

**ROMPETROL RAFINARE S.A.**

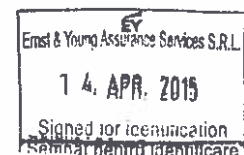
**CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2014**

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

**ROMPETROL RAFINARE S.A.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**Prepared in accordance with International Financial Reporting Standards**  
**As endorsed by the European Union (EU)**  
**At 31 December 2014**

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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 2014, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows 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

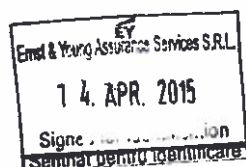
- 3 Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements 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 Rompetrol Rafinare S.A. expressed in USD, present a true and fair view of the financial position of the Group as of 31 December 2014 and of its' financial performance and 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 of the accounting policy described in Note 2 (d).



## 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 2014.

On behalf of



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



Name of signing person: Alexandru Lupea

Registered with the Chamber of Financial Auditors in Bucharest, Romania  
Romania  
Nr. 273/1 March 2001

14 April 2015

**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Financial Position**  
**as at December 31, 2014**

(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))

|   | December 31, 2014    |                      | December 31, 2013    |                      | December 31, 2012    |                      | December 31, 2014 |          | December 31, 2013 |          | December 31, 2012 |          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|-------------------|----------|-------------------|----------|-------------------|----------|
|   | USD                  | Restated             | USD                  | Restated             | USD                  | Restated             | RON               | Restated | RON               | Restated | RON               | Restated |
| Intangible assets   | 7,471,842            | 8,035,381            | 11,715,765           | 27,547,184           | 29,624,841           | 43,193,682           |                   |          |                   |          |                   |          |
| Goodwill  | 82,871,706           | 82,871,706           | 82,871,706           | 305,531,407          | 305,531,407          | 305,531,407          |                   |          |                   |          |                   |          |
| Property, plant and equipment                               | 1,127,681,929        | 1,161,647,701        | 1,162,651,800        | 4,157,537,738        | 4,282,762,742        | 4,286,464,656        |                   |          |                   |          |                   |          |
| Available for sale investments                              | 18,583               | 302,272              | 68,513               | 1,114,413            | 1,114,413            | 1,114,416            |                   |          |                   |          |                   |          |
| Long-term receivable  | 391,683              | 900,451              | 7,292,478            | 1,444,055            | 3,319,783            | 26,885,908           |                   |          |                   |          |                   |          |
| <b>Total non-current assets</b>                             | <b>1,218,435,743</b> | <b>1,253,757,511</b> | <b>1,264,834,021</b> | <b>4,492,128,897</b> | <b>4,622,353,166</b> | <b>4,663,190,069</b> |                   |          |                   |          |                   |          |
| Inventories, net  | 291,799,074          | 377,253,392          | 388,096,386          | 1,075,804,829        | 1,390,857,806        | 1,430,833,756        |                   |          |                   |          |                   |          |
| Trade and other receivables                                 | 272,344,381          | 320,937,214          | 284,613,763          | 1,004,079,260        | 1,183,231,320        | 1,049,314,021        |                   |          |                   |          |                   |          |
| Derivative financial instruments                            | 53,479               | -                    | -                    | 197,166              | -                    | -                    |                   |          |                   |          |                   |          |
| Cash and cash equivalents                                   | 12,937,600           | 118,470,507          | 159,264,897          | 47,598,343           | 436,777,066          | 587,177,822          |                   |          |                   |          |                   |          |
| <b>Total current assets</b>                                 | <b>577,134,534</b>   | <b>816,661,113</b>   | <b>831,975,046</b>   | <b>2,127,779,598</b> | <b>3,010,866,192</b> | <b>3,067,325,599</b> |                   |          |                   |          |                   |          |
| <b>TOTAL ASSETS</b>   | <b>1,795,570,277</b> | <b>2,070,418,624</b> | <b>2,096,809,067</b> | <b>6,619,908,495</b> | <b>7,633,219,378</b> | <b>7,730,515,668</b> |                   |          |                   |          |                   |          |
| Share capital   | 1,463,323,897        | 1,463,323,897        | 1,463,323,897        | 5,394,982,544        | 5,394,982,544        | 5,394,982,543        |                   |          |                   |          |                   |          |
| Share premium   | 74,050,518           | 74,050,518           | 74,050,518           | 273,009,450          | 273,009,450          | 273,009,450          |                   |          |                   |          |                   |          |
| Other reserves  | (3,425,510)          | (1,040,847)          | 283,383              | (12,629,170)         | (3,837,395)          | 1,044,776            |                   |          |                   |          |                   |          |
| Other reserves - Hybrid instrument                          | 1,000,000,000        | 1,000,000,000        | 800,000,000          | 3,686,800,000        | 3,686,800,000        | 2,949,440,000        |                   |          |                   |          |                   |          |
| Effect of transfers with equity holders                     | (596,832,659)        | (596,832,659)        | (596,832,659)        | (2,200,402,647)      | (2,200,402,647)      | (2,200,402,647)      |                   |          |                   |          |                   |          |
| Accumulated losses  | (1,533,770,430)      | (1,438,073,946)      | (1,275,327,849)      | (5,654,704,819)      | (5,301,891,023)      | (4,701,878,714)      |                   |          |                   |          |                   |          |
| Current year result   | (58,971,135)         | (95,399,941)         | (162,746,097)        | (217,414,784)        | (351,720,502)        | (600,012,310)        |                   |          |                   |          |                   |          |
| <b>Equity attributable to equity holders of the parent</b>  | <b>344,374,681</b>   | <b>406,027,022</b>   | <b>302,751,193</b>   | <b>1,269,640,574</b> | <b>1,496,940,427</b> | <b>1,116,183,098</b> |                   |          |                   |          |                   |          |
| Non-controlling interest                                    | 12,475,317           | 11,949,428           | 12,157,679           | 45,983,999           | 44,055,151           | 44,822,931           |                   |          |                   |          |                   |          |
| <b>Total equity</b>   | <b>356,849,998</b>   | <b>417,976,450</b>   | <b>314,908,872</b>   | <b>1,315,634,573</b> | <b>1,540,995,578</b> | <b>1,161,006,029</b> |                   |          |                   |          |                   |          |
| Deferred tax liabilities                                    | 306,570              | 395,869              | 738,795              | 1,130,262            | 1,459,490            | 2,723,789            |                   |          |                   |          |                   |          |
| Provisions  | 72,490,851           | 73,246,042           | 68,797,216           | 267,259,269          | 270,043,508          | 253,641,578          |                   |          |                   |          |                   |          |
| Other non-current liabilities                               | 167,844              | 145,214              | 130,990              | 618,806              | 535,375              | 482,934              |                   |          |                   |          |                   |          |
| <b>Total non-current liabilities</b>                        | <b>72,965,265</b>    | <b>73,787,125</b>    | <b>69,667,001</b>    | <b>269,008,337</b>   | <b>272,038,373</b>   | <b>256,848,299</b>   |                   |          |                   |          |                   |          |
| Trade and other payables                                    | 879,380,583          | 1,044,036,705        | 917,143,556          | 3,242,100,342        | 3,849,154,517        | 3,381,324,862        |                   |          |                   |          |                   |          |
| Derivative financial instruments                            | 479,575              | 63,466               | 2,520,211            | 1,768,088            | 233,986              | 9,291,514            |                   |          |                   |          |                   |          |
| Net obligations under finance leases                        | -                    | -                    | 80,254               | -                    | -                    | 295,881              |                   |          |                   |          |                   |          |
| Short-term borrowings from shareholders and related parties | 297,922,981          | 353,983,160          | 576,441,495          | 1,098,382,446        | 1,305,065,114        | 2,125,224,504        |                   |          |                   |          |                   |          |
| Short-term borrowings from banks                            | 187,971,875          | 180,258,301          | 204,546,337          | 693,014,709          | 664,576,304          | 754,121,435          |                   |          |                   |          |                   |          |
| Provisions - current portion                                | -                    | 313,417              | 11,501,341           | -                    | 1,155,506            | 42,403,144           |                   |          |                   |          |                   |          |
| <b>Total current liabilities</b>                            | <b>1,365,755,014</b> | <b>1,578,855,049</b> | <b>1,712,233,194</b> | <b>5,035,265,585</b> | <b>5,820,185,427</b> | <b>6,312,661,340</b> |                   |          |                   |          |                   |          |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>           | <b>1,795,570,277</b> | <b>2,070,418,624</b> | <b>2,096,809,067</b> | <b>6,619,908,495</b> | <b>7,633,219,378</b> | <b>7,730,515,668</b> |                   |          |                   |          |                   |          |

Ernst & Young Assurance Services SRL  
 14. APR. 2015  
 Signed for identification  
 Semnat pentru identificare

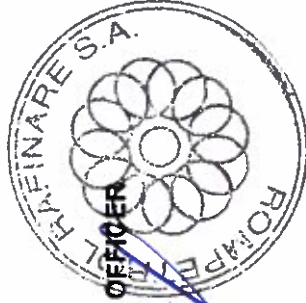
The accompanying notes on pages 10 – 70 are an integral part of these consolidated financial statements.  
 English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Financial Position**  
**as at December 31, 2014**

*(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))*

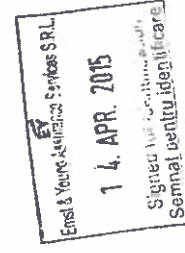
The consolidated financial statements on pages 3 to 70 were approved on March 24, 2015 and submitted for approval by the General Assembly of shareholders on April 29, 2015 by:

**AZAMAT ZHANGULOV**  
**PRESIDENT of the BOARD of DIRECTORS**



**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**GIANI-IULIAN KACIC**  
**CHIEF FINANCIAL OFFICER**



**ROMPETROL RAFINARE S.A.**  
**Consolidated Income Statement**  
**for the year ended at December 31, 2014**

*(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))*

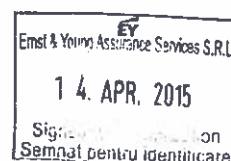
|  | Notes | 2014<br>USD         | 2013<br>USD<br>Restated | 2014<br>RON          | 2013<br>RON<br>Restated |
|--|-------|---------------------|-------------------------|----------------------|-------------------------|
| Revenues   | 15    | 4,349,048,980       | 3,910,907,653           | 16,034,073,779       | 14,418,734,335          |
| Cost of sales  | 16    | (4,143,859,481)     | (3,750,650,407)         | (15,277,581,136)     | (13,827,897,921)        |
| Gross profit   |       | <u>205,189,499</u>  | <u>160,257,246</u>      | <u>756,492,643</u>   | <u>590,836,414</u>      |
| Selling, general and administrative expenses, including logistic costs | 17    | (195,168,104)       | (219,726,314)           | (719,545,765)        | (810,086,973)           |
| Other operating income/(expenses), net                                 | 18    | 91,086              | 24,027,568              | 335,814              | 88,584,838              |
| Operating profit / (loss)  |       | <u>10,112,481</u>   | <u>(35,441,500)</u>     | <u>37,282,692</u>    | <u>(130,665,721)</u>    |
| Financial cost   | 19    | (69,375,364)        | (62,318,316)            | (255,773,092)        | (229,755,168)           |
| Financial income   | 19    | 947,718             | 4,654,231               | 3,494,047            | 17,159,219              |
| Foreign exchange gain / (loss), net                                    | 19    | 580,280             | (2,403,724)             | 2,139,375            | (8,862,050)             |
| Loss before income tax   |       | <u>(57,734,885)</u> | <u>(95,509,309)</u>     | <u>(212,856,978)</u> | <u>(352,123,720)</u>    |
| Income tax   | 21    | (710,361)           | (98,883)                | (2,618,959)          | (364,561)               |
| Loss for the year  |       | <u>(58,445,246)</u> | <u>(95,608,192)</u>     | <u>(215,475,937)</u> | <u>(352,488,281)</u>    |
| <i>Attributable to:</i>  |       |                     |                         |                      |                         |
| Equity holders of the parent   |       | (58,971,135)        | (95,399,941)            | (217,414,784)        | (351,720,502)           |
| Non-Controlling interest   |       | 525,889             | (208,251)               | 1,938,847            | (767,779)               |
| Earnings per share (US cents/share)                                    |       |                     |                         |                      |                         |
| Basic  | 23    | (0.134)             | (0.216)                 | (0.494)              | (0.796)                 |

The consolidated financial statements on pages 3 to 70 were approved on March 24, 2015 and submitted for approval by the General Assembly of shareholders on April 29, 2015 by:

**AZAMAT ZHANGULOV**  
**PRESIDENT of the BOARD of DIRECTORS**

**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**GIANI-IULIAN KACIC**  
**CHIEF FINANCIAL OFFICER**





**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Other Comprehensive Income**  
**for the year ended at December 31, 2014**

*(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))*

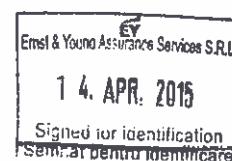
|   | 2014<br>USD         | 2013<br>USD         | 2014<br>RON          | 2013<br>RON          |
|---|---------------------|---------------------|----------------------|----------------------|
| <b>Net Loss for the year</b>                                      | <b>(58,445,246)</b> | <b>(95,608,192)</b> | <b>(215,475,937)</b> | <b>(352,488,281)</b> |
| <b>Other comprehensive income</b>                                 |                     |                     |                      |                      |
| Actuarial gains/(losses) on retirement benefits                   | (1,807,437)         | (1,297,537)         | (6,663,659)          | (4,783,759)          |
| Hedge Reserve   | (577,226)           | -                   | (2,128,117)          | -                    |
| <b>Other comprehensive income (loss) for the year, net of tax</b> | <b>(2,384,663)</b>  | <b>(1,297,537)</b>  | <b>(8,791,776)</b>   | <b>(4,783,759)</b>   |
| <b>Total comprehensive loss for the year, net of tax</b>          | <b>(60,829,909)</b> | <b>(96,905,729)</b> | <b>(224,267,713)</b> | <b>(357,272,040)</b> |
| <i>Attributable to:</i>   |                     |                     |                      |                      |
| Equity holders of the parent                                      | (61,355,798)        | (96,697,478)        | (226,206,561)        | (356,504,261)        |
| Non-Controlling interest  | 525,889             | (208,251)           | 1,938,847            | (767,779)            |
| <b>Total comprehensive loss for the year, net of tax</b>          | <b>(60,829,909)</b> | <b>(96,905,729)</b> | <b>(224,267,714)</b> | <b>(357,272,040)</b> |

The consolidated financial statements on pages 3 to 70 were approved on March 24, 2015 and submitted for approval by the General Assembly of shareholders on April 29, 2015 by:

**AZAMAT ZHANGULOV**  
**PRESIDENT of the BOARD of DIRECTORS**

**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**GIANI-IULIAN KACIC**  
**CHIEF FINANCIAL OFFICER**



**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Cash Flows**  
**for the year ended at December 31, 2014**

*(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))*

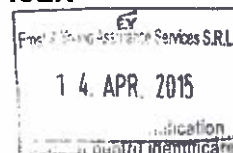
|   | 2014<br>USD          | 2013<br>USD         | 2014<br>RON          | 2013<br>RON          |
|---|----------------------|---------------------|----------------------|----------------------|
| <b>Net result before income tax</b>                                   | <b>(57,734,885)</b>  | <b>(95,509,309)</b> | <b>(212,856,978)</b> | <b>(352,123,720)</b> |
| Adjustments for:  |                      |                     |                      |                      |
| Depreciation and amortization   | 76,216,610           | 88,807,210          | 280,995,395          | 327,414,424          |
| Provisions for receivables and inventories (incl write-off)           | 5,410,861            | (3,460,692)         | 19,948,762           | (12,758,879)         |
| Impairment for property, plant and equipment (incl write-off)         | (325,055)            | (12,086,974)        | (1,198,409)          | (44,562,256)         |
| Provision for environmental and other liabilities                     | (3,178,654)          | (8,322,689)         | (11,719,062)         | (30,684,090)         |
| Restructuring and retirement benefit provisions                       | 302,609              | 286,054             | 1,115,659            | 1,054,824            |
| Late payment interest   | 5,109,484            | (2,084,072)         | 18,837,645           | (7,683,557)          |
| Interest expense and bank charges, net                                | 41,989,074           | 45,738,091          | 154,805,319          | 168,627,195          |
| Unrealised gains from derivatives                                     | (1,120,872)          | 1,880,885           | (4,132,431)          | 6,934,447            |
| (Gain)/Loss on sale or disposal of property, plant and equipment      | (1,842,478)          | (52,381)            | (6,792,849)          | (193,118)            |
| Unrealised foreign exchange (gain)/loss                               | (13,760,671)         | 3,620,334           | (50,732,842)         | 13,347,447           |
| <b>Cash generated from operations before working capital changes</b>  | <b>51,066,023</b>    | <b>18,816,457</b>   | <b>188,270,209</b>   | <b>69,372,517</b>    |
| <i>Net working capital changes:</i>                                   |                      |                     |                      |                      |
| Receivables and prepayments   | 62,445,680           | (33,118,186)        | 230,224,738          | (122,100,134)        |
| Inventories   | 75,862,169           | 15,860,123          | 279,688,645          | 58,473,101           |
| Trade and other payables, excluding payables for capital expenditures | (112,478,606)        | 119,962,365         | (414,686,128)        | 442,277,247          |
| <b>Change in working capital</b>                                      | <b>25,829,243</b>    | <b>102,704,302</b>  | <b>95,227,255</b>    | <b>378,650,214</b>   |
| <b>Income tax paid</b>  | <b>-</b>             | <b>-</b>            | <b>-</b>             | <b>-</b>             |
| <b>Cash payments for derivatives, net</b>                             | <b>906,276</b>       | <b>(4,364,323)</b>  | <b>3,341,258</b>     | <b>(16,090,386)</b>  |
| <b>Net cash provided by/(used in) operating activities</b>            | <b>77,801,542</b>    | <b>117,156,436</b>  | <b>286,838,722</b>   | <b>431,932,345</b>   |
| <b>Cash flows from investing activities</b>                           |                      |                     |                      |                      |
| Purchase of property, plant and equipment                             | (69,372,446)         | (64,554,736)        | (255,762,336)        | (238,000,401)        |
| Purchase of intangible assets   | (1,441,143)          | (974,958)           | (5,313,205)          | (3,594,474)          |
| Proceeds from sale of property, plant and equipment                   | 1,946,278            | 129,360             | 7,175,538            | 476,924              |
| <b>Net cash used in investing activities</b>                          | <b>(68,867,311)</b>  | <b>(65,400,334)</b> | <b>(253,900,003)</b> | <b>(241,117,951)</b> |
| <b>Cash flows from financing activities</b>                           |                      |                     |                      |                      |
| Cash pooling  | (24,154,089)         |                     | (89,051,295)         |                      |
| Loans (repaid to) received from shareholders                          | (56,060,179)         | (22,458,335)        | (206,682,668)        | (82,799,389)         |
| Loans (repaid to)/drawn from banks, net                               | 7,736,204            | (24,273,812)        | 28,521,837           | (89,492,690)         |
| Lease repayments  | -                    | (80,254)            | -                    | (295,880)            |
| Interest and bank charges paid, net                                   | (41,989,074)         | (45,738,091)        | (154,805,316)        | (168,627,194)        |
| <b>Net cash used in financing activities</b>                          | <b>(114,467,138)</b> | <b>(92,550,492)</b> | <b>(422,017,442)</b> | <b>(341,215,153)</b> |
| <b>Increase / (Decrease) in cash and cash equivalents</b>             | <b>(105,532,907)</b> | <b>(40,794,390)</b> | <b>(389,078,723)</b> | <b>(150,400,759)</b> |
| <b>Cash and cash equivalents at the beginning of period</b>           | <b>118,470,507</b>   | <b>159,264,897</b>  | <b>436,777,066</b>   | <b>587,177,825</b>   |
| <b>Cash and cash equivalents at the end of the period</b>             | <b>12,937,600</b>    | <b>118,470,507</b>  | <b>47,698,343</b>    | <b>436,777,066</b>   |

The consolidated financial statements on pages 3 to 70 were approved on March 24, 2015 and submitted for approval by the General Assembly of shareholders on April 29, 2015 by:

**AZAMAT ZHANGULOV**  
**PRESIDENT of the BOARD of DIRECTORS**

**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**GIANI-IULIAN KACIC**  
**CHIEF FINANCIAL OFFICER**



The accompanying notes on pages 10 – 70 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.

