)	(29,056)	(3,705,436)
Transfers and reclassifications*	2,167,354	(2,004,369)	91,215	(4,023,972)	(3,769,772)
As of December 31, 2012	916,114,982	992,173,235	104,310,995	135,797,779	2,148,396,991
Additions	44,322	1,822,583	156,980	68,980,506	71,004,391
Transfers from CIP	44,183,627	74,047,908	2,615,462	(120,846,997)	-
Disposals	(127,536)	(1,133,078)	(452,762)	-	(1,713,376)
Transfers and reclassifications*	(319,315)	(1,485,521)	(237,515)	314,384	(1,727,967)
As of December 31, 2013	**959,896,080**	**1,065,425,127**	**106,393,160**	**84,245,672**	**2,215,960,039**
Accumulated depreciation & Impairment					
As of January 1, 2012	(367,680,736)	(454,900,669)	(82,036,582)	(30,161,085)	(934,779,072)
Charge for the year	(28,784,032)	(30,197,069)	(8,422,982)	-	(67,404,083)
Accumulated depreciation of disposals	249,046	938,068	2,398,448	-	3,585,562
Impairment	334,875	1,016,065	658	(328,796)	1,022,802
Transfers and reclassifications*	1,323,472	(1,282,697)	(43,175)	-	(2,400)
As of December 31, 2012	(394,557,375)	(484,426,302)	(88,103,633)	(30,489,881)	(997,577,191)
Charge for the year	(25,727,443)	(51,726,864)	(5,506,087)	-	(82,960,394)
Accumulated depreciation of disposals	60,279	622,835	445,460	-	1,128,574
Impairment	11,393,276	1,009,154	3,604	191,841	12,597,875
Transfers & Reclasifications*	(18,270,672)	18,236,732	700,738	-	666,798
As of December 31, 2013	**(427,101,935)**	**(516,284,445)**	**(92,459,918)**	**(30,298,040)**	**(1,066,144,338)**
Net book value as of December 31, 2012	**521,557,607**	**507,746,933**	**16,207,362**	**105,307,898**	**1,150,819,800**
Net book value as of December 31, 2013	**532,794,145**	**549,140,682**	**13,933,242**	**53,947,632**	**1,149,815,701**

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost					
As of January 1, 2012	2,693,290,827	2,325,621,572	343,651,649	1,193,804,989	6,556,369,037
Acquisitions	391,598	1,312,394	255,695	459,250,871	461,210,558
Transfers from CIP	282,207,330	912,358,545	3,261,623	(1,197,827,498)	-
Disposals	(898,831)	(3,144,993)	(7,923,161)	(94,580)	(12,061,565)
Transfers and reclassifications*	7,054,954	(6,524,422)	296,914	(13,098,432)	(12,270,987)
As of December 31, 2012	2,982,045,878	3,229,623,096	339,542,720	442,035,350	6,993,247,044
Additions	144,273	5,932,690	510,985	224,538,447	231,126,395
Transfers from CIP	143,822,124	241,033,345	8,513,590	(393,369,059)	-
Disposals	(415,142)	(3,688,282)	(1,473,786)	0	(5,577,210)
Transfers and reclassifications*	(1,039,402)	(4,835,519)	(773,135)	1,023,351	(5,624,705)
As of December 31, 2013	3,124,557,731	3,468,065,330	346,320,374	274,228,089	7,213,171,524
Accumulated depreciation & Impairment					
As of January 1, 2012	(1,196,837,564)	(1,480,747,168)	(267,037,278)	(98,177,348)	(3,042,799,358)
Charge for the year	(93,694,903)	(98,294,479)	(27,417,649)	-	(219,407,031)
Accumulated depreciation of disposals	810,670	3,053,505	7,807,188	-	11,671,363
Impairment	1,090,052	3,307,393	2,142	(1,070,264)	3,329,323
Transfers and reclassifications*	4,308,034	(4,175,307)	(140,539)	-	(7,812)
As of December 31, 2012	(1,284,323,711)	(1,576,856,056)	(286,786,136)	(99,247,612)	(3,247,213,515)
Charge for the year	(83,745,394)	(168,376,114)	(17,922,865)	-	(270,044,373)
Accumulated depreciation of disposals	196,214	2,027,390	1,450,017	-	3,673,621
Impairment	37,086,253	3,284,897	11,731	624,458	41,007,339
Transfers & Reclasifications*	(59,472,864)	59,362,386	2,280,972	-	2,170,494
As of December 31, 2013	(1,390,259,502)	(1,680,557,497)	(300,966,281)	(98,623,154)	(3,470,406,434)
Net book value as of December 31, 2012	1,697,722,167	1,652,767,040	52,756,584	342,787,738	3,746,033,529
Net book value as of December 31, 2013	1,734,298,229	1,787,507,833	45,354,093	175,604,935	3,742,765,090

Transfers and Reclassifications of USD 1.7 million (RON 5.6 million) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Construction in progress*

During 2012 the Group had transferred into function a significant part of the assets from construction in progress. A major part of these assets relate to the Petromidia Expansion Package and include the Hidrogen plant (USD 81 million), Mild Hydrocraking unit (USD 176 million) and New Claus Unit (USD 49 million). The main asset transferred into function in 2013 is related to Cocker Unit Upgrade (USD 41.27). In 2013, main projects in construction in progress refer to USD 3.2 million for rebranding and design works for Rompetrol Downstream S.R.L and for Rompetrol Rafinare SA USD 10 million refers to costs related to authorizations for static equipments and USD 7.6 million in respect of Delayed Coker unit rehabilitation.

- *Borrowing costs capitalized*

The Group is financing part of its operations from borrowings and hence the cost of these borrowings related to acquisition of qualifying assets is capitalized as part of the cost of those qualifying assets. The amount of capitalized cost during the year ended 31 December 2013 was nil (2012: USD 9.8 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 4.2% for 2012.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Disposals through sales of subsidiaries and liquidations*

During 2013 and 2012 there was no disposal of companies.

- *Impairment*

The Group completes an annual assessment for any indication of impairment for all entities based on specific asset considerations, as applicable, and taking into consideration expectations on future estimated business cash flows.

There were no significant impairments during 2012.

In 2013, as a result of reopening the Simleu depot, the impairment previously booked in amount of USD 5.9 million was reversed.

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 345.7 million (2012: USD 236 million) for securing banking facilities granted to Group entities.

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

6. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at December 31, 2013 and 2012 are as follows:

Company name	Range of activity	Effective ownership December 31, 2013	Control December 31, 2013	Effective ownership December 31, 2012	Control December 31, 2012
Rompetrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels	100.00%	100.00%	100.00%	100.00%
Rompetrol Logistics S.R.L.	Fuels Transportation	66.19%	66.26%	66.19%	66.26%
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Rompetrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Rompetrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

Effective ownership interests for the Group takes into consideration indirect shareholding weighted with corresponding Group ownership in the intermediate shareholder and are used for consolidation, while the control percent takes into consideration the total interest controlled directly and indirectly.

b) Available for sale Investments

	2013 USD	2012 USD	2013 RON	2012 RON
Bursa Maritima de Marfuri	257,312	257,312	837,578	837,574
Other	44,960	44,960	146,349	146,349
Total	302,272	302,272	983,927	983,923

Other investments are investments in companies in Romania, which are held primarily for long-term growth potential. These investments are carried at cost.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

7. INVENTORIES, NET

	2013 USD	2012 USD	2013 RON	2012 RON
Crude oil and other feedstock materials	202,499,755	207,300,686	659,156,954	674,784,463
Petroleum and petrochemical products	188,151,373	195,919,331	612,451,534	637,737,014
Work in progress	52,199,526	64,795,302	169,914,677	210,915,188
Spare parts	16,007,405	6,532,509	52,105,704	21,263,970
Consumables and other raw materials	6,128,497	7,817,515	19,948,871	25,446,793
Merchandises	8,278,376	6,147,731	26,946,942	20,011,479
Other inventories	9,123,645	9,740,630	29,698,377	31,706,725
Inventories provision	(46,314,185)	(51,336,318)	(150,757,303)	(167,104,849)
	436,074,392	446,917,386	1,419,465,756	1,454,760,783

The inventories provision movement in 2013 and 2012 is provided below:

	2013 USD	2012 USD	2013 RON	2012 RON
Reserve as of January 1	**(51,336,318)**	**(39,671,207)**	**(167,104,849)**	**(129,133,746)**
Accrued provision	(5,478,075)	(28,672,472)	(17,831,681)	(93,331,764)
Write off	5,096	48,301	16,588	157,225
Reversal provision inventories reserve	10,495,112	16,959,060	34,162,639	55,203,436
Reserve as of December 31	**(46,314,185)**	**(51,336,318)**	**(150,757,303)**	**(167,104,849)**

The inventories provisions mainly represent the provision for Net Realizable Value in relation to refineries and petrochemical plant. During 2013 was recognized an reversal of provision in amount of USD 5 million due to due to oil and gas market conditions with selling prices having increased.

The Group has pledged inventories of USD 259.3 million (2012: USD 210.95 million) to secure banking facilities.

8. TRADE AND OTHER RECEIVABLES

	2013 USD	2012 USD	2013 RON	2012 RON
Trade receivables	316,879,450	292,183,071	1,031,474,298	951,085,114
Advances to suppliers	16,661,033	21,888,919	54,233,329	71,250,620
Sundry debtors	41,288,219	39,058,116	134,397,282	127,138,073
VAT to be recovered	803,205	394,883	2,614,513	1,285,384
Other receivables	63,885,392	44,372,996	207,953,340	144,438,539
Provision for bad and doubtful debts	(118,580,085)	(113,284,222)	(385,990,041)	(368,751,471)
	320,937,214	284,613,763	1,044,682,721	926,446,259

As mentioned in Note 1 the Parent company and its subsidiaries are part of The Rompetrol Group. The balances with related parties are disclosed in Note 23. Movement in the above provision is disclosed below and in Note 19.

Included in Sundry debtors in 2013 is USD 27.97 million (2012: USD 19.5 million) for payment made by Rompetrol Rafinare to the Romanian Taxation Authorities for antidumping and countervailing taxes for Biodiesel import; and USD 9.32 million (2012: USD 14.7 million) for principal liabilities and related penalties paid to ANAF following General Tax Audit Report covering 2007-2010 period (see Note 26). The amount for Biodisel increased with the payments made during 2013, amounts that are fully provisioned.

ERNST & YOUNG
2 7 MAR 2014
Initialled for identification
Semnat pentru identificare

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8. TRADE AND OTHER RECEIVABLES (continued)

	2013 USD	2012 USD	2013 RON	2012 RON
Sundry debtors	41,288,219	39,058,116	134,397,282	127,138,073
Other receivables	63,885,392	44,372,996	207,953,340	144,438,539
Provision for sundry debtors and other receivables	(39,557,011)	(37,934,795)	(128,762,027)	(123,481,551)

Out of the total amount of other receivables and sundry debtors of USD 105.1 million (2012: USD 83.4 million) an amount of USD 39.56 million (2012:USD 37.9 million) is provisioned. Out of the net balance for other receivables, an amount of USD 14.5 million USD (2012: USD 7.6 million) relates to Competition Council fine from Downstream (see Note 26).

The movement in provision for doubtful debts is as follows:

	2013 USD	2012 USD	2013 RON	2012 RON
Balance at the beginning of the year	**(113,284,222)**	**(58,793,519)**	**(368,751,471)**	**(191,378,784)**
Impairment losses recognised on receivables	(5,618,541)	(50,627,616)	(18,288,913)	(164,797,953)
Impairment losses reversed	11,697,584	1,095,285	38,076,806	3,565,262
Transfer from provisions	(7,621,189)	(4,106,857)	(24,807,732)	(13,368,230)
Exchange rate differences	(3,753,717)	(851,515)	(12,218,731)	(2,771,766)
Balance at the end of the year	**(118,580,085)**	**(113,284,222)**	**(385,990,041)**	**(368,751,471)**

Out of total provision for bad and doubtful debts of USD 118.6 million (2012: USD 113.3 million), the amount of USD 79 million (2012: USD 75.3) relates to allowances for trade receivables.