**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the year ended at December 31, 2014**

(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**

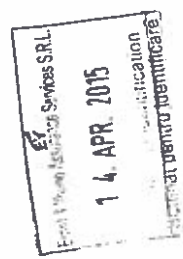
|  | Share capital        | Share premium     | Accumulated losses<br>Restated* | Effect of transfers with equity holders | Other reserves     | Equity attributable to equity holders of the parent | Non-Controlling interest | Total equity        |
|--|----------------------|-------------------|---------------------------------|---|--------------------|---|--------------------------|---------------------|
| <b>December 31, 2012</b>               | <b>1,463,323,897</b> | <b>74,050,518</b> | <b>(1,391,084,946)</b>          | <b>(596,832,659)</b>                    | <b>800,283,383</b> | <b>349,740,193</b>                                  | <b>12,157,679</b>        | <b>361,897,872</b>  |
| Unpumpable stock capitalisation effect | -                    | -                 | (46,989,000)                    | -                                       | -                  | (46,989,000)  | -                        | (46,989,000)        |
| <b>December 31, 2012 Restated*</b>     | <b>1,463,323,897</b> | <b>74,050,518</b> | <b>(1,438,073,946)</b>          | <b>(596,832,659)</b>                    | <b>800,283,383</b> | <b>302,751,193</b>                                  | <b>12,157,679</b>        | <b>314,908,872</b>  |
| 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)         |
| <b>Total comprehensive income</b>      | <b>-</b>             | <b>-</b>          | <b>(95,399,941)</b>             | <b>-</b>                                | <b>(1,297,537)</b> | <b>(96,697,478)</b>                                 | <b>(208,251)</b>         | <b>(96,905,729)</b> |
| Hedging reserves                       | -                    | -                 | -                               | -                                       | (26,693)           | (26,693)  | -                        | (26,693)            |
| Hybrid instrument - reserves           | -                    | -                 | -                               | -                                       | 200,000,000        | 200,000,000   | -                        | 200,000,000         |
| <b>December 31, 2013</b>               | <b>1,463,323,897</b> | <b>74,050,518</b> | <b>(1,533,473,887)</b>          | <b>(596,832,659)</b>                    | <b>998,959,153</b> | <b>406,027,022</b>                                  | <b>11,949,428</b>        | <b>417,976,450</b>  |
| Net loss for 2014                      | -                    | -                 | (58,971,135)                    | -                                       | -                  | (58,971,135)  | 525,889                  | (58,445,246)        |
| Other comprehensive income             | -                    | -                 | -                               | -                                       | (1,807,437)        | (1,807,437)   | -                        | (1,807,437)         |
| <b>Total comprehensive income</b>      | <b>-</b>             | <b>-</b>          | <b>(58,971,135)</b>             | <b>-</b>                                | <b>(1,807,437)</b> | <b>(60,778,572)</b>                                 | <b>525,889</b>           | <b>(60,252,683)</b> |
| Hedging reserves                       | -                    | -                 | -                               | -                                       | (577,226)          | (577,226)   | -                        | (577,226)           |
| Other movements                        | -                    | -                 | (296,543)                       | -                                       | -                  | (296,543)   | -                        | (296,543)           |
| <b>December 31, 2014</b>               | <b>1,463,323,897</b> | <b>74,050,518</b> | <b>(1,592,741,565)</b>          | <b>(596,832,659)</b>                    | <b>996,574,490</b> | <b>344,374,681</b>                                  | <b>12,475,317</b>        | <b>356,849,998</b>  |

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**YEDIL UTEKOV**  
**CHIEF EXECUTIVE OFFICER**

**GIANI-IULIAN KACIC**  
**CHIEF FINANCIAL OFFICER**



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**ROMPETROL RAFINARE S.A.**  
**Consolidated Statement of Changes in Equity**  
**for the year ended at December 31, 2014**

(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, 2012                      | 5,394,982,544 | 273,009,450   | (5,128,651,978)    | (2,200,402,647)                         | 2,950,484,776  | 1,289,422,145                                       | 44,822,931               | 1,334,245,076 |
| Unpumpable stock capitalisation effect | -             | -             | (173,239,045)      | -                                       | -              | (173,239,045)                                       | -                        | (173,239,045) |
| December 31, 2012 Restated             | 5,394,982,544 | 273,009,450   | (5,301,891,023)    | (2,200,402,647)                         | 2,950,484,776  | 1,116,183,100                                       | 44,822,931               | 1,161,006,031 |
| Net loss for 2013                      | -             | -             | (351,720,502)      | -                                       | -              | (351,720,502)                                       | (767,780)                | (352,488,282) |
| Other comprehensive income             | -             | -             | -                  | -                                       | (4,783,759)    | (4,783,759)   | -                        | (4,783,759)   |
| Total comprehensive income             | -             | -             | (351,720,502)      | -                                       | (4,783,759)    | (356,504,261)                                       | (767,780)                | (357,272,041) |
| Hedging reserves                       | -             | -             | -                  | -                                       | (98,412)       | (98,412)  | -                        | (98,412)      |
| Hybrid instrument - reserves           | -             | -             | -                  | -                                       | 737,360,000    | 737,360,000   | -                        | 737,360,000   |
| December 31, 2013                      | 5,394,982,544 | 273,009,450   | (5,653,611,525)    | (2,200,402,647)                         | 3,682,962,605  | 1,496,940,427                                       | 44,055,151               | 1,540,995,578 |
| Net loss for 2014                      | -             | -             | (217,414,785)      | -                                       | -              | (217,414,785)                                       | 1,938,848                | (215,475,937) |
| Other comprehensive income             | -             | -             | -                  | -                                       | (6,663,659)    | (6,663,659)   | -                        | (6,663,659)   |
| Total comprehensive income             | -             | -             | (217,414,785)      | -                                       | (6,663,659)    | (224,078,444)                                       | 1,938,848                | (222,139,596) |
| Hedging reserves                       | -             | -             | -                  | -                                       | (2,128,116)    | (2,128,116)   | -                        | (2,128,116)   |
| Other movements                        | -             | -             | (1,093,293)        | -                                       | -              | (1,093,293)   | -                        | (1,093,293)   |
| December 31, 2014                      | 5,394,982,544 | 273,009,450   | (5,872,119,603)    | (2,200,402,647)                         | 3,674,170,830  | 1,269,640,574                                       | 45,993,999               | 1,315,634,573 |

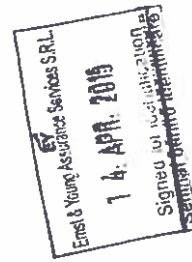
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

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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 (see Note 6.a). The number of employees of the Group at the end of 2014 and 2013 was 3,476 and 3,725 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 KMG International 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**

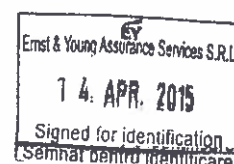
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), effective as of December 31, 2014, as endorsed by the European Union ("EU").

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

The consolidated financial statements provide comparative information in respect of the previous period. In addition, the Group presents an additional statement of financial position at the beginning of the earliest period presented when there is a retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements.

**b) Going concern**

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2014 and 2013 the Group reported net assets including non-controlling interest, of USD 357 million and USD 418 million respectively. For the years ended December 31, 2014 and 2013 the Group reported losses of USD 59 million and USD 96 million respectively. The accumulated losses incurred so far, are due to the fact that the Group has been undertaking an ongoing modernization of its refinery and petrochemicals activities and has developed its retail network in Romania.



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

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

The 2015-2019 strategy is a mixture of cost optimization projects for production and network expansion for retail. The main objective for the 2015-2019 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 following:

- Strengthen The Group's retail network presence following the upgrading of the Petromidia Refinery.
- Cost reduction initiatives in refining with the purpose to streamline processes and increase profitability;
- Increasing the competitiveness and the utilization parameters of the refineries, as well as reducing unit costs of refining capacity, mainly referring to the improvement of the energy consumption and associated costs;

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

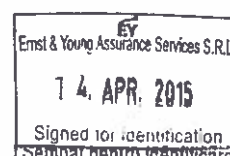
The Group has completed during 2014 additional bank borrowings and facilities that have provided additional funding for investments and operations. The Group has received confirmation from its ultimate parents company of its' continuing support during the next twelve months should the need arise for 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 2015 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 Group changed the accounting policy for the un-pumpable stock, considering the un-pumpable as property plant and equipment instead of inventory as it was treated in the past. The management considers that this presentation it's providing more relevant and reliable information within the financial statements, being in line with industry practice. This change reflects the nature of the un-pumpable stock, considering that it is used as part of the related property, plant and equipment, during more than one period. The change was done in accordance with IAS 8.14.b and will be applied retrospectively, as per IAS 8.22.

A restatement of prior reported periods was determined by the voluntary accounting policy change for the capitalization of un-pumpable stock within Rompetrol Rafinare.



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

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

As a result of the voluntary accounting policy change, the following adjustments were made to the financial statements:

|   | USD          | RON           |
|---|--------------|---------------|
| Property, plant and equipment           | 11,832,000   | 43,622,218    |
| Inventory                               | (58,821,000) | (216,861,263) |
| Retained earnings / Current year result | (46,989,000) | (173,239,045) |

The total restatement impact in the 2013 and 2012 financial statements is presented below:

**Consolidated Statement of Financial Position**

**Amounts in USD**

| Account Description          | 2012                   |              | 2012            |                        | 2013         |                 | 2013            |  |
|------------------------------|------------------------|--------------|-----------------|------------------------|--------------|-----------------|-----------------|--|
|                              | as previously reported | Adjustment   | as restated     | as previously reported | Adjustment   | as restated     | as restated     |  |
| Property Plant and Equipment | 1,150,819,800          | 11,832,000   | 1,162,651,800   | 1,149,815,701          | 11,832,000   | 1,161,647,701   | 1,161,647,701   |  |
| Inventory                    | 446,917,386            | (58,821,000) | 388,096,386     | 436,074,392            | (58,821,000) | 377,253,392     | 377,253,392     |  |
| Retained Earnings            | (1,228,338,849)        | (46,989,000) | (1,275,327,849) | (1,391,084,946)        | (46,989,000) | (1,438,073,946) | (1,438,073,946) |  |

The above had the following impact on the following totals:

|                              |                 |              |                 |                 |              |                 |                 |
|------------------------------|-----------------|--------------|-----------------|-----------------|--------------|-----------------|-----------------|
| Total Assets                 | 2,143,798,067   | (46,989,000) | 2,096,809,067   | 2,117,407,624   | (46,989,000) | 2,070,418,624   | 2,070,418,624   |
| Total Equity                 | (361,897,872)   | (46,989,000) | (408,886,872)   | (464,965,450)   | (46,989,000) | (511,954,450)   | (511,954,450)   |
| Total Liabilities            | 1,781,900,195   | -            | 1,781,900,195   | (2,397,429,561) | -            | (2,397,429,561) | (2,397,429,561) |
| Total Liabilities and Equity | (1,420,002,323) | (46,989,000) | (1,466,991,323) | (1,642,566,193) | (46,989,000) | (1,689,555,193) | (1,689,555,193) |

**Amounts in RON**

| Account Description          | 2012                   |               | 2012            |                        | 2013          |                 | 2013            |  |
|------------------------------|------------------------|---------------|-----------------|------------------------|---------------|-----------------|-----------------|--|
|                              | as previously reported | Adjustment    | as restated     | as previously reported | Adjustment    | as restated     | as restated     |  |
| Property Plant and Equipment | 4,242,842,439          | 43,622,218    | 4,286,464,656   | 4,239,140,526          | 43,622,218    | 4,282,762,744   | 4,282,762,744   |  |
| Inventory                    | 1,647,695,019          | (216,861,263) | 1,430,833,756   | 1,607,719,068          | (216,861,263) | 1,390,857,806   | 1,390,857,806   |  |
| Retained Earnings            | (4,528,639,668)        | (173,239,045) | (4,701,878,714) | (5,128,651,979)        | (173,239,045) | (5,301,891,024) | (5,301,891,024) |  |

The above had the following impact on the following totals:

|                              |                 |               |                 |                 |               |                 |                 |
|------------------------------|-----------------|---------------|-----------------|-----------------|---------------|-----------------|-----------------|
| Total Assets                 | 7,903,754,713   | (173,239,045) | 7,730,515,668   | 7,806,458,428   | (173,239,045) | 7,633,219,383   | 7,633,219,383   |
| Total Equity                 | (1,334,245,074) | (173,239,045) | (1,507,484,120) | (1,714,234,621) | (173,239,045) | (1,887,473,666) | (1,887,473,666) |
| Total Liabilities            | 6,569,509,639   | -             | 6,569,509,639   | (8,838,843,305) | -             | (8,838,843,305) | (8,838,843,305) |
| Total Liabilities and Equity | (5,235,264,564) | (173,239,045) | (5,408,503,610) | (6,055,813,040) | (173,239,045) | (6,229,052,086) | (6,229,052,086) |

Ernst & Young Assurance Services S.R.L.  
**7 4, APR. 2015**  
 Signed for identification  
 Statment number: 14444444444444444444

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

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

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 2014:

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**
- **IFRS 11 Joint Arrangements**
- **IFRS 12 Disclosures of Interests in Other Entities**
- **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**
- **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets**
- **IFRIC Interpretation 21: Levies**

The adoption of the standards or interpretations is described below:

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

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. Since the Group already applies the equity method to account for investments in joint ventures, 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**

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 amendment affects presentation only and has no impact on the Group's financial position or performance.

- **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements**

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 has assessed that the standard has no impact on its financial position or performance.

- **IFRS 11 Joint Arrangements**

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. Group already applies equity method to account for investment in joint venture, therefore the Group does not expect that this change will have an impact on the financial position or performance of the Group.



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

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

• **IFRS 12 Disclosure of Interests in Other Entities**

IFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IFRS 12 are more comprehensive than the previous existing disclosure requirements for subsidiaries. The Group has assessed that the standard has no impact on its disclosures.

• **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting**

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. The Group has assessed that the amendment has no impact on its financial position or performance as the Group does not have any such transactions.

• **IAS 36 Impairment of Assets – Recoverable Amount Disclosures for Non-financial Assets**

The amendments remove the unintended consequences of IFRS 13 Fair Value Measurement 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 losses have been recognised or reversed during the period. The Group has assessed that the standard has no impact on its financial position or performance.

• **IFRIC Interpretation 21: Levies**

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. The Group has assessed that has no impact on its financial position or performance from applying the interpretation.

**d) Foreign currency translation**

The group functional currency is the US Dollar (or "USD") and is the currency of the primary economic environment in which the Group operates.

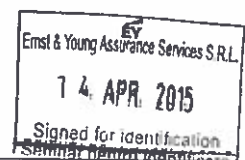
Transactions and balances not already measured in USD, and that are primarily measured in RON or other currencies, have been re-measured in USD as follows:

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.



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

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 published 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 does 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 multiplying the values in USD with the 31 December 2014 closing exchange rate of RON 3.6868= USD 1, for both 2014 and 2013 amounts.

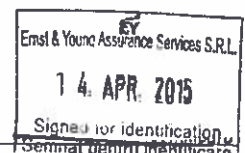
**e) Significant accounting judgments, estimates and assumptions**

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.

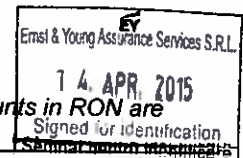
The matters presented below are considered to be the most important in understanding the judgments that are involved in preparing these consolidated financial statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.



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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 (Note 4).

- 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. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 4.

- 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 14.

- 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.

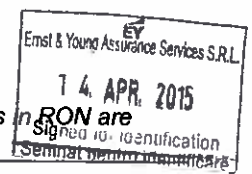
Further details on deferred tax assets are provided in Notes 11 and 20.

- 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.

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

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 their retirement. These amounts are estimated as of the balance sheet date based on: the applicable benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions on future liabilities. The defined benefit liability as of balance sheet 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 recognised in other comprehensive income are presented in the 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 14.

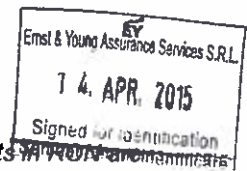
**f) Standards issued but not yet effective**

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

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**  
The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment the financial position or performance of the Group.
- **IAS 19 Employee benefits (Amended): Employee Contributions**  
The amendment is effective for annual periods beginning on or after 1 February 2015. 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. The Group is in the process of assessing the impact of this amendment on the disclosure requirements.
- **IFRS 9 Financial Instruments – Classification and measurement**  
The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment to the financial position or performance of the Group.
- **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

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

statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU. This new standard has no impact on the Group as it already presents IFRS financial statements.

• **IFRS 15 Revenue from Contracts with Customers**

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU. The Group is in the process of assessing the impact of this new standard on the Group's financial position or performance.

• **IAS 27 Separate Financial Statements (amended)**

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.

• **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

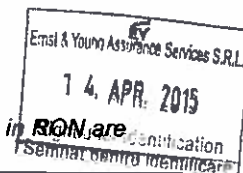
The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU. The Group is in the process of assessing the impact of this amendment on the Group's financial position or performance.

• **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 February 2015. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.

- **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.

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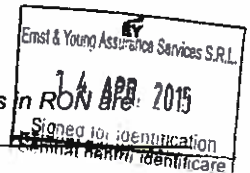


**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **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 January 2015. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.
  - The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU. The Group has assessed the impact on its financial position or performance and is complying with these disclosures.
    - **IFRS 5 Non-current Assets Held for Sale and Discontinued Operations:** The amendment clarifies that changing from one of the disposal methods to the other (through sale or through distribution to the owners) should not be considered to be a new plan of disposal, rather it is a continuation of the original plan. There is therefore no interruption of the application of the requirements in IFRS 5. The amendment also clarifies that changing the disposal method does not change the date of classification.
    - **IFRS 7 Financial Instruments: Disclosures:** The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. Also, the amendment clarifies that the IFRS 7 disclosures relating to the offsetting of financial assets and financial liabilities are not required in the condensed interim financial report.
    - **IAS 19 Employee Benefits:** The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used.
    - **IAS 34 Interim Financial Reporting:** The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the greater interim financial report (e.g., in the management commentary or risk report). The Board specified that the other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. If users do not have access to the other information in this manner, then the interim financial report is incomplete.
  - **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**  
The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to *IAS 28 Investments in Associates and Joint Ventures* allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

• **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 *Presentation of Financial Statements* further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted investments.

**g) Basis of consolidation**

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2014.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary

acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

**h) Business combinations and goodwill**

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.

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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

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 units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

**i) Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

*i. Financial assets*

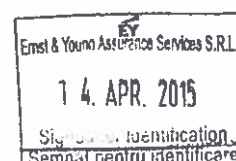
**Initial recognition and measurement**

Financial assets are classified, at initial recognition, 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. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

**Subsequent measurement**

For purposes of subsequent measurement financial assets are classified in four categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets





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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Derecognition**

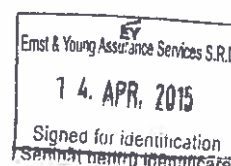
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired
- Or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

**Impairment of financial assets**

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event'), has an impact on the estimated future cash flows of the financial asset or the group of financial assets that 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 bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

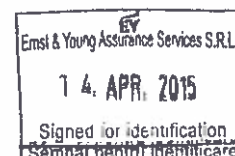


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**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*ii. Financial liabilities*



**Initial recognition and measurement**

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, financial guarantee contracts and derivative financial instruments.

**Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

- Financial liabilities at fair value through profit or loss
- Loans and borrowings
- Financial guarantee contracts

**Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

*iii. Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously

**j) Property, plant and equipment**

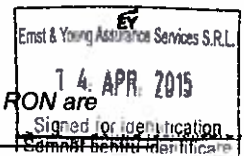
The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the assets have been 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.

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.

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.

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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))*



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

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 |
| Storage tanks                     | 20 to 30 years |
| Tank cars                         | 25 years       |
| Machinery and other equipment     | 3 to 20 years  |
| Gas pumps                         | 8 to 12 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.

**k) 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.

**l) 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 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.

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

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.

**m) 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.

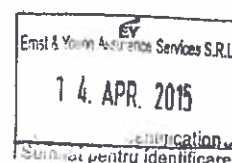
Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to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

***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.



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

**n) 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.

**o) Inventories**

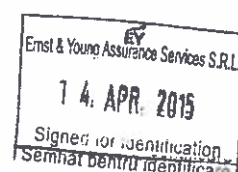
Inventories, including work-in-process are stated at the lower of cost and net realizable value. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. Cost comprises the acquisition cost and other costs that have been incurred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

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

**q) 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.



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

**r) 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.

**s) 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.

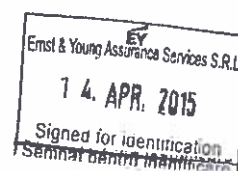
**t) Borrowings costs**

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.

**u) 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.



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

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.

**v) 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.

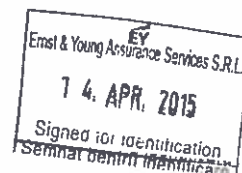
- *Deferred tax*

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.

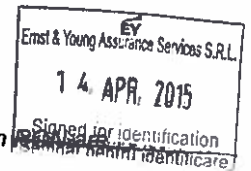
Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits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



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

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.

**w) Dividends**

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

**x) 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.

**y) 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 risks of changes in fair value of crude oil and related oil products (commodity risk). The Group also uses financial instruments (primarily Options, Swaps and forwards) to hedge its risks associated with the fluctuation of foreign exchange.



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

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.

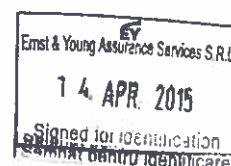
Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognized in period profit or loss as they arise.

For the future contracts (purchase and sales contracts) that are entered into by the Group to hedge its commodity risk the realised and unrealised gains/losses are included in Cost of sales for the period (see Note 16).