As at December, the aging analysis of trade receivables is as follows:

USD			Past due but not impaired				
	Total	Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	>120 days
2013	237,856,383	141,444,905	34,006,531	8,618,655	9,047,700	6,856,648	37,881,944
2012	216,833,644	129,564,970	47,286,968	12,162,163	6,984,354	3,922,273	16,912,916

RON			Past due but not impaired				
	Total	Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	>120 days
2013	774,246,311	460,417,309	110,694,659	28,054,584	29,451,168	22,319,075	123,309,516
2012	705,815,192	421,746,930	153,923,810	39,589,057	22,734,771	12,767,391	55,053,233

As at 31 December 2013, trade receivables at initial value of USD 79 million (2012: USD 75.35 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

	Individually impaired USD	Collectively impaired USD	Total USD
At 1 January 2012	42,243,531	14,930,215	57,173,746
Charge for the year	15,234,738	4,469,549	19,704,287
Utilised	-	(6,486)	(6,486)
Unused amounts reversed	(856,825)	(195,592)	(1,052,417)
Reclassification between categories trade receivables and other receivables	(460,511)	(79,123)	(539,634)
Reclassification between individually and collectively	(147,597)	147,597	-
Exchange rate differences	(107,057)	176,988	69,931
At 31 December 2012	**55,906,279**	**19,443,148**	**75,349,427**
Charge for the year	3,010,694	2,594,800	5,605,494
Utilised	(441,086)	(3,742,792)	(4,183,878)

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Individually impaired USD	Collectively impaired USD	Total USD
Unused amounts reversed	-	(46,059)	(46,059)
Reclassification between individually and collectively	(459,645)	459,645	-
Exchange rate differences	1,703,705	594,378	2,298,083
At 31 December 2013	**59,719,947**	**19,303,120**	**79,023,067**

	Individually impaired RON	Collectively impaired RON	Total RON
At 1 January 2012	137,506,918	48,599,344	186,106,262
Charge for the year	49,590,596	14,548,829	64,139,425
Utilised	-	(21,113)	(21,113)
Unused amounts reversed	(2,789,051)	(636,672)	(3,425,723)
Reclassification between categories trade receivables and other receivables	(1,499,009)	(257,553)	(1,756,562)
Reclassification between individually and collectively	(480,443)	480,443	-
Exchange rate differences	(348,481)	576,114	227,633
At 31 December 2012	**181,980,530**	**63,289,392**	**245,269,922**
Charge for the year	9,800,109	8,446,333	18,246,442
Utilised	(1,435,779)	(12,183,162)	(13,618,941)
Unused amounts reversed	-	(149,927)	(149,927)
Reclassification between individually and collectively	(1,496,190)	1,496,190	-
Exchange rate differences	5,545,730	1,934,761	7,480,491
At 31 December 2013	**194,394,400**	**62,833,587**	**257,227,987**

Trade receivables totaling USD 189.7 million (RON 617.49 million) as at December 31, 2013 and USD 188.65 million (RON 614 million) as at December 31, 2012 are pledged to obtain credit facilities (see Note 14).

9. CASH AND CASH EQUIVALENTS

	2013 USD	2012 USD	2013 RON	2012 RON
Cash at bank	115,106,093	155,390,895	374,681,842	505,812,903
Cash on hand	1,513,956	1,360,959	4,928,078	4,430,058
Cash equivalents	1,850,458	2,513,043	6,023,426	8,180,206
	118,470,507	159,264,897	385,633,346	518,423,167

Included in cash at bank is USD 0.8 million (RON 2.6 million) as at December 31, 2013 and USD 1.1 million (RON 3.58 million) as at December 31, 2012 representing cash collateral for certain bank facilities (see Note 14). Cash equivalents represent mainly cheques in the course of being cashed.

10. SHARE CAPITAL

As of December 31, 2013 and 2012 the share capital consisted of 44,109,205,726, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at December 31, 2013 is as follows:

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
The Rompetrol Group NV	45.85%	2,022,604,013	670,999,338	2,184,169,945
Romanian State represented by Ministry of Economy	44.70%	1,971,500,905	654,045,871	2,128,984,715
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	308,206,771
Rompetrol S.A.	2.26%	99,646,630	33,057,792	107,606,419
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,373,609
Others (not State or TRG Group)	0.67%	29,562,686	9,807,428	31,924,159
Total	**100%**	**4,410,920,572**	**1,463,323,897**	**4,763,265,618**

Shareholders' structure as at December 31, 2012 was as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
The Rompetrol Group NV	45.85%	2,022,604,013	670,999,338	2,184,169,945
Romanian State represented by The Ministry of Public Finance	44.70%	1,971,500,905	654,045,871	2,128,984,715
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	308,206,771
Rompetrol S.A.	2.26%	99,646,630	33,057,792	107,606,419
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,373,609
Others (not State or TRG Group)	0.67%	29,562,686	9,807,428	31,924,159
Total	**100%**	**4,410,920,572**	**1,463,323,897**	**4,763,265,618**

On September 4, 2012 The Rompetrol Group NV acquired from Rompetrol S.A., an additional 932,000,000 shares of Rompetrol Rafinare S.A (RRC), representing 2.1129% from the company share capital. There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2013 and 2012.

Share premium and Effect of transfers with equity holders

Share premium and Effect of transfers with equity holders are the result of conversion the bonds into ordinary shares as at September 30, 2010 in favor of the Romanian State represented by the Ministry of Finance, following the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

The transactions resulted in an impact on the Effect on equity transaction reserve amounting USD 596.83 million and share premium of USD 74 million.

Hybrid Loan

In 2012, USD 800,000,000 million of the total outstanding balance of the loan payable to TRG Group NV was converted into a hybrid loan, repayable in 51 years. During 2013, an additional USD 200,000,000 were converted (USD 150,000,000 related to Rompetrol Rafinare and USD 50,000,000 to Rompetrol Dowstream), the hybrid loan amounting USD 1,000,000,000. The interest rate is 15% of the aggregate amount of the company's annual EBIT (operational profit), and is recorded and becomes payable if the below conditions are met cumulatively:

- ✓ the company records net profit after tax in the year
- ✓ the company distributes dividends as per the Romanian law requiraments

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

11. OBLIGATIONS UNDER FINANCE LEASES

	2013 USD	2012 USD	2013 RON	2012 RON
Amounts due within 1 year	-	80,951	-	263,505
Amounts due after more than 1 year but not later than 5 years	-	-	-	-
Total lease obligations	**-**	**80,951**	**-**	**263,505**
Less future finance charges on finance leases	-	(697)	-	(2,270)
Present value of finance lease liabilities	**-**	**80,254**	**-**	**261,235**
Analysed as follows:				
Maturing within one year	-	80,254	-	261,235
Maturing after more than one year but not later than five years	-	-	-	-
Total	**-**	**80,254**	**-**	**261,235**

It was the Group's policy to lease certain of its vehicles under finance leases. The average lease term was one to five years. For the year ended December 31, 2012 the effective borrowing rate ranked between 4% - 9%. The lease obligations are denominated in USD and EUR.

In 2013 all leasing contracts were terminated and no new contracts were contracted.

The fair value of the Group's lease obligations approximates to their carrying amount. The Group's obligations under finance leases are secured by the lessor's charge over the leased assets.

12. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax, net balances are presented in the statement of financial position as follows:

	2013 USD	2012 USD	2013 RON	2012 RON
Deferred tax liabilities	395,869	738,795	1,288,593	2,404,852
Deferred tax asset / (liability), net	395,869	738,795	1,288,593	2,404,852

The deferred tax (assets) /liabilities are comprised of the tax effect of the temporary differences related to:

USD

2013	Opening balance	Charged/(Credited) to income	Closing balance
Temporary differences			
Intangible assets	98,172	(90,294)	7,878
Property, plant and equipment	583,034	(208,156)	374,878
Investments	0	-	-
Inventories	18,906	(5,687)	13,219
Other	38,683	(38,789)	(106)
Deferred tax (asset)/liability recognized	738,795	(342,926)	395,869

ERNST & YOUNG
27 MAR 2014

Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

RON

2013	Opening balance	Charged/(Credited) to income	Closing balance
Temporary differences			
Intangible assets	319,560	(293,916)	25,644
Property, plant and equipment	1,897,834	(677,569)	1,220,265
Investments	-	-	-
Inventories	61,541	(18,512)	43,029
Other	125,917	(126,262)	(345)
Deferred tax (asset)/liability recognized	2,404,852	(1,116,258)	1,288,593

USD

2012	Opening balance	Charged/(Credited) to income	Closing balance
Intangible assets	276,233	(178,061)	98,172
Property, plant and equipment	909,433	(326,399)	583,034
Investments	244,190	(244,190)	-
Inventories	22,328	(3,422)	18,906
Other	104,865	(66,182)	38,683
Deferred tax (asset)/liability recognized	1,557,049	(818,254)	738,795

RON

2012	Opening balance	Charged/(Credited) to income	Closing balance
Intangible assets	899,166	(579,606)	319,560
Property, plant and equipment	2,960,295	(1,062,462)	1,897,833
Investments	794,863	(794,863)	-
Inventories	72,680	(11,139)	61,541
Other	341,346	(215,429)	125,917
Deferred tax (asset)/liability recognized	5,068,350	(2,663,499)	2,404,852

See also note 21 for details for the income tax rate and other related matters.

13. TRADE AND OTHER PAYABLES

	2013 USD	2012 USD	2013 RON	2012 RON
Trade payables	961,954,535	838,593,199	3,131,258,212	2,729,704,711
Advances from customers	12,399,463	6,722,213	40,361,492	21,881,476
Special found tax for oil products	8,466,902	8,208,658	27,560,613	26,720,003
VAT payable	47,597,011	42,553,325	154,933,031	138,515,328
Profit tax payable	85,995	-	279,922	-
Taxes payable	579,222	667,233	1,885,426	2,171,910
Employees and social obligations	4,259,603	5,347,751	13,865,434	17,407,464
Deferred revenues	4,221,928	5,489,442	13,742,798	17,868,683
Other liabilities	4,472,042	9,561,721	14,556,944	31,124,358
Total	1,044,036,705	917,143,556	3,398,443,885	2,985,393,979

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

14. SHORT-TERM DEBT

	2013 USD	2012 USD	2013 RON	2012 RON
Royal Bank of Scotland	50,498,608	45,876,173	164,378,018	149,331,530
Rompetrol Downstream S.R.L.: General corporate purposes and working capital facility of EUR 38,000,000, bearing guarantees. The maturity date is December 31, 2014 with the possibility to be extended automatically with the agreement of both parties.				
ING BANK N.V.	48,469,545	44,235,183	157,773,216	143,989,944
Rompetrol Downstream S.R.L.: General corporate purposes facility of USD 70,000,000, bearing guarantees. Maturity date of the loan is December 23, 2014.				
EFG EUROBANK	36,383,800	36,383,800	118,432,907	118,432,907
Rompetrol Downstream S.R.L.: Short term credit facility for general purposes, bearing guarantees, up to a total amount of EUR 30,000,000. Maturity date is July 26, 2014.				
Raiffeisen Bank	17,186,341	31,917,870	55,943,259	103,895,859
Rompetrol Petrochemicals S.R.L.: Overdraft facility up to EUR 30 million, for working capital needs, bearing guarantees. Maturity date is February 28, 2014.				
Royal Bank of Scotland	16,200,000	20,000,000	52,732,620	65,102,000
Rompetrol Gas S.R.L.: Overdraft facility up to USD 25 million, for working capital needs, bearing guarantees. Maturity date is December 31, 2014. Drawings in EUR/USD.				
Piraeus Bank Rom Oil SA: Short term credit for working capital needs, in amount of EUR 8 million, maturity date: June 30, 2014; bearing guarantees.	11,021,966	10,552,375	35,877,602	34,349,036
Bancpost Rompetrol Rafinare SA: Revolving credit ceiling on short term of up to EUR 30 million, for issue of letters of credit and letters of guarantee, maturity January 30, 2014. Drawings in USD/EUR/RON.	13,425	13,084	43,700	42,590
Royal Bank of Scotland	-	15,000,000	-	48,826,500
Rompetrol Downstream S.R.L.: Working capital facility for EUR 20 million, bearing guarantees. Maturity date of the loan is March 27, 2013.				
Accrued interest	484,616	567,852	1,577,474	1,848,416
	180,258,301	**204,546,337**	**586,758,796**	**665,818,782**

Raiffeisen Bank credit facility granted to Rompetrol Petrochemicals SRL was taken over by Rompetrol Rafinare SA following the transfer of the petrochemical activities of Rompetrol Petrochemicals SRL to Rompetrol Rafinare SA from January 1, 2014. Maturity date for Raiffeisen Bank credit facility was extended to November 30, 2014.

ERNST & YOUNG
2 7 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

14 SHORT-TERM DEBT (continued)

	2013 USD	2012 USD	2013 RON	2012 RON
<u>Borrowings from shareholders and related parties</u>				
The Rompetrol Group N.V. Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - September 20, 2014, assignment of receivables, real movable security interest over movable asstes, real movable security interest over the participations over Rompetrol Logistics SRL, Rompetrol Petrochemicals SRL, Rompetrol Downstream SRL, Romoil SA; real movable security interest over the bank accounts.	197,416,903	379,516,902	642,611,760	1,235,365,467
The Rompetrol Group N.V. Rompetrol Downstream SRL: Working capital facility for USD 89,261,257. Maturity date is April 1, 2014 with the possibility to be extended automatically with the agreement of both parties.	15,261,257	65,261,257	49,676,918	212,431,918
Midia Marine Terminal Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, bearing guarantees, maturity date November 1, 2014.	7,000,000	7,000,000	22,785,700	22,785,700
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - January 10, 2014. The loan is secured with a promissory note covering the debt.	3,993,729	3,871,929	12,999,987	12,603,516
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - January 14, 2014. The loan is secured with a promissory note covering the debt.	2,150,472	2,084,885	7,000,001	6,786,509
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3,1 million granted to Rompetrol Rafinare SA, maturity date - January 3, 2014. The loan is secured with a promissory note covering the debt.	952,352	923,306	3,100,001	3,005,453
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 1,5 million granted to Rompetrol Rafinare SA, maturity date - January 27, 2014. The loan is secured with a promissory note covering the debt.	460,815	446,761	1,499,999	1,454,252
Accrued interest	126,747,632	117,336,455	412,576,218	381,941,895
	353,983,160	576,441,495	1,152,250,584	1,876,374,710

All loans are interest bearing and the weighted average interest rates per currency are the following: EUR 4.34% (2012:4.26%), RON 7.16% (2012:8.52%) and USD 4% (2012:3.97%).

The loans bearing guarantees are secured with pledges on property plant and equipment USD 345.7 million (2012: USD 236 million), inventories USD 259.3 million (2012: USD 210.95 million) and trade receivables USD 189.7 million (2012: USD 188.65 million).

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

15. PROVISIONS

The movement in provisions is presented below:

USD	At 1 January 2013	Charged to equity	Arising during the year	Utilised	Reclassification between balance sheet items	At 31 December 2013
Provision for retirement benefit	3,187,997	1,297,538	286,053	-	-	4,771,588
Provision for restructuring	13,486	-	-	-	-	13,486
Environmental provisions	67,344,383	-	-	(1,435,233)	-	65,909,150
Other provisions	9,752,691	-	2,865,237	(2,131,504)	(7,621,189)	2,865,235
Total	80,298,557	1,297,538	3,151,290	(3,566,737)	(7,621,189)	73,559,459

RON	At 1 January 2013	Charged to equity	Arising during the year	Utilised	Reclassification between balance sheet items	At 31 December 2013
Provision for retirement benefit	10,377,249	4,223,616	931,131	-	-	15,531,996
Provision for restructuring	43,898	-	-	-	-	43,898
Environmental provisions	219,212,701	-	-	(4,671,828)	-	214,540,873
Other provisions	31,745,985	-	9,326,634	(6,938,259)	(24,807,732)	9,326,628
Total	261,379,833	4,223,616	10,257,765	(11,610,087)	(24,807,732)	239,443,395

USD	At 1 January 2012	Charged to equity	Arising during the year	Utilised	Reclassification between balance sheet items	At 31 December 2012
Provision for retirement benefit	2,761,333	117,628	309,036	-	-	3,187,997
Provision for restructuring	21,472	-	-	(7,986)	-	13,486
Environmental provisions	17,527,056	-	51,348,248	(1,530,921)	-	67,344,383
Other provisions	4,106,856	-	9,752,691	-	(4,106,856)	9,752,691
Total	24,416,717	117,628	61,409,975	(1,538,907)	(4,106,856)	80,298,557

RON	At 1 January 2012	Charged to equity	Arising during the year	Utilised	Reclassification between balance sheet items	At 31 December 2012
Provision for retirement benefit	8,988,415	382,891	1,005,943	-	-	10,377,249
Provision for restructuring	69,894	-	-	(25,996)	-	43,898
Environmental provisions	57,052,320	-	167,143,682	(4,983,301)	-	219,212,701
Other provisions	13,368,227	-	31,745,985	-	(13,368,227)	31,745,985
Total	79,478,856	382,891	199,895,610	(5,009,297)	(13,368,227)	261,379,833

ERNST & YOUNG
2 7 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

15. PROVISIONS (continued)

In 2013 an amount of USD 7.62 million was reclassified from other provisions during the year to reserve for receivables net in relation to Biodisel provision; the total amount reversed during the year for ANAF and Biodiesel was USD 6.9 million.

Provisions comprise the following:

	2013 USD	2012 USD	2013 RON	2012 RON
Non-current provisions	73,246,042	68,797,216	238,423,191	223,941,818
Current provisions	313,417	11,501,341	1,020,204	37,438,015
Total Provisions	**73,559,459**	**80,298,557**	**239,443,395**	**261,379,833**

For 2013 and 2012 the current provision represents the current liability for environmental and tax provision in relation to Rompetrol Rafinare S.A.

An environmental provision has been recognised in prior periods for Rompetrol Rafinare S.A (Vega refinery) for the cleaning of the oil sludge pools and restoration of contaminated land. As of 31 December 2011 the provision was USD 14 million. During 2012 an evaluation report was issued by the third party expert estimating the costs associated to the technical methods to realize the remediation action. Based on these preliminary cost estimates and the estimated completion over a 10 year period a discounted cash flow cost estimate of USD 67.35 million has been provided by the Group. As a result an additional provision was included as of December 31, 2012 of USD 51.35 million by the Group. A 9.7% (2012: 10.1%) discount factor was applied for the discounted cash flow calculation. The work is currently expected to start in the last quarter of 2014.

Under the collective labor agreements that certain Group's entities have in force provided that, employees are entitled to certain retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. These amounts are estimated as of the reporting date based on: the specific benefits provided in the agreement, the number of employees working within the company at date and actuarial assumptions on future liabilities. These liabilities are recorded at their fair values as of the reporting date. The related service cost and interest expense are charged to period profit and loss, while all the actuarial gains and losses are fully recognized in other comprehensive income in the period in which they occur.

The present value of this obligation and the related current and past service costs were measured using the Projected Unit Credit Method. The discount rates used were 5.23% (2012: 6.38%), with an expected rate of long-term salary increase of 3.15% (2012: 3.7%).

Amounts recognized in profit or loss in respect of this obligation are as follows:

	2013 USD	2012 USD	2013 RON	2012 RON
Interest on obligation	66,310	107,140	215,846	348,751
Service cost	219,743	201,896	715,285	657,192
Total	**286,053**	**309,036**	**931,131**	**1,005,943**

The amounts included in the statement of financial position arising from the retirement benefit obligation are as follows:

	2013 USD	2012 USD	2013 RON	2012 RON
Opening balance	**3,187,997**	**2,761,333**	**10,377,249**	**8,988,415**
Interest on obligation	66,310	107,140	215,845	348,751
Service cost	219,743	201,896	715,285	657,192
Change in assumptions (tax rate, salary increase, turnover)	1,297,538	117,628	4,223,617	382,891
Closing balance	**4,771,588**	**3,187,997**	**15,531,996**	**10,377,249**

The charge for the year is included in the salaries expenses in the income statement for 2013.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

It is considered that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2014.

ERNST & YOUNG

2 7 MAR 2014

Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

16. REVENUES

	2013 USD	2012 USD	2013 RON	2012 RON
Gross revenues from petroleum products production	4,538,875,187	4,300,142,149	14,774,492,619	13,997,392,709
Gross revenues from petroleum products trading	46,002,915	10,196,982	149,744,089	33,192,196
Revenues from petrochemicals production	233,570,026	228,221,929	760,293,792	742,885,201
Revenues from petrochemicals trading	14,423,515	17,817,495	46,949,984	57,997,728
Revenues from merchandise sales	54,233,411	50,141,713	176,535,176	163,216,290
Revenues from utilities sold	2,602,391	2,677,871	8,471,043	8,716,738
Revenues from transportation fees	1,762,127	1,673,941	5,735,900	5,448,845
Revenues from rents and other services	8,339,066	8,677,231	27,144,494	28,245,255
Gross Revenues	**4,899,808,638**	**4,619,549,311**	**15,949,367,097**	**15,037,094,962**
Less sales taxes	(893,092,148)	(718,643,792)	(2,907,104,251)	(2,339,257,407)
Less commercial discounts	(95,808,837)	(57,423,646)	(311,867,345)	(186,919,710)
Total	3,910,907,653	3,843,481,873	12,730,395,501	12,510,917,845

17. COST OF SALES

	2013 USD	2012 USD	2013 RON	2012 RON
Crude oil and other raw materials	3,408,233,784	3,383,084,115	11,094,141,791	11,012,277,100
Consumables and other materials	13,152,343	15,435,633	42,812,192	50,244,529
Utilities	99,616,646	114,735,609	324,262,144	373,475,881
Staff costs	22,082,117	21,970,259	71,879,499	71,515,390
Transportation	15,352	381,210	49,972	1,240,877
Maintenance	15,414,836	17,422,615	50,176,833	56,712,354
Insurance	2,266,871	834,816	7,378,892	2,717,410
Environmental expenses	99,052	2,244,427	322,424	7,305,834
Other	9,902,450	9,496,123	32,233,465	30,910,830
Cash production cost	**3,570,783,451**	**3,565,604,807**	**11,623,257,212**	**11,606,400,205**
Depreciation and amortization	43,090,031	31,001,816	140,262,357	100,914,014
Production costs	**3,613,873,482**	**3,596,606,623**	**11,763,519,569**	**11,707,314,219**
Less: Change in inventories	47,373,476	(6,175,854)	154,205,402	(20,103,022)
Less: Own production of property, plant & equipment	(643,961)	(2,811,810)	(2,096,157)	(9,152,723)
Cost of petroleum products trading	42,322,682	9,483,194	137,764,562	30,868,745
Cost of petrochemicals trading	13,984,555	18,083,132	45,521,125	58,862,403
Cost of merchandise sold	41,847,806	39,803,293	136,218,793	129,563,699
Cost of utilities resold	1,485,786	1,438,733	4,836,382	4,683,220
Realised (gains)/losses on derivatives	(9,593,419)	17,169,885	(31,227,535)	55,889,692
Unrealised losses on derivatives	-	(883,658)	-	(2,876,395)
Total	3,750,650,407	3,672,713,538	12,208,742,141	11,955,049,838

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

18. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS

	2013 USD	2012 USD	2013 RON	2012 RON
Staff costs	36,079,152	34,944,890	117,441,247	113,749,111
Utilities	8,736,359	6,046,166	28,437,722	19,680,875
Transportation	48,361,010	45,244,042	157,419,924	147,273,881
Professional and consulting fees	31,321,996	33,028,434	101,956,229	107,510,856
Royalties and rents	7,207,135	7,306,059	23,459,945	23,781,953
Consumables	1,690,936	1,563,763	5,504,166	5,090,205
Marketing	2,112,681	1,962,276	6,876,988	6,387,405
Taxes	4,743,643	6,200,378	15,441,032	20,182,850
Communications	951,228	490,926	3,096,342	1,598,013
Insurance	965,946	757,783	3,144,251	2,466,659
Computer and IT expenditures	13,070,128	17,019,540	42,544,574	55,400,305
Environmental expenses	2,583,831	3,509,633	8,410,628	11,424,206
Maintenance	8,161,704	8,272,793	26,567,163	26,928,768
Other expenses	8,023,386	8,135,057	26,116,924	26,480,424
Costs before depreciation	**174,009,135**	**174,481,740**	**566,417,135**	**567,955,511**
Depreciation and amortisation	45,717,179	45,624,619	148,813,989	148,512,697
Total	**219,726,314**	**220,106,359**	**715,231,124**	**716,468,208**

19. OTHER OPERATING INCOME/ (EXPENSES), NET

	2013 USD	2012 USD	2013 RON	2012 RON
Net book value of non-current assets disposals	(76,979)	(106,261)	(250,574)	(345,890)
Proceeds on disposals of non-current assets	129,360	245,168	421,080	798,046
Reverse for impairment of tangible assets, net	12,597,875	1,022,802	41,007,339	3,329,323
Provision for receivables, net	(1,542,146)	(49,532,331)	(5,019,839)	(161,232,691)
Provision for inventories, net	5,022,133	(11,665,111)	16,347,546	(37,971,103)
Receivables write-off	(14,291)	(1,064)	(46,519)	(3,463)
Tangible assets write-off	(510,901)	(22,847)	(1,663,034)	(74,369)
Inventories write-off	(5,004)	(48,316)	(16,289)	(157,273)
Other provisions,net	8,322,689	(59,562,033)	27,091,185	(193,880,370)
Other, net	104,832	49,475,722	341,240	161,048,418
Total	**24,027,568**	**(70,194,271)**	**78,212,135**	**(228,489,372)**

The movement in provisions is presented in Notes 5, 7 and 8.