**z) 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.



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**3. INTANGIBLE ASSETS**

**Amounts in USD**

|  | <u>Software</u>     | <u>Other</u>        | <u>Intangibles<br/>in progress</u> | <u>Total</u>        |
|--|---------------------|---------------------|------------------------------------|---------------------|
| <b>Cost</b>                                    |                     |                     |                                    |                     |
| Opening balance as of January 1, 2013          | 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           |
| <b>Closing balance as of December 31, 2013</b> | <b>31,795,891</b>   | <b>38,871,117</b>   | <b>2,105,306</b>                   | <b>72,772,314</b>   |
| Additions                                      | -                   | -                   | 1,441,143                          | 1,441,143           |
| Transfers from CIP                             | 1,215,896           | -                   | (1,215,896)                        | -                   |
| Disposals                                      | -                   | (67,353)            | (330,390)                          | (397,743)           |
| Transfers and reclassifications*               | -                   | -                   | 569,307                            | 569,307             |
| <b>Closing balance as of December 31, 2014</b> | <b>33,011,787</b>   | <b>38,803,764</b>   | <b>2,569,470</b>                   | <b>74,385,021</b>   |
| <b>Accumulated amortization</b>                |                     |                     |                                    |                     |
| Opening balance as of January 1, 2013          | (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<br>of disposals       | 23,714              | 212,522             | -                                  | 236,236             |
| Reclassification between categories*           | (67,316)            | 61,983              | -                                  | (5,333)             |
| <b>Closing balance as of December 31, 2013</b> | <b>(31,195,296)</b> | <b>(33,018,257)</b> | <b>(523,380)</b>                   | <b>(64,736,933)</b> |
| Charge for the year                            | (851,889)           | (1,391,710)         | -                                  | (2,243,599)         |
| Accumulated amortization of disposals          | -                   | 67,353              | -                                  | 67,353              |
| <b>Closing balance as of December 31, 2014</b> | <b>(32,047,185)</b> | <b>(34,342,614)</b> | <b>(523,380)</b>                   | <b>(66,913,179)</b> |
| <b>Net book value</b>                          |                     |                     |                                    |                     |
| As of December 31, 2013                        | 600,595             | 5,852,860           | 1,581,926                          | 8,035,381           |
| As of December 31, 2014                        | 964,602             | 4,461,150           | 2,046,090                          | 7,471,842           |

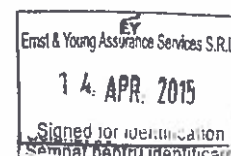
*\*) Include, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*

Major part of "Other Intangible Assets" relates to licenses.

In 2014, out of the total additions of USD 1.44 million, USD 0.92 million refers to software in relation to critical equipment and filling station of Rompetrol Downstream.

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 referring to costs for integration IT applications into ERP system.

Transfers and reclassifications of USD 0.569 million (RON 2.098 million) represent transfers, reclassifications between categories and other adjustments.




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**3. INTANGIBLE ASSETS (continued)**

**Amounts in RON**

|  | <u>Software</u>      | <u>Other</u>         | <u>Intangibles<br/>in progress</u> | <u>Total</u>         |
|--|----------------------|----------------------|------------------------------------|----------------------|
| <b>Cost</b>                                    |                      |                      |                                    |                      |
| Opening balance as of January 1, 2013          | 117,203,446          | 139,615,308          | 4,342,306                          | 261,161,060          |
| Additions                                      | 13,980               | -                    | 3,580,495                          | 3,594,475            |
| Transfers from CIP                             | 76,051               | 4,636,077            | (4,712,129)                        | (1)                  |
| Disposals                                      | (87,429)             | (794,874)            | -                                  | (882,303)            |
| Transfers and reclassifications*               | 19,042               | (146,477)            | 4,551,171                          | 4,423,736            |
| <b>Closing balance as of December 31, 2013</b> | <b>117,225,090</b>   | <b>143,310,034</b>   | <b>7,761,843</b>                   | <b>268,296,967</b>   |
| Additions                                      | -                    | -                    | 5,313,206                          | 5,313,206            |
| Transfers from CIP                             | 4,482,765            | -                    | (4,482,765)                        | -                    |
| Disposals                                      | -                    | (248,317)            | (1,218,082)                        | (1,466,399)          |
| Transfers and reclassifications*               | -                    | -                    | 2,098,919                          | 2,098,919            |
| <b>Closing balance as of December 31, 2014</b> | <b>121,707,855</b>   | <b>143,061,717</b>   | <b>9,473,121</b>                   | <b>274,242,693</b>   |
| <b>Accumulated amortization</b>                |                      |                      |                                    |                      |
| Opening balance as of January 1, 2013          | (107,387,676)        | (108,650,103)        | (1,929,597)                        | (217,967,376)        |
| Charge for the year                            | (7,462,391)          | (14,093,652)         | -                                  | (21,556,043)         |
| Accumulated amortization of disposals          | 87,429               | 783,526              | -                                  | 870,955              |
| Reclassification between categories*           | (248,181)            | 228,519              | -                                  | (19,662)             |
| <b>Closing balance as of December 31, 2013</b> | <b>(115,010,819)</b> | <b>(121,731,710)</b> | <b>(1,929,597)</b>                 | <b>(238,672,126)</b> |
| Charge for the year                            | (3,140,746)          | (5,130,956)          | -                                  | (8,271,702)          |
| Accumulated amortization of disposals          | -                    | 248,319              | -                                  | 248,319              |
| <b>Closing balance as of December 31, 2014</b> | <b>(118,151,565)</b> | <b>(126,614,347)</b> | <b>(1,929,597)</b>                 | <b>(246,695,509)</b> |
| <b>Net book value</b>                          |                      |                      |                                    |                      |
| <b>As of December 31, 2013</b>                 | <b>2,214,271</b>     | <b>21,578,324</b>    | <b>5,832,246</b>                   | <b>29,624,841</b>    |
| <b>As of December 31, 2014</b>                 | <b>3,556,290</b>     | <b>16,447,370</b>    | <b>7,543,524</b>                   | <b>27,547,184</b>    |

  
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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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))*

**4. GOODWILL**

The carrying value of goodwill as of 31 December 2014 and 2013 was USD 82,871,706 (RON: 305,531,407).

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 2014 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 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% (2013: 9.7%) 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 value is 8.2% (2013: 8.2%).

*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:


|                    | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> |
|--------------------|-------------|-------------|-------------|-------------|-------------|
| Downstream Romania | 4.0%        | 2.9%        | 2.4%        | 2.1%        | 2.2%        |

Discount rates - Discount rates reflect the current market assessment of the risks specific to the cash generating unit. The discount rate was estimated based on the 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 that 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:

|  |
|--|
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**4. GOODWILL (continued)**

*Downstream Romania*

The break-even point for the current model is achieved under a decrease of Operating profit of 80% reaching the following Operating profit margins:

**Downstream Romania**

|                                    | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> | <b>2019</b> |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|
| Break Even Operating profit margin | 0.8%        | 0.6%        | 0.5%        | 0.4%        | 0.4%        |

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

**5. PROPERTY, PLANT AND EQUIPMENT**

**Amounts in USD**

|  | <b>Land and buildings</b> | <b>Plant and equipment</b> | <b>Vehicles and others</b> | <b>Construction in progress</b> | <b>Total</b>           |
|--|---------------------------|----------------------------|----------------------------|---------------------------------|------------------------|
| <b>Cost</b>                                      |                           |                            |                            |                                 |                        |
| As of January 1, 2013                            | <b>916,114,982</b>        | <b>1,004,005,235</b>       | <b>104,310,995</b>         | <b>135,797,779</b>              | <b>2,160,228,991</b>   |
| Acquisitions                                     | 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)            |
| <b>As of December 31, 2013</b>                   | <b>959,896,080</b>        | <b>1,077,257,127</b>       | <b>106,393,160</b>         | <b>84,245,672</b>               | <b>2,227,792,039</b>   |
| Additions  | -                         | 333,309                    | 166,756                    | 39,533,481                      | 40,033,546             |
| Transfers from CIP                               | 8,122,307                 | 19,706,563                 | 14,060,347                 | (41,909,112)                    | (19,895,000)           |
| Disposals  | (11,822,828)              | (18,827,361)               | (4,014,001)                | (715,802,000)                   | (35,379,992)           |
| Transfers and reclassifications*                 | (2,103,633)               | 2,732,966                  | (355,558)                  | (668,912)                       | (395,137)              |
| <b>As of December 31, 2014</b>                   | <b>954,091,926</b>        | <b>1,081,202,604</b>       | <b>116,250,704</b>         | <b>80,485,327</b>               | <b>2,232,030,561</b>   |
| <b>Accumulated depreciation &amp; Impairment</b> |                           |                            |                            |                                 |                        |
| As of January 1, 2013                            | <b>(394,557,375)</b>      | <b>(484,426,302)</b>       | <b>(88,103,633)</b>        | <b>(30,489,881)</b>             | <b>(997,577,191)</b>   |
| 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 and reclassifications*                 | (18,270,672)              | 18,236,732                 | 700,738                    | -                               | 666,798                |
| <b>As of December 31, 2013</b>                   | <b>(427,101,935)</b>      | <b>(516,284,445)</b>       | <b>(92,459,918)</b>        | <b>(30,298,040)</b>             | <b>(1,066,144,338)</b> |
| Charge for the year                              | (19,531,087)              | (49,422,841)               | (5,019,083)                | -                               | (73,973,011)           |
| Accumulated depreciation of disposals            | 3,752,488                 | 10,190,584                 | 3,789,727                  | -                               | 17,732,799             |
| Impairment                                       | 8,327,838                 | 8,496,692                  | -                          | 1,374,308                       | 18,198,838             |
| Transfers & Reclassifications*                   | 279,981                   | (822,853)                  | 379,952                    | -                               | (162,920)              |
| <b>As of December 31, 2014</b>                   | <b>(434,272,715)</b>      | <b>(547,842,863)</b>       | <b>(93,309,322)</b>        | <b>(28,923,732)</b>             | <b>(1,104,348,632)</b> |
| <b>Net book value as of December 31, 2013</b>    | <b>532,794,145</b>        | <b>560,972,682</b>         | <b>13,933,242</b>          | <b>53,947,632</b>               | <b>1,161,647,701</b>   |
| <b>Net book value as of December 31, 2014</b>    | <b>519,819,211</b>        | <b>533,359,741</b>         | <b>22,941,382</b>          | <b>51,561,595</b>               | <b>1,127,681,929</b>   |

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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