In 2013 an amount of USD 7.62 million was reclassified from other provisions during the year to reserve for receivables net in relation to Biodisel provision; the total amount reversed during the year for ANAF and Biodiesel was USD 6.9 million.

In 2012 Other provision include the increase in the environmental provision in relation to Rompetrol Rafinare (Vega refinery). See Note 15.

Reserve for receivables net, includes:

- an amount of USD 2.39 million in Rompetrol Downstream allowance for doubtful clients out of which USD 0.5 million for client Vectra;
- a reversal of USD 1.26 million in Vega Refinery for client ENET represent half of the client balance;

ERNST & YOUNG
27 MAR 2014

Initialled for identification
Semnat pentru identificare

20. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	2013 USD	2012 USD	2013 RON	2012 RON
Finance cost				
Late payment interest	2,084,072	(2,309,053)	6,783,864	(7,516,200)
Interest expense	(8,804,185)	(104,438)	(28,658,503)	(339,956)
Interest expense shareholders	(10,273,244)	(25,710,919)	(33,440,437)	(83,691,612)
Commission and other bank charges	(29,191,501)	(22,849,982)	(95,021,255)	(74,378,976)
Collection discounts expenses	(14,010,066)	(6,342,963)	(45,604,166)	(20,646,979)
	(60,194,924)	**(57,317,355)**	**(195,940,497)**	**(186,573,723)**
Finance income				
Interest income	2,530,839	1,328,562	8,238,134	4,324,602
	2,530,839	**1,328,562**	**8,238,134**	**4,324,602**
Finance income/(cost) net	**(57,664,085)**	**(55,988,793)**	**(187,702,363)**	**(182,249,121)**
Unrealized net foreign exchange (losses)/gains	(2,184,489)	22,681,452	(7,110,731)	73,830,395
Realized net foreign exchange (losses)/gains	(219,235)	(10,725,694)	(713,632)	(34,913,207)
Foreign exchange gain/(loss), net	**(2,403,724)**	**11,955,758**	**(7,824,363)**	**38,917,188**
Total	**(60,067,809)**	**(44,033,035)**	**(195,526,726)**	**(143,331,933)**

21. INCOME TAX

a) The current income tax rate in 2013 was 16%, the same as in 2012.

	2013 USD	2012 USD	2013 RON	2012 RON
Tax expense comprises:				
Current tax expense	441,809	286,657	1,438,132	933,097
Deferred tax expense relating to the origination and reversal of temporary differences	(342,926)	(818,254)	(1,116,258)	(2,663,499)
Total tax expense/(income)	**98,883**	**(531,597)**	**321,874**	**(1,730,402)**

As of December 31, 2013, the Group had the following unused fiscal losses:

Entity	Taxable loss 2013 USD million	Taxable loss 2013 RON million	Carry forward tax losses 2012 USD million	Carry forward tax losses 2012 RON million
Rompetrol Rafinare SA	596.50	1,941.34	478.66	1,558.09
Rompetrol Petrochemicals SRL	50.22	163.48	50.22	163.47
Rompetrol Downstream SRL	51.25	166.82	51.25	166.82
Rom Oil SA	10.48	34.15	9.50	30.92
As at December 31 2013	**708.45**	**2,305.79**	**589.63**	**1,919.30**

As realization is uncertain, no deferred tax asset was computed in relation to unused fiscal losses.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identifica

21. INCOME TAX (continued)

A breakdown of tax losses by Group entity and by year are:

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA			
2009	116.12	377.98	2016
2010	132.09	429.97	2016
2010	18.62	60.61	2017
2011	140.44	457.15	2018
2012	71.39	232.38	2019
2013	117.84	383.58	2020
	596.50	**1,941.67**	
Rompetrol Petrochemicals SRL			
2009	21.98	71.55	2016
2010	4.04	13.15	2017
2011	5.44	17.71	2018
2012	18.76	61.07	2019
	50.22	**163.48**	
Rom Oil SA			
2009	4.42	14.39	2016
2010	3.24	10.55	2017
2011	0.64	2.09	2018
2012	1.2	3.92	2019
2013	0.98	3.20	2020
	10.48	**34.15**	
Rompetrol Downstream SRL			
2009	10.1	32.88	2016
2010	12.4	40.36	2017
2010	1.1	3.58	2017
2011	7.19	23.40	2018
2012	20.46	66.60	2019
	51.25	**166.82**	
	708.45	**2,306.12**	

The Romanian Government has a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appear to be subject to significantly less regulation and the company under review appears to have less practically safeguards than is customary in many countries.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
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(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

21. INCOME TAX (continued)

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements.

b) The deferred tax liabilities details are disclosed in Note 12

c) The prima facie tax charge to the statements of income calculated based on regulatory accounts is reconciled to the profit tax expense calculated based on tax rules as follows, taking into account temporary differences and non-deductible items :

	2013 USD	2012 USD	2013 RON	2012 RON
Loss from operations	(95,509,309)	(163,565,330)	(310,892,355)	(532,421,506)
Tax at prevailing tax rate	(15,281,489)	(26,170,453)	(49,742,775)	(85,187,442)
Effect of statutory items non deductible / (not taxable) for tax purposes	15,723,298	26,457,110	51,180,907	86,120,539
Effect of temporary differences	(342,926)	(818,254)	(1,116,258)	(2,663,499)
Income tax expense recognised in profit or loss	**98,883**	**(531,597)**	**321,874**	**(1,730,402)**

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

22. OPERATING SEGMENT INFORMATION

a) Business Segments

For management purposes the Group is currently organized in 3 segments – refining, petrochemicals and marketing. Refining comprises Petromidia and Vega refineries, Petrochemicals comprises the Rompetrol Petrochemicals operations, Marketing comprises Rompetrol Downstream, Rom Oil, Rompetrol Logistics, and other subsidiaries operations.

2013 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	3,540,085,234	251,082,207	1,955,672,646	(1,835,932,434)	3,910,907,653
Cost of sales	(3,554,217,739)	(250,178,893)	(1,801,108,843)	1,854,855,068	(3,750,650,407)
Gross margin	**(14,132,505)**	**903,314**	**154,563,803**	**18,922,634**	**160,257,246**
Selling, general and administrative expenses	(53,151,858)	(12,125,406)	(131,283,414)	(23,165,636)	(219,726,314)
Other operating expenses, net	20,109,045	52,154,108	3,630,547	(51,866,132)	24,027,568
Operating margin	**(47,175,318)**	**40,932,016**	**26,910,936**	**(56,109,134)**	**(35,441,500)**
Financial expenses, net	(30,918,848)	(1,494,628)	(25,183,993)	(66,616)	(57,664,085)
Net foreign exchange result	(541,813)	(1,574,043)	(287,868)	-	(2,403,724)
Profit before income tax	**(78,635,979)**	**37,863,345**	**1,439,075**	**(56,175,750)**	**(95,509,309)**
Income tax	-	-	(98,883)	-	(98,883)
Net Profit	**(78,635,979)**	**37,863,345**	**1,340,192**	**(56,175,750)**	**(95,608,192)**
Non-Controlling interest	-	-	-	208,251	208,251
Net Profit Group	**(78,635,979)**	**37,863,345**	**1,340,192**	**(55,967,499)**	**(95,399,941)**

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	11,523,331,445	817,297,692	6,365,910,030	(5,976,143,666)	12,730,395,501
Cost of sales	(11,569,334,162)	(814,357,315)	(5,862,789,395)	6,037,738,731	(12,208,742,141)
Gross margin	**(46,002,717)**	**2,940,377**	**503,120,635**	**61,595,065**	**521,653,360**
Selling, general and administrative expenses	(173,014,613)	(39,469,409)	(427,340,641)	(75,406,461)	(715,231,124)
Other operating expenses, net	65,456,952	169,766,837	11,817,794	(168,829,448)	78,212,135
Operating margin	**(153,560,378)**	**133,237,805**	**87,597,788**	**(182,640,844)**	**(115,365,629)**
Financial expenses, net	(100,643,942)	(4,865,164)	(81,976,416)	(216,841)	(187,702,363)
Net foreign exchange result	(1,763,655)	(5,123,669)	(937,039)	-	(7,824,363)
Profit before income tax	**(255,967,975)**	**123,248,972**	**4,684,333**	**(182,857,685)**	**(310,892,355)**
Income tax	-	-	(321,874)	-	(321,874)
Net Profit	**(255,967,975)**	**123,248,972**	**4,362,459**	**(182,857,685)**	**(311,214,229)**
Non-Controlling interest	-	-	-	677,878	677,878
Net Profit Group	**(255,967,975)**	**123,248,972**	**4,362,459**	**(182,179,807)**	**(310,536,351)**

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

22. OPERATING SEGMENT INFORMATION (continued)

Statement of financial position information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,626,531,899	4,624,434	217,501,412	(606,732,234)	1,241,925,511
Total current assets	604,342,386	178,322,268	351,469,643	(258,652,184)	875,482,113
TOTAL ASSETS	2,230,874,285	182,946,702	568,971,055	(865,384,418)	2,117,407,624
Total equity	827,972,340	90,235,057	160,721,817	(613,963,764)	464,965,450
Total non-current liabilities	70,335,465	-	624,774	2,826,886	73,787,125
Total current liabilities	1,332,566,480	92,711,645	407,624,464	(254,247,540)	1,578,655,049
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,230,874,285	182,946,702	568,971,055	(865,384,418)	2,117,407,624
Capital expenditure	198,924,223	7,511,414	10,925,261	(145,381,549)	71,979,349
Depreciation and amortisation	51,151,749	10,346,005	23,944,833	3,364,623	88,807,210
Impairment losses	6,187,715	2,455,822	5,905,983	(1,951,645)	12,597,875

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	5,294,523,984	15,052,995	707,988,846	(1,974,974,095)	4,042,591,730
Total current assets	1,967,194,901	580,456,815	1,144,068,836	(841,938,729)	2,849,781,823
TOTAL ASSETS	7,261,718,885	595,509,810	1,852,057,682	(2,816,912,824)	6,892,373,553
Total equity	2,695,132,764	293,724,134	523,165,587	(1,998,513,449)	1,513,509,036
Total non-current liabilities	228,948,972	-	2,033,702	9,201,795	240,184,469
Total current liabilities	4,337,637,149	301,785,676	1,326,858,393	(827,601,170)	5,138,680,048
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,261,718,885	595,509,810	1,852,057,682	(2,816,912,824)	6,892,373,553
Capital expenditure	647,518,238	24,450,404	35,562,818	(473,231,480)	234,299,980
Depreciation and amortisation	166,504,058	33,677,281	77,942,826	10,952,181	289,076,346
Impairment losses	20,141,629	7,993,945	19,224,565	(6,352,800)	41,007,339

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

22. OPERATING SEGMENT INFORMATION (continued)

2012 Income Statement Information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	3,554,601,432	247,294,513	1,898,715,067	(1,857,129,139)	3,843,481,873
Cost of sales	(3,528,387,091)	(256,317,654)	(1,763,305,046)	1,875,296,253	(3,672,713,538)
Gross margin	**26,214,341**	**(9,023,141)**	**135,410,021**	**18,167,114**	**170,768,335**
Selling, general and administrative expenses	(47,974,956)	(12,374,173)	(136,179,474)	(23,577,756)	(220,106,359)
Other operating expenses, net	(48,851,614)	1,157,357	(22,486,019)	(13,995)	(70,194,271)
Operating margin	**(70,612,229)**	**(20,239,957)**	**(23,255,472)**	**(5,424,637)**	**(119,532,295)**
Financial expenses, net	(46,293,363)	(1,750,028)	(17,597,998)	9,652,596	(55,988,793)
Net foreign exchange result	(1,793,760)	495,030	(3,704,500)	16,958,988	11,955,758
Profit before income tax	**(118,699,352)**	**(21,494,955)**	**(44,557,970)**	**21,186,947**	**(163,565,330)**
Income tax	-	-	531,597	-	531,597
Net Profit	**(118,699,352)**	**(21,494,955)**	**(44,026,373)**	**21,186,947**	**(163,033,733)**
Non-Controlling interest	-	-	-	287,636	287,636
Net Profit Group	**(118,699,352)**	**(21,494,955)**	**(44,026,373)**	**21,474,583**	**(162,746,097)**

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	11,570,583,121	804,968,369	6,180,507,415	(6,045,141,060)	12,510,917,845
Cost of sales	(11,485,252,820)	(834,339,596)	(5,739,734,255)	6,104,276,833	(11,955,049,838)
Gross margin	**85,330,301**	**(29,371,227)**	**440,773,160**	**59,135,773**	**555,868,007**
Selling, general and administrative expenses	(156,163,279)	(40,279,171)	(443,277,806)	(76,747,952)	(716,468,208)
Other operating expenses, net	(159,016,889)	3,767,313	(73,194,240)	(45,556)	(228,489,372)
Operating margin	**(229,849,867)**	**(65,883,085)**	**(75,698,886)**	**(17,657,735)**	**(389,089,573)**
Financial expenses, net	(150,689,526)	(5,696,516)	(57,283,243)	31,420,164	(182,249,121)
Net foreign exchange result	(5,838,868)	1,611,372	(12,058,518)	55,203,202	38,917,188
Profit before income tax	**(386,378,261)**	**(69,968,229)**	**(145,040,647)**	**68,965,631**	**(532,421,506)**
Income tax	-	-	1,730,402	-	1,730,402
Net Profit	**(386,378,261)**	**(69,968,229)**	**(143,310,245)**	**68,965,631**	**(530,691,104)**
Non-Controlling interest	-	-	-	936,284	936,284
Net Profit Group	**(386,378,261)**	**(69,968,229)**	**(143,310,245)**	**69,901,915**	**(529,754,820)**

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

22. OPERATING SEGMENT INFORMATION (continued)

Statement of financial position information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,472,873,970	99,478,362	230,938,436	(550,288,747)	1,253,002,021
Total current assets	658,254,177	65,514,674	325,609,287	(158,582,092)	890,796,046
TOTAL ASSETS	2,131,128,147	164,993,036	556,547,723	(708,870,839)	2,143,798,067
Total equity	756,608,319	52,538,991	108,055,698	(555,305,136)	361,897,872
Total non-current liabilities	67,470,230	-	953,476	1,243,295	69,667,001
Total current liabilities	1,307,049,598	112,454,045	447,538,549	(154,808,998)	1,712,233,194
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	2,131,128,147	164,993,036	556,547,723	(708,870,839)	2,143,798,067
Capital expenditure	118,597,827	9,177,793	5,228,255	9,749,042	142,752,917
Depreciation and amortisation	30,539,016	13,237,490	29,417,289	3,432,640	76,626,435
Impairment losses	1,249,327	102,271	(328,796)	-	1,022,802

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	4,794,352,057	323,812,017	751,727,704	(1,791,244,905)	4,078,646,873
Total current assets	2,142,683,172	213,256,815	1,059,890,790	(516,200,568)	2,899,630,209
TOTAL ASSETS	6,937,035,229	537,068,832	1,811,618,494	(2,307,445,473)	6,978,277,082
Total equity	2,462,835,739	171,019,670	351,732,103	(1,807,573,746)	1,178,013,766
Total non-current liabilities	219,622,346	-	3,103,660	4,047,050	226,773,056
Total current liabilities	4,254,577,144	366,049,162	1,456,782,731	(503,918,777)	5,573,490,260
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,937,035,229	537,068,832	1,811,618,494	(2,307,445,473)	6,978,277,082
Capital expenditure	386,047,790	29,874,634	17,018,489	31,734,107	464,675,020
Depreciation and amortisation	99,407,551	43,089,354	95,756,217	11,173,589	249,426,711
Impairment losses	4,066,686	332,902	(1,070,265)	-	3,329,323

- Inter segment revenues are eliminated on consolidation.
- Capital expenditure represents additions to property, plant and equipment and intangible assets including acquisition of subsidiaries.
- Transfer pricing between operating segments is determined based on internal rules agreed between the segments. These transfer prices take in to account the latest Crude/Refined products prices on markets adjusted by various discounts allowed taking into account, quantity, quality, payment terms, transportation costs etc.

b) Geographical segments

All the Group's production facilities are located in Romania. The following table provides an analysis of the Group's net revenues by geographical market:

	2013 USD	2012 USD	2013 RON	2012 RON
Romania	**2,356,221,531**	**2,375,055,428**	**7,669,736,706**	**7,731,042,924**
Export	**1,554,686,122**	**1,468,426,445**	**5,060,658,795**	**4,779,874,921**
out of which				
Petroleum products	1,406,766,122	1,333,336,852	4,579,164,403	4,340,144,787
Petrochemical products	147,920,000	135,089,593	481,494,392	439,730,134
Total	3,910,907,653	3,843,481,873	12,730,395,501	12,510,917,845

ERNST & YOUNG
2 7 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

23. RELATED PARTIES

The ultimate parent of the Group is the "State holding enterprise on assets management (Samruk)" JSC, an entity with its headquarters in Kazakhstan. The related parties and the nature of relationship is presented below:

Name of related party	Nature of relationship
The Rompetrol Group N.V.	Majority Shareholder
Rompetrol S.A.	Company owned by The Rompetrol Group
Rominserv S.A.	Company owned by The Rompetrol Group
Ecomaster Servicii Ecologice S.R.L	Company owned by The Rompetrol Group
KazMunayGas Trading AG	Company owned by The Rompetrol Group
Rompetrol Well Services S.A.	Company owned by The Rompetrol Group
Rominservices Therm S.R.L.	Company owned by The Rompetrol Group
Palplast S.A.	Company owned by The Rompetrol Group
Rompetrol Bulgaria JSC	Company owned by The Rompetrol Group
Rompetrol Moldova SA	Company owned by The Rompetrol Group
Rompetrol Industrial Park S.R.L	Company owned by The Rompetrol Group
Rompetrol Georgia LTD	Company owned by The Rompetrol Group
Romcalor Oil Services S.A.	Company owned by The Rompetrol Group
Midia Marine Terminal S.R.L.	Company owned by The Rompetrol Group
Rompetrol Financial Group S.R.L.	Company owned by The Rompetrol Group
Dyneff SA	Company owned by The Rompetrol Group
Byron Shipping Ltd	Company owned by The Rompetrol Group
The Rompetrol Group Corporate Center S.R.L	Company owned by The Rompetrol Group
Rompetrol Albania Wholesale Sh.A.	Company owned by The Rompetrol Group
Rompetrol Ukraine LTD	Company owned by The Rompetrol Group
Rominserv Valves Iaifo SRL	Company owned by The Rompetrol Group
Rominserv Kazakhstan Ltd	Company owned by The Rompetrol Group
Uzina Termoelectrica Midia S.A.	Associate of the Rompetrol Group
Global Security Systems SA	Company owned by The Rompetrol Group
Kazmotransflot	Company affiliated to KMG Group
Tengizchevroil LLP	Company affiliated to KMG Group

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identific...

The sales to and purchases from related parties are made in the ordinary course of business and are undertaken on a basis that considers prevailing market terms and conditions as applicable to the nature of goods and services provided or received. Outstanding balances at the year-end are unsecured, interest free (except for shareholders loans) and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2013, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2012: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

	Receivables			
Name of related party	31-Dec-13 USD	31-Dec-12 USD	31-Dec-13 RON	31-Dec-12 RON
KazMunayGas Trading AG	704,056	10,281,245	2,291,773	33,466,481
Rominserv S.A.	30,226,844	35,149,476	98,391,400	114,415,059
The Rompetrol Group N.V.	91,699	208,040	298,489	677,191
The Rompetrol Group Corporate Center S.R.L	87,261	492,900	284,043	1,604,439
Rompetrol S.A.	5,236,971	3,677,806	17,046,864	11,971,626
Ecomaster Servicii Ecologice S.R.L	1,068,970	798,646	3,479,604	2,599,673
Rompetrol Well Services S.A.	273,875	514,536	891,491	1,674,866
Palplast S.A.	2,786,739	2,735,183	9,071,114	8,903,294
Rompetrol Bulgaria JSC	3,100,392	2,539,825	10,092,086	8,267,384
Rompetrol Moldova SA	9,149,292	2,534,964	29,781,860	8,251,561
Rompetrol Georgia LTD	1,888,544	1,808,077	6,147,400	5,885,471
Dyneff SA	260,167	268,297	846,870	873,334
Byron Shipping Ltd.	2,218	1,542	7,220	5,019
Rompetrol Albania Wholesale Sh.A	15,066	13,442	49,041	43,755
Midia Marine Terminal SRL	21,424	74,582	69,737	242,772
Rominserv Valves Iaifo SRL	10,200	10,468	33,202	34,074

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Receivables			
Name of related party	**31-Dec-13 USD**	**31-Dec-12 USD**	**31-Dec-13 RON**	**31-Dec-12 RON**
Rominserv Kazakhstan Ltd	168,167	168,167	547,400	547,400
Rompetrol Ukraine LTD	9,079	1,186,107	29,553	3,860,897
Uzina Termoelectrica Midia S.A.	1,616,196	-	5,260,880	-
Global Security Systems SA	249,503	184,028	812,157	599,030
Total	56,966,663	62,647,331	185,432,184	203,923,326

	Liabilities			
Name of related party	**31-Dec-13 USD**	**31-Dec-12 USD**	**31-Dec-13 RON**	**31-Dec-12 RON**
KazMunayGas Trading AG	758,287,806	675,269,260	2,468,302,637	2,198,068,968
Rominserv S.A.	52,856,502	64,355,151	172,053,200	209,482,452
The Rompetrol Group N.V.	341,532,666	564,315,942	1,111,722,981	1,836,904,823
The Rompetrol Group Corporate Center S.R.L	4,539,290	9,273,702	14,775,843	30,186,827
Rompetrol S.A.	134,314	4,976,823	437,206	16,200,057
Ecomaster Servicii Ecologice S.R.L	351,816	1,841	1,145,196	5,993
Rompetrol Well Services S.A.	7,621,863	7,437,860	24,809,926	24,210,978
Rompetrol Bulgaria JSC	386,279	402	1,257,377	1,309
Rompetrol Moldova SA	636	-	2,070	-
Dyneff SA	-	116	-	378
Byron Shipping Ltd.	10	26	33	85
Midia Marine Terminal SRL	20,466,976	7,272,797	66,622,054	23,673,682
Rominserv Valves Iaifo SRL	27,906	25,548	90,837	83,161
Uzina Termoelectrica Midia S.A.	6,165,077	3,364,045	20,067,942	10,950,303
Global Security Systems SA	827,831	687,401	2,694,673	2,237,559
Total	1,193,198,972	1,336,980,914	3,883,981,975	4,352,006,575

During 2013 and 2012, Rompetrol Rafinare Group entered into the following transactions with related parties:

	Sales			
Name of related party	**31-Dec-13 USD**	**31-Dec-12 USD**	**31-Dec-13 RON**	**31-Dec-12 RON**
KazMunayGas Trading AG	1,261,705,478	1,251,570,446	4,106,977,501	4,073,986,959
Rominserv S.A.	1,319,769	5,025,377	4,295,980	16,358,105
The Rompetrol Group Corporate Center S.R.L	179,683	182,507	584,886	594,079
Rompetrol S.A.	4,294,823	2,205,084	13,980,078	7,177,769
Ecomaster Servicii Ecologice S.R.L	238,164	219,160	775,248	713,388
Rompetrol Well Services S.A.	2,141,855	2,228,736	6,971,952	7,254,759
Palplast S.A.	2,943,378	2,603,727	9,580,990	8,475,392
Rompetrol Bulgaria JSC	12,371,610	29,824,908	40,270,828	97,083,058
Rompetrol Moldova SA	124,929,493	76,251,089	406,657,993	248,204,920
Midia Marine Terminal SRL	534,502	655,330	1,739,857	2,133,165
Dyneff SA	1,332	7,059	4,336	22,978
Byron Shipping Ltd.	29,427	25,773	95,788	83,894
Rominserv Valves Iaifo SRL	24,502	23,050	79,756	75,030
Uzina Termoelectrica Midia S.A.	16,871,341	23,401,506	54,917,902	76,174,242
Global Security Systems SA	139,845	26,628	455,209	86,677
	1,436,727,438	1,398,436,795	4,676,691,482	4,552,051,614

ERNST & YOUNG
2 7 MAR 2014

Initialled for identification
Semnat pentru identificare

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23. RELATED PARTIES (continued)

Name of related party	Nature of transaction	Purchases 31-Dec-13 USD	31-Dec-12 USD	31-Dec-13 RON	31-Dec-12 RON
KazMunayGas Trading AG	Purchase of crude oil	3,237,556,713	3,312,534,090	10,538,570,856	10,782,629,716
Rominserv S.A.	Acquisition and maintenance of fixed assets	85,016,461	139,365,436	276,737,082	453,648,431
The Rompetrol Group N.V.	Purchase of crude oil / Management services	2,414,294	3,189,402	7,858,768	10,381,822
The Rompetrol Group Corporate Center S.R.L	Management services	30,313,613	27,135,211	98,673,842	88,327,825
Rompetrol S.A.	Management services	62,922	41,701	204,817	135,741
Ecomaster Servicii Ecologice S.R.L	Environmental services	1,498,048	828,205	4,876,296	2,695,890
Rompetrol Well Services S.A.	Interest on loan	26,590	31,200	86,553	101,559
Rompetrol Bulgaria JSC	Sales intermediary services	377,000	-	1,227,173	-
Midia Marine Terminal SRL	Shipping services	12,949,496	5,905,129	42,151,904	19,221,785
Byron Shipping Ltd	Shipping services	-	41,858	-	136,252
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	26,150,448	30,995,028	85,122,323	100,891,916
Global Security Systems SA	Security and protection services	3,739,692	2,282,841	12,173,071	7,430,876
Tengizchevroil LLP	Liquefied Petroleum Gas	-	5,979,832	-	19,464,951
		3,400,120,292	3,528,329,933	11,067,731,560	11,485,066,764

The nature of sale transactions consists in sale of petroleum products. Sales to related parties include sales taxes.

The Ministry of Public Finance of Romania ("MFPR") was the holder of 44.6959% of the share in Rompetrol Rafinare SA since September 2010 until July 2012. Starting July 2012, through a Government Ordinance, the share holder became Ministry of Economy Trade and Business Environment ("MECMA") until May 2013, when following MECMA reorganization the new holder became Ministry of Economy ("ME") . As a result MFPR, MECMA, ME and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR, MECMA and ME became a related party or balances as of period end, other than those arising from Romanian fiscal and legislative requirements, with MFPR, MECMA, ME and Other Authorities in Romania.

The amount of remuneration for key management personnel for 2013 was of USD 0.69 million (2012: USD 0.64 million), representing short term benefits and bonuses.

24. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

	2013 USD	2012 USD	2013 RON	2012 RON
Earnings				
Loss for the year attributable to ordinary equity holders of the parent entity	(95,399,941)	(162,746,097)	(310,536,351)	(529,754,820)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 10)	44,109,205,726	44,109,205,726	44,109,205,726	44,109,205,726
Earnings per share *(US cents/share)*				
Basis	**(0.216)**	**(0.369)**	**(0.703)**	**(1.201)**

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2 7 MAR 2014
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25. CONTINGENCIES

Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 14.7 million) to be paid by the Parent. These claims (the legal effects) were suspended by the local court for admission. Subsequently, a second suspension has been issued by the fiscal authorities (D.G.S.C. – A.N.A.F.) until the final sentence regarding the criminal case, as the fiscal authority believes that this matter is now to be dealt as part of the criminal investigation started by the General Prosecutor Office (see note 26). The management is confident that the Parent is able to defend itself and the likelihood of a negative outcome is remote.

In 2001, the Parent processed crude oil for another refinery for which it originally raised excise invoices. However due to the law prevailing at the time, such invoices raised by the Parent were challenged by the respective refinery and the courts held at the time that the Company is not to issue the excise invoices and therefore the Parent cancelled such invoices. The Parent is now challenged for such reversals by D.G.F.P. Constanta, which concluded not to acknowledge the conclusions of the court decision and held the Parent liable for paying such excises; the Parent appealed the tax audit, which is now being suspended as described in the paragraph above. The amount noted in the minutes issued by D.G.F.P Constanta is RON 9.5 Million (USD 2.9 million). The management is confident that the likelihood of reversal of the earlier court decision is very little. In 2013 no changes were incurred.

26. LEGAL MATTERS

Litigation with the State involving criminal charges

Starting with 22 March 2005 and as of the date of this report, the investigations concerning current and past administrators, officers and external censors of S.C. Rompetrol Rafinare S.A. ("RRC") have been formally developing (despite certain discontinuities occurred from time in the course of the criminal investigation stage). At present, the Prosecutors' General Office attached to the High Court of Cassation and Justice ("PGO") is investigating only one of the current administrators.

The charges apprehended upon the initiation of the investigation were: a) failure to fulfill the investment commitments undertaken under the privatization contract concerning the Parent; b) unlawful statement of excises and other debts to the state budget; c) incorrect maintenance of accounting registries regarding the transactions undertaken at the oil terminal owned by Oil Terminal. These charges concern events taken place during April 2001 – October 2002. The said charges have been split by the prosecutors' office from the initial file (which has been sent to trial following such split) and are subject to a separate file currently open before PGO - DIICOT.

For certain charges under investigation – charges not concerning the Parent directly, that are part of the initial file open by the prosecutors' office, even after the split of the file – the PGO decided to send to trial certain officials of The Rompetrol Group N.V. ("TRG"), the controlling company of S.C. Rompetrol Rafinare S.A. Following intensive discussions on several procedural matters, the first competent court, the Bucharest Tribunal, initiated the inquiry on the merits (the factual background) by interviewing the accused persons. Following the hearing of 17 September 2010, the court decided to refer the file to the Constitutional Court for settlement of certain motions raised by the defense.

The Rompetrol Group N.V. and the Parent Company publicly stated and continues to consider, in relation with all charges, that it has provided clear, reasonable and legitimate explanations with respect to all the activities undertaken by the Parent and the related persons.

The Parent finds all charges brought against it as legally ungrounded. The Parent's standing has been confirmed also by the court of law when ruling in favor of the motion submitted by The Rompetrol Group N.V. and S.C. Rompetrol Rafinare S.A. against the sequester that was established in relation with its assets and shares. The respective sequester, established unilaterally by the PGO, has been definitively and irrevocably annulled by the competent court of law.

ERNST & YOUNG
27 MAR 2014
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26. LEGAL MATTERS (continued)

Furthermore, on 15 December 2005, The Rompetrol Group N.V. submitted a request for arbitration before the International Centre for Settlement of Investment Disputes within the World Bank ("ICSID") of Washington DC against the Government of Romania whereby it requested compensation for the damages incurred. The request for arbitration emphasizes the breach by the Romanian State of The Rompetrol Group N.V.'s rights under the Agreement on Encouragement and Reciprocal Protection of Investments between the Government of the Kingdom of the Netherlands and the Government of Romania, in force as of 1 February 1995 (the "Dutch-Romanian BIT"). In May 2010, the debates on the merits of the dispute were closed (followed by two rounds of post-hearing briefs). On June 6, 2013 ICSID issued a decision in the above mentioned case. ICSID mentioned that the plaintiff's claims are admissible, it rejected the request for damages considering that even the evidences submitted showed a breach of the art. 3 (1) and (5) of the Treaty between Romania and The Netherlands the direct connection between this breach and the damages couldn't be provided. Finally, ICSID mentined that each party will bear its own legal costs.

On July 18, 2012 the criminal charges against individuals was dismissed on merits. The prosecutor submitted the appeal, pending in front of the Court of Appeal. Based on the grounds submitted in the file and the recent court decision, the management consider that the allegations of PGO are ill founded even the case is still not settled. The prosecutor submitted the appeal against the decision issued by Bucharest Court. The first hearing will be on April 4, 2014

Litigations related to Hybrid Conversion

A) The Romanian Ministry of Public Finance (MFP) has initiated various litigations against Rompetrol Rafinare S.A. ("RRC") regarding the legality of combined redemption and conversion of bonds issued in 2003 into Rompetrol Rafinare shares.

Emergency Ordinance ("EGO") 118/2003, approved by Law 89/2005, and the Issuing Convention of December 5, 2003 ("Issuing Convention"), regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro-denominated long-term reverse-convertible bonds with face value EUR 25 each (i.e. a total of EUR 570.3 million at the RON/EUR exchange rate as of September 30, 2003 of 3.8185 RON/EUR or USD 719.4 million at the same date), hereinafter referred to as "Hybrid Instruments" or "Bonds". The Bonds carried interest and were redeemable on or before maturity, whereas EGO specifically provided that bonds not redeemed by September 30, 2010 should be convertible, at a fixed conversion rate, into ordinary shares of Rompetrol Rafinare S.A., at the option of the Company.
In accordance with the requirements of EGO 118/2003 and the Issuing Convention, Rompetrol Rafinare S.A. undertook the following transactions in relations to bonds settlement during the period ended 30 September 2010:

1) the Extraordinary General Meeting of the Shareholders as of June 30, 2010 approved, among others, the increase of the Company's share capital by USD 100.2 million, for the purpose of raising financing to redeem part of the Bonds and to pay trade and other liabilities;
2) on August 9, 2010, RRC redeemed 2,160,000 Bonds in aggregate amount of EUR 54 million;
3) the Extraordinary General Meeting of the Shareholders on September 14, 2010 issued, among others, the preliminary approval of the conversion of the unredeemed Bonds into shares. Subsequently, on September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare S.A. approved the conversion of the unredeemed Bonds into shares, the corresponding share capital increase and the exact numbers of shares to be received by the Romanian Ministry of Public Finance for the Bonds it held. The number of shares was calculated based on the conversion rate of bonds into shares indicated by the EGO 118/2003 and the Issuing Convention.

The Ministry of Public Finance (MFP) has publicly taken an adverse position against such course of action and challenged it in various court procedures.

B) On September 10, 2010 the National Agency of Fiscal Administration ("ANAF") issued a decision for establishment of a precautionary seizure on all the participations held by Rompetrol Rafinare S.A. in its affiliates as well as on all movable and immovable assets of Rompetrol Rafinare S.A. except

26. LEGAL MATTERS (continued)

inventories. This measure is still in force and it is challenged by the Group. As of the date of these financial statements this seizure has not produced direct effects on the Company's recurring operations.

The Group has challenged this decision and requested the court to annul the seizure. The main ground the Group has taken is that starting October 1, 2010 no liability of RRC to MFP exists as the bonds were settled through conversion into share capital under the Issuance Convention. The case was dismissed at the first court hearing by Bucharest District 5 Court and Rompetrol Rafinare S.A. filed a final appeal. The hearing of the case had been suspended in June 2012 pursuant to the joint request of the Company and of the Ministry of Public Finances and can be resumed during one year period, until June 6, 2013.