**Amounts in RON**

|  | Land and buildings     | Plant and equipment<br>Restated* | Vehicles and others  | Construction in progress | Total                  |
|--|------------------------|----------------------------------|----------------------|--------------------------|------------------------|
| <b>Cost</b>                                      |                        |                                  |                      |                          |                        |
| <b>As of January 1, 2013</b>                     | <b>3,377,532,716</b>   | <b>3,701,566,500</b>             | <b>384,573,776</b>   | <b>500,659,252</b>       | <b>7,964,332,244</b>   |
| Acquisitions                                     | 163,406                | 6,719,499                        | 578,754              | 254,317,330              | 261,778,989            |
| Transfers from CIP                               | 162,896,196            | 272,999,827                      | 9,642,685            | (445,538,708)            | -                      |
| Disposals  | (470,200)              | (4,177,432)                      | (1,669,243)          | -                        | (6,316,875)            |
| Transfers and reclassifications*                 | (1,177,251)            | (5,476,819)                      | (875,670)            | 1,159,069                | (6,370,671)            |
| <b>As of December 31, 2013</b>                   | <b>3,538,944,867</b>   | <b>3,971,631,575</b>             | <b>392,250,302</b>   | <b>310,596,943</b>       | <b>8,213,423,687</b>   |
| Additions  | -                      | 1,228,844                        | 614,795              | 145,752,040              | 147,595,679            |
| Transfers from CIP                               | 29,945,321             | 72,654,156                       | 51,837,687           | (154,510,513)            | (73,349)               |
| Disposals  | (43,588,402)           | (69,412,715)                     | (14,798,819)         | (2,639,019)              | (130,438,955)          |
| Transfers and reclassifications*                 | (7,755,674)            | 10,075,899                       | (1,310,871)          | (2,466,145)              | (1,456,791)            |
| <b>As of December 31, 2014</b>                   | <b>3,517,546,112</b>   | <b>3,986,177,759</b>             | <b>428,593,094</b>   | <b>296,733,306</b>       | <b>8,229,050,271</b>   |
| <b>Accumulated depreciation &amp; Impairment</b> |                        |                                  |                      |                          |                        |
| <b>As of January 1, 2013</b>                     | <b>(1,454,654,130)</b> | <b>(1,785,982,890)</b>           | <b>(324,820,474)</b> | <b>(112,410,093)</b>     | <b>(3,677,867,587)</b> |
| Charge for the year                              | (94,851,937)           | (190,706,602)                    | (20,299,842)         | -                        | (305,858,381)          |
| Accumulated depreciation of disposals            | 222,237                | 2,296,268                        | 1,642,322            | -                        | 4,160,827              |
| Impairment                                       | 42,004,730             | 3,720,549                        | 13,287               | 707,279                  | 46,445,845             |
| Transfers and reclassifications*                 | (67,360,314)           | 67,235,184                       | 2,583,481            | -                        | 2,458,351              |
| <b>As of December 31, 2013</b>                   | <b>(1,574,639,414)</b> | <b>(1,903,437,491)</b>           | <b>(340,881,226)</b> | <b>(111,702,814)</b>     | <b>(3,930,660,945)</b> |
| Charge for the year                              | (72,007,206)           | (182,212,129)                    | (18,504,356)         | -                        | (272,723,691)          |
| Accumulated depreciation of disposals            | 13,834,673             | 37,570,645                       | 13,971,966           | -                        | 65,377,284             |
| Impairment                                       | 30,703,073             | 31,325,604                       | -                    | 5,066,795                | 67,095,472             |
| Transfers & Reclassifications*                   | 1,032,234              | (3,033,694)                      | 1,400,807            | -                        | (600,653)              |
| <b>As of December 31, 2014</b>                   | <b>(1,601,076,640)</b> | <b>(2,019,787,065)</b>           | <b>(344,012,809)</b> | <b>(106,636,019)</b>     | <b>(4,071,512,533)</b> |
| <b>Net book value as of December 31, 2013</b>    | <b>1,964,305,453</b>   | <b>2,068,194,084</b>             | <b>51,369,076</b>    | <b>198,894,129</b>       | <b>4,282,762,742</b>   |
| <b>Net book value as of December 31, 2014</b>    | <b>1,916,469,472</b>   | <b>1,966,390,694</b>             | <b>84,580,285</b>    | <b>190,097,287</b>       | <b>4,157,537,738</b>   |

Transfers and Reclassifications of USD 0.395 million (RON 1.46 million) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Construction in progress*

The main asset transferred into function in 2013 is related to Cocker Unit Upgrade (USD 41.27 million). 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.

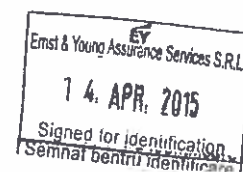
During 2014 USD 10.3 million were transferred into function in relation to Rebranding project from Downstream.

- *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 2014 was nil (2013: nil).

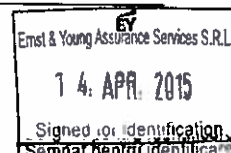
- *Disposals through sales of subsidiaries and liquidations*

During 2014 and 2013 there was no disposal of companies.



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**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

- *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.

During 2014 there was a reversal of impairment in amount of USD 16 million for DMT installation which was demolished (see Note 18).

In 2013, as a result of reopening of 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 389.31million (2013: USD 345.7 million) for securing banking facilities granted to Group entities.

**6. INVESTMENTS**

**a) Investments in Consolidated Subsidiaries**

Details of the Group consolidated subsidiaries at December 31, 2014 and 2013 are as follows:

| <u>Company name</u>                | <u>Range of activity</u>             | <u>Effective ownership December 31, 2014</u> | <u>Control December 31, 2014</u> | <u>Effective ownership December 31, 2013</u> | <u>Control December 31, 2013</u> |
|------------------------------------|--------------------------------------|--|----------------------------------|--|----------------------------------|
| Romp petrol 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%                          |
| Romp petrol Logistics S.R.L.       | Fuels Transportation                 | 66.19%                                       | 66.26%                           | 66.19%                                       | 66.26%                           |
| Romp petrol Petrochemicals S.R.L.  | Petrochemicals                       | 100.00%                                      | 100.00%                          | 100.00%                                      | 100.00%                          |
| Romp petrol Quality Control S.R.L. | Quality Control Services             | 100.00%                                      | 100.00%                          | 100.00%                                      | 100.00%                          |
| Romp petrol 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**

|                           | <u>2014 USD</u> | <u>2013 USD</u> | <u>2014 RON</u> | <u>2013 RON</u>  |
|---------------------------|-----------------|-----------------|-----------------|------------------|
| Bursa Maritima de Marfuri | -               | 257,312         | -               | 948,658          |
| Other                     | 18,583          | 44,960          | 68,513          | 165,755          |
| <b>Total</b>              | <b>18,583</b>   | <b>302,272</b>  | <b>68,513</b>   | <b>1,114,413</b> |

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

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**7. INVENTORIES, NET**

|  | 2014<br>USD        | 2013<br>USD<br>Restated* | 2012<br>USD<br>Restated* | 2014<br>RON          | 2013<br>RON<br>Restated* | 2012<br>USD<br>Restated* |
|--|--------------------|--------------------------|--------------------------|----------------------|--------------------------|--------------------------|
| Crude oil and other feedstock materials Restated * | 136,195,173        | 143,678,755              | 148,479,686              | 502,124,364          | 529,714,834              | 547,414,906              |
| Petroleum and petrochemical products               | 138,865,390        | 188,151,373              | 195,919,331              | 511,968,920          | 693,676,482              | 722,315,390              |
| Work in progress                                   | 31,098,500         | 52,199,526               | 64,795,302               | 114,653,950          | 192,449,212              | 238,887,319              |
| Spare parts  | 19,620,496         | 16,007,405               | 6,532,509                | 72,336,848           | 59,016,101               | 24,084,054               |
| Consumables and other raw materials                | 6,030,570          | 6,128,497                | 7,817,515                | 22,233,505           | 22,594,543               | 28,821,614               |
| Merchandises                                       | 7,030,159          | 8,278,376                | 6,147,731                | 25,918,790           | 30,520,717               | 22,665,455               |
| Other inventories                                  | 8,864,027          | 9,123,645                | 9,740,630                | 32,679,895           | 33,637,054               | 35,911,755               |
| Inventories provision                              | (55,905,241)       | (46,314,185)             | (51,336,318)             | (206,111,443)        | (170,751,137)            | (189,266,737)            |
|  | <b>291,799,074</b> | <b>377,253,392</b>       | <b>388,096,386</b>       | <b>1,075,804,829</b> | <b>1,390,857,806</b>     | <b>1,430,833,756</b>     |

The inventories were restated with USD 58.8 million in 2013 and 2012 due to unpumpable Base Operating Stock capitalization, which was treated retrospectively, being a change in accounting policies.

The inventories provision movement in 2014 and 2013 is provided below:

|  | 2014<br>USD         | 2013<br>USD         | 2014<br>RON          | 2013<br>RON          |
|--|---------------------|---------------------|----------------------|----------------------|
| Reserve as of January 1                | (46,314,185)        | (51,336,318)        | (170,751,137)        | (189,266,737)        |
| Accrued provision                      | (21,320,842)        | (5,478,075)         | (78,605,680)         | (20,196,567)         |
| Write off                              | -                   | 5,096               | -                    | 18,788               |
| Reversal provision inventories reserve | 11,729,786          | 10,495,112          | 43,245,374           | 38,693,379           |
| Reserve as of December 31              | <b>(55,905,241)</b> | <b>(46,314,185)</b> | <b>(206,111,443)</b> | <b>(170,751,137)</b> |

The inventories provisions mainly represent the provision for Net Realizable Value in relation to refineries and petrochemical plant.

The Group has pledged inventories of USD 238.72 million (2013: USD 259.3 million) to secure banking facilities.

**8. TRADE AND OTHER RECEIVABLES**

As mentioned in Note 1 the Parent company and its subsidiaries are part of KMG International Group. The balances with related parties are disclosed in Note 22. Movement in the above provision is disclosed below and in Note 18.

|                                      | 2014<br>USD        | 2013<br>USD        | 2014<br>RON          | 2013<br>RON          |
|--------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade receivables                    | 277,603,758        | 316,879,450        | 1,023,469,535        | 1,168,271,156        |
| Advances to suppliers                | 10,036,529         | 16,661,033         | 37,002,675           | 61,425,896           |
| Sundry debtors                       | 34,249,931         | 41,288,219         | 126,272,646          | 152,221,406          |
| VAT to be recovered                  | 19,379             | 803,205            | 71,446               | 2,961,256            |
| Other receivables                    | 51,084,160         | 63,885,392         | 188,337,082          | 235,532,663          |
| Provision for bad and doubtful debts | (100,649,376)      | (118,580,085)      | (371,074,124)        | (437,181,057)        |
|                                      | <b>272,344,381</b> | <b>320,937,214</b> | <b>1,004,079,260</b> | <b>1,183,231,320</b> |

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**8. TRADE AND OTHER RECEIVABLES (continued)**

Included in Sundry debtors in 2014 is an amount of USD 24.69 million (2013: USD 27.97 million) for payment made by Rompetrol Rafinare to the Romanian Taxation Authorities ("ANAF") for antidumping and countervailing taxes for Biodiesel import; and USD 3.21 million (2013: USD 9.32 million) for principal liabilities and related penalties paid to ANAF following General Tax Audit Report covering 2007-2010 period (see Note 25).

Out of the net balance for other receivables, an amount of USD 22.2 million USD (2013: USD 14.5 million) relates to Competition Council fine from Downstream (see Note 25). Also, in other receivables an amount of USD 12.8 million (USD 6.8 million) refers to excise receivables in Rompetrol Rafinare.

|  | 2014<br>USD  | 2013<br>USD  | 2014<br>RON  | 2013<br>RON   |
|--|--------------|--------------|--------------|---------------|
| Sundry debtors                                     | 34,249,931   | 41,288,219   | 126,272,646  | 152,221,406   |
| Other receivables                                  | 51,084,160   | 63,885,392   | 188,337,082  | 235,532,663   |
| Provision for sundry debtors and other receivables | (26,646,913) | (39,557,011) | (98,241,839) | (139,858,002) |

Out of the total amount of other receivables and sundry debtors of USD 85.32 million (2013: USD 105.1 million) an amount of USD 26.67 million (2013: USD 39.56 million) is provisioned.

The movement in provision for doubtful debts for trade and other receivables is as follows:

|   | 2014<br>USD          | 2013<br>USD          | 2014<br>RON          | 2013<br>RON          |
|---|----------------------|----------------------|----------------------|----------------------|
| <b>Balance at the beginning of the year</b> | <b>(118,580,085)</b> | <b>(113,284,222)</b> | <b>(437,181,057)</b> | <b>(417,656,271)</b> |
| Impairment losses recognised on receivables | (5,078,301)          | (5,618,541)          | (18,722,680)         | (20,714,437)         |
| Transfer from provisions                    | -                    | (7,621,189)          | -                    | (28,097,800)         |
| Impairment losses reversed                  | 9,259,589            | 11,697,584           | 34,138,253           | 43,126,653           |
| Exchange rate differences                   | 13,749,421           | (3,753,717)          | 50,691,360           | (13,839,202)         |
| <b>Balance at the end of the year</b>       | <b>(100,649,376)</b> | <b>(118,580,085)</b> | <b>(371,074,124)</b> | <b>(437,181,057)</b> |


Out of total provision for bad and doubtful debts of USD 100.6 million (2013: USD 118.6 million), the amount of USD 74 million (2013: USD 79 million) 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  |
| 2014 | 203,601,286 | 97,314,951                    | 32,385,394                | 11,881,453 | 10,541,622 | 8,882,521   | 42,595,345 |
| 2013 | 237,856,383 | 141,444,905                   | 34,006,531                | 8,618,655  | 9,047,700  | 6,856,648   | 37,881,944 |

|      | 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   |
| 2014 | 750,637,220 | 358,780,760                   | 119,398,471               | 43,804,541 | 38,864,852 | 32,748,078  | 157,040,518 |
| 2013 | 876,928,911 | 521,479,075                   | 125,375,278               | 31,775,257 | 33,357,060 | 25,279,090  | 139,663,151 |

As at 31 December 2014, trade receivables at initial value of USD 74 million (2013: USD 79 million) were impaired and fully provided for. See below for the movements in the provision for impairment of trade receivables.

  
 Ernst & Young Assurance Services S.R.L.  
 14. APR. 2015  
 Signed for identification  
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

**8. TRADE AND OTHER RECEIVABLES (continued)**

|   | <u>Individually impaired</u><br>USD | <u>Collectively impaired</u><br>USD | <u>Total</u><br>USD |
|---|-------------------------------------|-------------------------------------|---------------------|
| <b>At 1 January 2013</b>  | 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)         |
| Unused amounts reversed   | -                                   | (46,059)                            | (46,059)            |
| Reclassification between individually and collectively impaired | (459,645)                           | 459,645                             | -                   |
| Exchange rate differences                                       | 1,703,705                           | 594,378                             | 2,298,083           |
| <b>At 31 December 2013</b>                                      | <b>59,719,947</b>                   | <b>19,303,120</b>                   | <b>79,023,067</b>   |
| Charge for the year   | 3,766,945                           | 1,311,356                           | 5,078,301           |
| Utilised  | (821,865)                           | (126,871)                           | (948,736)           |
| -Exchange rate differences                                      | (6,745,624)                         | (2,404,536)                         | (9,150,960)         |
| <b>At 31 December 2014</b>                                      | <b>55,919,403</b>                   | <b>18,083,069</b>                   | <b>74,002,472</b>   |


|   | <u>Individually impaired</u><br>RON | <u>Collectively impaired</u><br>RON | <u>Total</u><br>RON |
|---|-------------------------------------|-------------------------------------|---------------------|
| <b>At 1 January 2013</b>  | 206,115,269                         | 71,682,999                          | 277,798,268         |
| Charge for the year   | 11,099,827                          | 9,566,509                           | 20,666,336          |
| Utilised  | (1,626,196)                         | (13,798,926)                        | (15,425,122)        |
| Unused amounts reversed   | -                                   | (169,810)                           | (169,810)           |
| Reclassification between individually and collectively impaired | (1,694,619)                         | 1,694,619                           | -                   |
| Exchange rate differences                                       | 6,281,220                           | 2,191,353                           | 8,472,573           |
| <b>At 31 December 2013</b>                                      | <b>220,175,501</b>                  | <b>71,166,744</b>                   | <b>291,342,245</b>  |
| Charge for the year   | 13,887,972                          | 4,834,707                           | 18,722,679          |
| Utilised  | (3,030,052)                         | (467,748)                           | (3,497,800)         |
| Exchange rate differences                                       | (24,869,767)                        | (8,865,042)                         | (33,734,809)        |
| <b>At 31 December 2014</b>                                      | <b>206,163,654</b>                  | <b>66,668,661</b>                   | <b>272,832,315</b>  |

Trade receivables totaling USD 108.79 million (RON 401.1 million) as at December 31, 2014 and USD 189.7 million (RON 617.49 million) as at December 31, 2013 are pledged to obtain credit facilities (see Note 13).

**9. CASH AND CASH EQUIVALENTS**

|                  | <u>2014</u><br>USD | <u>2013</u><br>USD | <u>2014</u><br>RON | <u>2013</u><br>RON |
|------------------|--------------------|--------------------|--------------------|--------------------|
| Cash at bank     | 10,779,055         | 115,106,093        | 39,740,219         | 424,373,144        |
| Cash on hand     | 1,121,999          | 1,513,956          | 4,136,586          | 5,581,653          |
| Cash equivalents | 1,036,546          | 1,850,458          | 3,821,538          | 6,822,269          |
|                  | <b>12,937,600</b>  | <b>118,470,507</b> | <b>47,698,343</b>  | <b>436,777,066</b> |

Included in cash at bank is USD 0.6 million (RON 2.21 million) as at December 31, 2014 and USD 0.8 million (RON 2.6 million) as at December 31, 2013 representing cash collateral for certain bank facilities (see Note 13). Cash equivalents represent mainly cheques in the course of being cashed.

  
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 Emsi & Young Assurance Services S.R.L.  
 14. APR. 2015  
 Signed for identification  
 Samuil Danuș Ionescu

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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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))*

**10. SHARE CAPITAL**

As of December 31, 2014 and 2013 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, 2014 is as follows:

| Shareholders                                      | Ownership   | Amount per                   | Amount under         | Amount under         |
|---|-------------|------------------------------|----------------------|----------------------|
|   |             | statutory documents<br>[RON] | IFRS<br>[USD]        | IFRS<br>[RON]        |
| KMG International Group NV                        | 48.11%      | 2,122,250,642                | 704,057,130          | 2,595,717,827        |
| Romanian State represented by Ministry of Economy | 44.70%      | 1,971,500,905                | 654,045,871          | 2,411,336,317        |
| Rompetrol Financial Group S.R.L.                  | 6.47%       | 285,408,308                  | 94,684,271           | 349,081,970          |
| Rompetrol Well Services S.A.                      | 0.05%       | 2,198,030                    | 729,197              | 2,688,403            |
| Others (not State or KMG Group)                   | 0.67%       | 29,562,686                   | 9,807,428            | 36,158,027           |
| <b>Total</b>                                      | <b>100%</b> | <b>4,410,920,571</b>         | <b>1,463,323,897</b> | <b>5,394,982,544</b> |

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

| Shareholders  | Ownership   | Amount per                   | Amount under         | Amount under         |
|---|-------------|------------------------------|----------------------|----------------------|
|   |             | statutory documents<br>[RON] | IFRS<br>[USD]        | IFRS<br>[RON]        |
| KMG International Group NV  | 45.85%      | 2,022,604,013                | 670,999,338          | 2,473,840,359        |
| Romanian State represented by Ministry of Economy, Trade and Business Environment | 44.70%      | 1,971,500,905                | 654,045,871          | 2,411,336,317        |
| Rompetrol Financial Group S.R.L.  | 6.47%       | 285,408,308                  | 94,684,271           | 349,081,970          |
| Rompetrol S.A.  | 2.26%       | 99,646,630                   | 33,057,792           | 121,877,468          |
| Rompetrol Well Services S.A.  | 0.05%       | 2,198,030                    | 729,197              | 2,688,403            |
| Others (not State or TRG Group)   | 0.67%       | 29,562,686                   | 9,807,428            | 36,158,027           |
| <b>Total</b>  | <b>100%</b> | <b>4,410,920,572</b>         | <b>1,463,323,897</b> | <b>5,394,982,544</b> |

There were no changes in the statutory value of Rompetrol Rafinare SA issued share capital in 2014 and 2012.

*Share premium and Effect of transfers with equity holders*

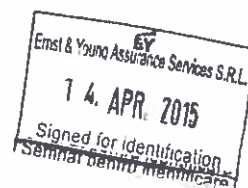
Share premium and Effect of transfers with equity holders are the result of conversion of bonds into ordinary shares as at September 30, 2010 in favor of the Romanian State represented by the Ministry of Finance, following the Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005.