On February 15, 2013, The Rompetrol Group NV and the Office of State Ownership and Privatisation in Industry ("OPSPI"), representing the Romanian State, concluded a memorandum of understanding aiming at the amiable settlement of the litigations. As a result of the memorandum, the parties agreed the suspension of the court proceedings, in order to allow the time to implement the memorandum, which was acknowledged by the court on February 18, 2013.

On 22 January 2014, the Memorandum of Understanding was approved by Government Decision no.35/2014 pursuant to which the Ministry of Public Finances has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof. The Memorandum of Understanding includes the following key aspects:

- OPSPI will sell and the The Rompetrol Group NV will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of USD 200 million;
- The Rompetrol Group NV will invest in energy project related to its core activities an amount estimated at USD 1 billion over 7 years;
- MFP will drop all cases against the GMS decisions related to the conversion and will cancel the forced execution title.

Following the hearing on March 24, 2014 it is confirmed that the court case is closed following the Ministry of Finance renouncing all the court actions that were in progress that are mentioned above.

Litigation regarding the import of Biodiesel

On June 20, 2012 the National Authority of Customs, the Excise Supervision and Customs Operations Department issued a Minute in which they assessed that Rompetrol Rafinare should pay an amount of RON 108 million for antidumping and countervailing duties, VAT and interests for late payment plus penalties related to imports of biodiesel made during 2009 and 2010.

During 2009 and 2010, Rompetrol Rafinare concluded a series of import operations of biodiesel origin from Canada according to the Certificate of origin issued by the relevant Canadian authorities in this respect.

The investigation and related Minutes were issued by the Romanian Customs Authorities following contacts with OLAF (European Antifraud Office) which led an investigation in Canada in cooperation with Canadian Customs (CBSA) regarding the export of Canadian biodiesel into the European Union. OLAF issued its preliminary findings indicating a belief that biodiesel exported into the EU had an origin from the USA rather than Canada and was being imported by various means from the USA to Canada before being exported to the EU.

Rompetrol Rafinare considers that as no final report has been issued by OLAF that the Romanian Customs Authorities were premature in issuing its assessment minute. OLAF issued a final report.

Rompetrol Rafinare considers that it has acted in good faith and that documents received by it indicate that the biodiesel has a Canadian origin

ERNST & YOUNG
27 MAR 2014
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26. LEGAL MATTERS (continued)

In the additional taxes imposed by the Romanian Customs Authorities it has included both duties (antidumping and countervailing), which under European and Romanian legislation such an approach can be done only in specific cases which must be very well grounded by the customs authorities. In the assessment minutes, there are no arguments and explanations as to why both duties were imposed.

Rompetrol Rafinare requested the competent Court to postpone (or suspend) the payment of the fine until the entire situation is finalised by a final and irrevocable Court decision. On July 5, 2012 the Court rejected this request.

On July 20' 2012 Rompetrol Rafinare submitted a contestation against the findings of the tax inspection for the entire amount of RON 108 million (equivalent to USD 33.2 million). As the National Agency for Fiscal Administration – General Directorate of Solving Contestations ("ANAF – DGSC) did not respond within the deadline provided by the law, a court proceeding was commenced by Rompetrol Rafinare to request a reply from ANAF. On February 20, 2013, the Court decided in the favour of Rompetrol Rafinare SA. On February 22, 2013 Rompetrol Rafinare SA received a response from ANAF indicating that it would re-audit for an amount of approximately RON 14 million (USD 4.3 million) in relation to the assessment previously issued. No re-audit was carried on until the date of these financial statements.

Group Management proceeded with further legal action in this matter. On July 18 2013 Rompetrol Rafinare SA main court claim against the assessment was rejected by the first instance. The appeal against this first court decision was initially examined by the Supreme Court of Justice on February 13, 2014, having next hearing scheduled for April 2014.

To avoid triggering additional tax risks (i.e. cancellation of VAT deferment certificate, cancellation of reduction of the guarantee for tax warehouse, etc.) Rompetrol Rafinare has paid an amount of RON 58 million (USD 17.8 million) representing antidumping and countervailing taxes.

For the remaining amount of RON 50 million (USD 15.4 million), Rompetrol Rafinare initiated legal procedures to obtain an approval for reschedule of payment, which was granted by the competent authority and paid in 2013.

Rompetrol Rafinare considers that it has met all technical requirements in accordance with European and national legislation. Even so, there are frequent cases in practice when the tax authorities have an aggressive approach in interpreting national and European legislation, assessing and enforcing payment of additional tax liabilities, leaving the taxpayer the burden to proof the incorrect assessments and to recover the amounts through time long and costly contestation and appeal processes. Therefore a provision has been included for the amount of USD 28.8 million although Rompetrol Rafinare considers it has a supportable case and management believes that the amounts related to the matter will be cancelled or significantly reduced. The appeal submitted by Rompetrol Rafinare is pending in front of the Supreme Court of Justice.

Rompetrol Rafinare, through KazMunayGas Trading AG, started the recourse against the Canadian supplier of the biodiesel.

The first preliminary arbitration steps have been accomplished in front of the LCIA, a decision is expected to be released in September 2014.

Litigation on Tax Assessments received by Rompetrol Rafinare S.A.

In March 2012, the National Agency for Tax Administration sent to Rompetrol Rafinare SA a General Tax Audit Report covering the period 2007-2010 and an Assessment Decision for Payment of RON 48 million (equivalent USD 15 million), out of which half represents additional principal tax liabilities and the other half represents late payment interest and penalties.

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The following has subsequently occurred relating to this matter:

27 MAR 2014

26. LEGAL MATTERS (continued)

- Both the Report and the Decision were challenged subject to a prior administrative appeal, which is currently still pending settlement by the National Agency for Tax Administration – General Division for Appeals Settlement. As ANAF did not respond within the deadline provided by the law, a court proceeding has been commenced by the Rompetrol Rafinare to request a reply from ANAF. On February 20, 2013, the Court decided in the favour of the company. After being communicated to ANAF and becoming final the court decision is enforceable, meaning that any further failure of responding by ANAF may result in fines against those responsible. The company believes that once receiving this court decision ANAF should not go on challenging this necessity and solutions to the company's pending applications will soon be issued. As well, a payment suspension application for all the amounts additionally charged was filed, but it was rejected by the relevant Court.

- The settlement term was set as May 31, 2012. The Court (Constanta Court of Appeal) dismissed the request of Rompetrol Rafinare for the rescheduling of the hearing term and for a more expedient settlement of the suspension application, Rompetrol Rafinare was requested to pay the additionally charged amounts on May 5, 2012.

- The main arguments put forward by Rompetrol Rafinare for its administrative appeal were: it had used and benefitted from the management and advertising service referred to; it has related justifying documents that were not taken into consideration by the tax authorities; and the Tax authorities did not consider the definition provided by the Fiscal Code and its Application Norms, as well as, applicable, Double Tax Treaties and Commentaries to the OECD model conventions as regards definition of royalties versus services.

Although Rompetrol Rafinare considers that all technical requirements have been met by it and it is challenging all the items included in the report issued by the National Agency for Tax Administration, there is a chance that Rompetrol Rafinare may not recover the amount in whole or part, based on the high ambiguity in respect of the legislation and the court practice in a similar cases in Romania. Therefore a provision has been recognized for an overall amount of USD 15 million, out of which USD 11 million was expensed during 2012.

The main court case started by Rompetrol Rafinare SA against the assessment is pending, the next hearing being set on April 3, 2014.

<u>Litigation between Rompetrol Downstream SRL and the Romanian Competition Council</u>

Based on its Decision no. 97/21 December 2011, the Romanian Competition Council (RCC) ruled that an alleged breach of the Romanian Competition Law and of Treaty for the Functioning of the European Union took place on the Romanian market (the allegations concerned an alleged mutual understanding of all major oil players to jointly withdraw from the market a type of fuel ECO Premium in 2008, during the Romanian Petroleum Association – RPA - meetings held in 2007 -2008). As a result, RCC imposed fines to all major players on the Romanian oil market ranging from 2.6 % (Rompetrol) to 3.2 % computed based on 2010 turnovers (the amount for Rompetrol Downstream case was RON 159.55 million (equivalent of USD 46.83 million).

Among the fined oil companies, the Rompetrol position was the only one distinctive (as Rompetrol Downstream did not attend any RPA meetings in that period nor exchanged any communication with the other companies); RCC recognized Rompetrol Downstream has a specific position (based on its lower level of involvement) and granted the benefit of extenuating circumstances but refused to exonerate the company ruling that Rompetrol Downstream had knowledge of the anti competition behavior of its competitors and did not distance itself publicly from the action of its competitors.

The Group believes that all the charges are without any legal merit as Rompetrol Downstream did not take part in meetings in which this topic was discussed, did not receive correspondence in which it was announced that the others actually took a decision in this respect, did not answer to the questions regarding its own conduct and had an independent conduct on the market – there was therefore no illegal cooperation by removing the risks of competition by adopting a joint plan.

ERNST & YOUNG
27 MAR 2014
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26. LEGAL MATTERS (continued)

Rompetrol Downstream challenged the RCC in court to get the annulment of the fine or a significant decrease of the fine amount. To this date, in the Annulment Case, the parties submitted their claims and counterclaims, the court ruled on the evidences to be submitted: documentary evidence and technical expertise in machine construction technology. The technical expert designated by the Court did not submit its report yet.

Rompetrol Downstream also submitted an injunction in court to suspend the payment of the fine until the Court will issue a final and irrevocably decision within the trial regarding the annulment of the fine. On March 22' 2012, Bucharest Court of Appeal rejected the petition on the merits (the same decision was issued for all the oil companies in their similar claims). The Company appealed this decision before the High Court of Cassation and Justice. On December 12, 2012, the Supreme Court rejected the second appeal filed by the Company. The decision is definitive and cannot be further challenged or appealed.

Starting with April 2012, the Romanian Fiscal Authority (ANAF) initiated procedures for recovery of amounts from Rompetrol Downstream. Since then and grounded on the fiscal legislation regarding the rescheduling of the budgetary debts (under the condition of bringing the proper guarantees, according to the law), the Group has held discussions with ANAF representatives to identify legal steps to finally settle this matter. No final outcome or this issue has been reached to date, and additional steps for forced execution were further taken by ANAF.

On April 24, 2013, ANAF approved the rescheduling agreement for 60 months period for the remaining amount of RON 128 million, being the difference between initial amount of RON 159.55 million and the cumulated monthly installments paid until March 2013 in amount of RON 31.6 million. By the end of December 31, 2013 was paid a total amount of RON 48.6 million (USD 14.5 million).

Despite all evidences provided, in September 2013 the Court of Appeal dismissed Rompetrol Downstream's claim. The decision taken by the Court has not been drafted until the date of issuance of these financial statements. Within 15 days from the communication of the grounds of the decision, the Rompetrol Downstream will submit an appeal before the Supreme Court, which will judge again the full case, assessing both the legal as well as the fact findings issues.

Group management considers that from a legal perspective, Rompetrol Downstream has a strong case to successfully contest the alleged breach of the Romanian Competition legislation in front of the Supreme Court.

Litigation regarding CO2 emission allowances.

On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which obliged the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012. This first decision issued by the Constanta Court of Appeal was challenged by the The Ministry of Environment and The Romanian Government but the appeals were rejected by the Supreme Court of Justice on October 30, 2012 and the first court decision became final.

According to the current Romanian and European legislation, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020. The current market value for a CO2 emission certificate is Euro 4.5 per certificate.

Considering that the Ministry of Environment and the Romanian Government did not fulfill with the Court decision according to the deadline, Rompetrol Rafinare SA started a court claim against them, having as object damages in amount of Euro 36 million is pending, the next hearing being set on April 10, 2014.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

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27. COMMITMENTS

Environmental commitments

The principal activity of Rompetrol Rafinare SA (including Vega Refinery) of refinery petroleum products and Rompetrol Petrochemicals has inherent effects on the environment in term of emission into land, water and air. The environmental effects of the Group's activities are monitored by local authorities and the management of the Group.

As of December 31, 2013 Rompetrol Rafinare SA has environmental commitments amounting to USD 6.7 million (2012: 7.98 million) to conform to the Integrated Environmental Authorization.

Other commitments

As of December 31, 2013 Rompetrol Rafinare S.A. has contracted capital commitments in projects related to capacity increase and compliance with Euro standards at the Petromidia refinery of USD 12.54 million (2012: 19.63 million). As of December 31, 2012, Rompetrol Downstream S.R.L has contracted capital commitments amounting to USD 5.22 million (2012: USD nil).

The Group's subsidiary Rompetrol Downstream S.R.L. has certain concession and rental agreements with City Halls and other companies/individuals in Romania. Usually the conditions for these agreements are the following: terms from 5 to 49 years, fixed or variable fees per year. According to these agreements, the approximate amount to be paid in 2014 is USD 4.15 million (USD 5.66 million in 2013).

Sale and purchase commitments

As of December 31, 2013 Rompetrol Rafinare S.A has non-TRG Group commitments for purchases of raw materials and utilities of USD 159.88 (2012: USD: 133.65 million) and for petroleum products and utilities sales amounting to USD 502.01 (2012: USD 198.37 million). The amounts indicated include contractual commitments of Rompetrol Petrochemicals SRL that were transferred to Rompetrol Rafinare SA, on the transfer activities of Rompetrol Petrochemicals to Rompetrol Rafinare SA with effect from January 1, 2014.

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

28. 1. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure of the Group consists of bank debt and shareholder loans (see Note 14), cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in the Shareholders' Equity".

28.2. GEARING RATIO

The gearing ratio at the year end was as follows:

	December 31, 2013	December 31, 2012
Debt (excluding shareholder loans)	180,258,301	204,626,591
Cash and cash equivalents	(118,470,507)	(159,264,897)
Net debt	**61,787,794**	**45,361,694**
Equity (including shareholder loans)	818,948,610	938,339,367
Net debt to equity ratio	**0.08**	**0.05**

ERNST & YOUNG
2 7 MAR 2014
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28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.3. SIGNIFICANT ACCOUNTING POLICIES

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

28.4. CATEGORIES OF FINANCIAL INSTRUMENTS AND FAIR VALUES

The estimated fair values of these instruments approximate their carrying amounts.

	December 31, 2013	December 31, 2012
Financial assets		
Trade and other receivables	295,674,370	252,442,559
Long-term receivables	900,451	7,292,478
Available for sale investments	302,272	302,272
Derivative financial instruments	-	-
Cash and cash equivalents	118,470,507	159,264,897
TOTAL FINANCIAL ASSETS	**415,347,600**	**419,302,206**
Financial liabilities		
Derivative financial instruments	63,466	2,520,211
Short term borrowings from shareholders	353,983,160	576,441,495
Other non-current liabilities	145,214	130,990
Net obligations under finance lease	-	80,254
Trade and other payables	968,583,873	851,312,695
Short-term borrowings banks	180,258,301	204,546,337
TOTAL FINANCIAL LIABILITIES	**1,503,034,014**	**1,635,031,982**

Trade and other receivables are at net recoverable value the following are not considered as financial assets:

- Advances to suppliers
- VAT to be recovered
- Profit tax receivables
- Other taxes receivables

Similarly, for trade and other payables the following are not considered as financial liabilities:

- Advances from customers
- Excises taxes
- Special found tax for oil products
- VAT payable
- Profit tax payable
- Salary taxes payable
- Other taxes
- Deferred revenues;

The estimated fair values of these instruments approximate their carrying amounts.

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Cash and short-term deposits, trade receivables, trade payables, and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

- Fair value of unquoted available-for-sale financial assets is estimated using appropriate valuation techniques.
- The Group enters into derivative financial instruments with various counterparties. As at 31 December 2013, the marked to market value of derivative position is for financial instruments recognised at fair value.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are based on observable market data, either directly or indirectly
Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2013	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	295,674,370			295,674,370
Long-term receivables	900,451			900,451
Available for sale investments	302,272			302,272
Derivative financial instruments	-		-	
Cash and cash equivalents	118,470,507		-	118,470,507
TOTAL FINANCIAL ASSETS	**415,347,600**	**-**	**-**	**415,347,600**
Financial liabilities				
Derivative financial instruments	63,466		63,466	63,466
Short term borrowings from shareholders	353,983,160			353,983,160
Other non-current liabilities	145,214			145,214
Trade and other payables	968,583,873			968,583,873
Short-term borrowings banks	180,258,301			180,258,301
TOTAL FINANCIAL LIABILITIES	**1,503,034,014**	**-**	**63,466**	**1,503,034,014**

	December 31, 2012	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	252,442,559			252,442,559
Long-term receivables	7,292,478			7,292,478
Available for sale investments	302,272			302,272
Cash and cash equivalents	159,264,897		-	159,264,897
TOTAL FINANCIAL ASSETS	**419,302,206**	**-**	**-**	**419,302,206**
Financial liabilities				
Derivative financial instruments	2,520,211		2,520,211	2,520,211
Short term borrowings from shareholders	576,441,495			576,441,495
Other non-current liabilities	130,990			130,990
Net obligations under finance lease	80,254			80,254
Trade and other payables	851,312,695			851,312,695
Short-term borrowings banks	204,546,337			204,546,337
TOTAL FINANCIAL LIABILITIES	**1,635,031,982**	**-**	**2,520,211**	**1,635,031,982**

During the reporting period ending 31 December 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into and out of Level 3 fair value measurements.

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

28.5 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses different commodity derivatives as a part of price risk management in trading of crude oil and products. Generally the instruments are allocated to individual instruments.

Balance Sheet:

	December 31, 2013	December 31, 2012
Derivative financial liability	(63,466)	(2,520,211)
Net position - asset/(liability)	**(63,466)**	**(2,520,211)**

Income Statement:

	December 31, 2013	December 31, 2012
Unrealised (gains)	-	(883,658)
Net position - (gain)/loss - in Cost of sales	**-**	**(883,658)**
Realised losses - net	(9,593,419)	17,169,885
Total position - loss/(gain) - in Cost of sales	**(9,593,419)**	**16,286,227**

A movement in derivatives assets/ (liabilities) is shown below:

	December 31, 2013	December 31, 2012
Derivative asset/(liability) 2012	**(2,520,211)**	**5,832,080**
Unrealized derivative gains/(loss)	-	883,658
Forex unrealized (hedging of forex)	(1,880,885)	(13,795,446)
Cash payments	4,364,323	4,552,949
Translation adjustment	-	6,548
Reserves	**(26,693)**	
Derivative asset/(liability) 2013	**(63,466)**	**(2,520,211)**

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates. Changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

28.6 MARKET RISK

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

28.7. FOREIGN CURRENCY RISK MANAGEMENT

The Group's functional currency is United States Dollar ("USD") and crude oil imports and a significant part of petroleum products are all denominated principally in US Dollars, therefore, limited foreign

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are retranslated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2013	2012	2013	2012
Currency RON	262,463,990	223,695,319	330,088,320	271,195,741
Currency EUR	81,674,902	92,455,634	30,865,473	26,002,249

28.8. FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to the RON and EUR currencies.

The following table details the Group's sensitivity to a 5% increase and decrease in the USD against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 5% change in foreign currency rates. A positive number below indicates an increase in profit and other equity here the USD strengthens 5% against the relevant currency. For a 5% weakening of the USD against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	RON		EUR	
	2013	2012	2013	2012
USD				
5%	3,381,216	2,375,021	(2,540,471)	(3,322,669)
-5%	(3,381,216)	(2,375,021)	2,540,471	3,322,669

28.9. INTEREST RATE RISK MANAGEMENT

Interest rate price risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates relative to the interest rate that applies to the financial instrument. Interest rate cash flow risk is the risk that the interest cost will fluctuate over time. The Group has long-term debt and short-term debt that incur interest at fixed and variable interest rates that exposes the Group to both fair value and cash flow risk. Details of the interest rate terms, which apply to the Group's borrowings, are provided in Note 14.

The sensitivity analyses below have been determined based on the financial instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's: profit for the year ended 31 December 2013 would decrease/increase by USD 841 thousand (2012: decrease/increase by USD 948 thousand).

28.10. LIQUIDITY RISK MANAGEMENT

The tables below summarizes the maturity profile of the Group's financial liabilities at 31 December 2013 and 31 December 2012 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

ERNST & YOUNG
27 MAR 2014

Initialled for identification
Semnat pentru identificare

(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Year ended December 31, 2013	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Trade and other payables	649,573,767	318,030,251	979,855	-	-	968,583,873
Derivative financial instruments	-	63,466	-	-	-	63,466
Short-term borrowings from shareholders	24,851,026	2,259,265	333,417,521	-	-	360,527,812
Short-term debt	169,236,335	1,803,503	14,149,002	-	-	185,188,840
Other non-current liabilities	-	-	-	145,214	-	145,214
	843,661,128	**322,156,485**	**348,546,378**	**145,214**	**-**	**1,514,509,205**

Year ended December 31, 2012	Less than 1 month or on demand	<3 months	3-12 months	1-5 years	>5 years	Total
Trade and other payables	383.844.724	467.466.855	1.116	-	-	851.312.695
Derivative financial instruments	-	2.520.211	-	-	-	2.520.211
Net obligations under finance lease	-	40.151	40.800	-	-	80.951
Short-term borrowings from shareholders	74.136.176	4.121.754	510.493.922	-	-	588.751.852
Short-term debt	112.922.673	1.223.927	93.208.076	-	-	207.354.676
Other non-current liabilities	-	-	-	130.990	-	130.990
	570.903.573	**475.372.898**	**603.743.914**	**130.990**	**-**	**1.650.151.375**

28.11. COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil, oil product and refinery margin prices. Its operating activities require ongoing purchase of crude oil to be used in its production as well as supplies to its clients. Due to significantly increased volatility of crude oil, the management developed a hedge policy which was presented to the Group's Board of Directors and was approved in most significant aspects in 2010 and with some further amendments in February 2011. Following this approval, the Group started on January 2011 to hedge commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the basis risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow. The Group started a few transactions of refinery margin hedge during 2012 and the intention is to extend refinery margin hedge transactions in 2014. During 2013 there was no refinery margin hedge due to the lack of opportunities.

Trading activities are separated into physical (purchase from third parties other than KazmunayGas Group, and sales to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. As of 2013, the net trading position taking into consideration the realized and unrealized gains and losses on derivatives and physical trades was a net loss of USD 0.47 million (2012: net loss of USD 4.8 million).

28.12 CREDIT RISK

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

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare

28. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

Trade receivables

The retail operational segment is exposed to credit risk. Outstanding customer receivables are regularly monitored. Sales to KazMunayGas Trading AG, a related party represent 32% of the Group's revenues. The requirement for impairment is analyzed on a regular basis, being undertaken on an individual basis as well as collectively on the basis of ageing.

Financial instruments and bank deposits

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

29. SUBSEQUENT EVENTS

On January 30, 2014, the maturity date of the loan given by Banc Post to Rompetrol Rafinare S.A. was prolonged up to April 30, 2014.

Rompetrol Rafinare S.A credit facility of RON 13 million granted by Rompetrol Well Services S.A was prolonged until May 10, 2014.

Rompetrol Rafinare S.A credit facility of RON 7 million granted by Rompetrol Well Services S.A was prolonged until April 14, 2014.

Rompetrol Rafinare S.A credit facility of RON 3.1 million granted by Rompetrol Well Services S.A was prolonged until April 3, 2014.

Rompetrol Rafinare S.A credit facility of RON 1.5 million granted by Rompetrol Well Services S.A was prolonged until April 28, 2014.

Starting with January 1, 2014 the activity of Rompetrol Petrochemicals SRL was taken over by Rompetrol Rafinare SA.

On 22 January 2014, the Memorandum of Understanding between The Rompetrol Group NV and the romanian state was approved by Government Decision no.35/2014 pursuant to which the Ministry of Public Finances has been authorized and mandated to pursue all procedural actions required for the withdrawal of the claims and the termination of all Litigations, including the Main Claim, without hearing of the merits thereof that are mentioned in Note 26 "Litigations related to Hybrid Conversion".

ERNST & YOUNG
27 MAR 2014
Initialled for identification
Semnat pentru identificare