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 KMG International 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 Downstream), 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 requirements



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**11. DEFERRED TAX ASSETS AND LIABILITIES**

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

|  | 2014<br>USD    | 2013<br>USD    | 2014<br>RON      | 2013<br>RON      |
|--|----------------|----------------|------------------|------------------|
| Deferred tax liabilities                     | 306,570        | 395,869        | 1,130,262        | 1,459,490        |
| Deferred tax assets                          | -              | -              | -                | -                |
| <b>Deferred tax asset / (liability), net</b> | <b>306,570</b> | <b>395,869</b> | <b>1,130,262</b> | <b>1,459,490</b> |

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

**USD**

| 2014   | Opening<br>balance | Charged/(Credited)<br>to income | Charged/(Credited)<br>to equity | Closing<br>balance |
|--|--------------------|---------------------------------|---------------------------------|--------------------|
| <b>Temporary differences</b>                     |                    |                                 |                                 |                    |
| Intangible assets                                | 7,878              | -                               | -                               | 7,878              |
| Property, plant and equipment                    | 374,878            | (89,299)                        | -                               | 285,579            |
| Inventories                                      | 13,219             | -                               | -                               | 13,219             |
| Other  | (106)              | -                               | -                               | (106)              |
| <b>Deferred tax (asset)/liability recognized</b> | <b>395,869</b>     | <b>(89,299)</b>                 | <b>-</b>                        | <b>306,570</b>     |

**RON**

| 2014   | Opening<br>balance | Charged/(Credited)<br>to income | Charged/(Credited)<br>to equity | Closing<br>balance |
|--|--------------------|---------------------------------|---------------------------------|--------------------|
| <b>Temporary differences</b>                     |                    |                                 |                                 |                    |
| Intangible assets                                | 29,045             | -                               | -                               | 29,045             |
| Property, plant and equipment                    | 1,382,100          | (329,228)                       | -                               | 1,052,872          |
| Inventories                                      | 48,736             | -                               | -                               | 48,736             |
| Other  | (391)              | -                               | -                               | (391)              |
| <b>Deferred tax (asset)/liability recognized</b> | <b>1,459,490</b>   | <b>(329,227)</b>                | <b>-</b>                        | <b>1,130,262</b>   |

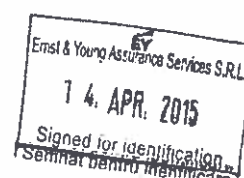
**USD**

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

**RON**

| 2013   | Opening<br>balance | Charged/(Credited)<br>to income | Charged/(Credited)<br>to equity | Closing<br>balance |
|--|--------------------|---------------------------------|---------------------------------|--------------------|
| Intangible assets                                | 361,941            | (332,896)                       | -                               | 29,045             |
| Property, plant and equipment                    | 2,149,530          | (767,430)                       | -                               | 1,382,100          |
| Investments                                      | -                  | -                               | -                               | -                  |
| Inventories                                      | 69,703             | (20,967)                        | -                               | 48,736             |
| Other  | 142,616            | (143,007)                       | -                               | (391)              |
| <b>Deferred tax (asset)/liability recognized</b> | <b>2,723,790</b>   | <b>(1,264,300)</b>              | <b>-</b>                        | <b>1,459,490</b>   |

See also note 20 for details for the income tax rate and other related matters.



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**12. TRADE AND OTHER PAYABLES**

|                                    | <u>2014</u>        | <u>2013</u>          | <u>2014</u>          | <u>2013</u>          |
|------------------------------------|--------------------|----------------------|----------------------|----------------------|
|                                    | USD                | USD                  | RON                  | RON                  |
| Trade payables                     | 783,190,826        | 961,954,535          | 2,887,467,945        | 3,546,533,974        |
| Advances from customers            | 9,673,006          | 12,399,463           | 35,662,439           | 45,714,340           |
| Special found tax for oil products | 7,475,546          | 8,466,902            | 27,560,843           | 31,215,774           |
| VAT payable                        | 36,876,769         | 47,597,011           | 135,957,272          | 175,480,660          |
| Profit tax payable                 | 427,752            | 85,995               | 1,577,036            | 317,046              |
| Taxes payable                      | 1,859              | 579,222              | 6,854                | 2,135,476            |
| Employees and social obligations   | 4,338,888          | 4,259,603            | 15,996,612           | 15,704,304           |
| Deferred revenues                  | 4,456,307          | 4,221,928            | 16,429,513           | 15,565,404           |
| Other liabilities                  | 32,939,630         | 4,472,046            | 121,441,828          | 16,487,539           |
| <b>Total</b>                       | <b>879,380,583</b> | <b>1,044,036,705</b> | <b>3,242,100,342</b> | <b>3,849,154,517</b> |

The Group entered into a cash pooling contract for optimizing cash, under KMG Rompetrol S.R.L., with cash held in a master account with Unicredit Tiriac Bank. The amounts in balance as of December 31, 2014 are included in other liabilities, for the following companies: Rompetrol Rafinare S.A. USD 24.8 million, Rompetrol Downstream S.R.L. USD 2.3 million, Romoil USD 2.2 million. Rompetrol Gas has a positive USD 4.8 million balance included in other receivables (see note 8).

Also in other liabilities are included short term guarantees in Rompetrol Downstream S.R.L., in amount of USD 3.09 million (2013: USD 4.04 million).

  
 Ernst & Young Assurance Services S.R.L.  
**7 4. APR. 2015**  
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**13. SHORT-TERM DEBT**

**Borrowings from Banks**

**Unicredit Tiriac Bank S.A.** (According to Agreement for Transfer of a Corporate Banking Business dated August 5, 2014 made between RBS and UniCredit Tiriac Bank S.A)  
 Rompetrol Downstream S.R.L.: General corporate purposes and working capital facility of EUR 38 million. The maturity date is June 30, 2015 with the possibility to be extended automatically with the agreement of both parties. Facility is secured with stations, receivables, stocks and corporate guarantee from KMG International NV.

**ING Bank N.V.**

Rompotrol Downstream S.R.L.: overdraft facility in the amount of USD 70 million secured with stations, depots, inventory, receivables stocks and corporate guarantee from KMG International NV.. Maturity date is December 31, 2015.

**EFG Eurobank**

Rompotrol Downstream S.R.L.: Credit facility for general purposes, bearing securities in form of stations and receivables, up to a total amount of EUR 30 million and a corporate guarantee from KMG International NV.. Maturity date is July 29, 2015.

**Bancpost**

Rompotrol Rafinare S.A.: Revolving credit ceiling on short term of up to EUR 30 million, for issue of letters of credit and letters of guarantee. Secured with fixed assets, receivables and corporate guarantee from KMG International N.V. Maturity date is July 31, 2015. Drawings in USD/EUR/RON.

**Raiffeisen Bank**

Rompotrol Rafinare S.A.: overdraft facility in the amount of EUR 30 million secured with petrochemical stocks, receivables. Maturity date is May 28, 2015.

**Unicredit Tiriac Bank S.A.**

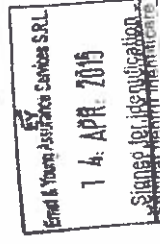
Rompotrol Gas S R L.: Facility up to EUR 12 million, for working capital needs secured with LPG depots. Receivables and corporate guarantee from KMG International N.V. Maturity date is June 30, 2015. Drawings in EUR/USD.

**Piraeus Bank**

Rom Oil S.A.: Short term credit for working capital needs of EUR 8 million. Loan was repaid at maturity on June 30, 2014.

**Accrued interest**

|  | 2014               | 2013               | 2014               | 2013               |
|--|--------------------|--------------------|--------------------|--------------------|
|  | USD                | USD                | RON                | RON                |
|  | 28,204,600         | 50,498,608         | 103,984,718        | 186,178,267        |
|  | 51,836,832         | 48,469,545         | 191,112,032        | 178,697,519        |
|  | 36,384,210         | 36,383,800         | 134,141,305        | 134,139,794        |
|  | 35,522,363         | 13,425             | 130,963,848        | 49,495             |
|  | 21,847,420         | 17,186,341         | 80,547,068         | 63,362,602         |
|  | 14,000,000         | 16,200,000         | 51,615,200         | 59,726,160         |
|  | -                  | 11,021,966         | -                  | 40,635,784         |
|  | 176,450            | 484,616            | 650,538            | 1,786,683          |
|  | <b>187,971,875</b> | <b>180,256,301</b> | <b>693,014,709</b> | <b>664,576,304</b> |



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**13. SHORT-TERM DEBT (continued)**

Borrowings from shareholders

Intercompany loans

**KMG International N.V.**

Rompetro Rafinare SA: Short-term facility for working capital needs in amount of up to USD 250 million, maturity date - December 31, 2015, assignment of receivables, real movable security interest over movable assets, 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.

**KMG International N.V.**

Rompetro Downstream SRL: Working capital facility for USD 39,261,257. Maturity date is April 1, 2015 with the possibility to be extended automatically with the agreement of both parties.

**Midia Marine Terminal**

Rompetro Rafinare SA: Short-term facility for working capital needs in amount of USD 7 million, maturity date December 31, 2015.

**Rompetro Well Services S.A**

Rompetro Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - May 10, 2015. The loan is secured with a promissory note covering the debt.

**Rompetro Well Services S.A**

Rompetro Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - April 14, 2015. The loan is secured with a promissory note covering the debt.

**Rompetro Well Services S.A**

Rompetro 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 - March 31, 2015. The loan is secured with a promissory note covering the debt

**Rompetro Well Services S.A**

Rompetro Rafinare SA: Short-term facility for working capital needs in amount of up to RON 11.2 million granted to Rompetrol Rafinare SA, maturity date - April 28, 2015. The loan is secured with a promissory note covering the debt.

Accrued interest

All the financial covenants applicable were complied with as of December 31, 2014.

All loans are interest bearing and the weighted average interest rates per currency are the following: EUR 2.82% (2013: 4.34%), RON 3.22% (2013: 7.16%) and USD 3.32% (2013: 4.4%).

The loans bearing guarantees are secured with pledges on property plant and equipment USD 389.31 million (2013: USD 345.7 million), inventories USD 238.72 million (2013: USD 259.3 million) and trade receivables USD 108.79 million (2013: USD 189.65 million).

|  | 2014<br>USD        | 2013<br>USD        | 2014<br>RON          | 2013<br>RON          |
|--|--------------------|--------------------|----------------------|----------------------|
|  |                    |                    |                      |                      |
|  | 196,066,903        | 197,416,903        | 722,859,458          | 727,836,638          |
|  | 15,261,257         | 15,261,257         | 56,265,202           | 56,265,202           |
|  | 7,000,000          | 7,000,000          | 25,807,600           | 25,807,600           |
|  | 3,526,093          | 3,993,729          | 13,000,000           | 14,724,080           |
|  | 1,898,666          | 2,150,472          | 7,000,002            | 7,928,360            |
|  | 840,838            | 952,352            | 3,100,002            | 3,511,131            |
|  | 3,037,865          | 460,815            | 11,200,001           | 1,698,933            |
|  | 70,291,359         | 126,747,632        | 259,150,181          | 467,293,170          |
|  | <b>297,922,981</b> | <b>353,983,160</b> | <b>1,098,382,446</b> | <b>1,305,065,114</b> |

English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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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))

**14. PROVISIONS**

The movement in provisions is presented below:

| USD                              | At 1 January 2014 | Charged to equity | Arising during the year | Utilised           | At 31 December 2014 |
|----------------------------------|-------------------|-------------------|-------------------------|--------------------|---------------------|
| Provision for retirement benefit | 4,771,588         | 1,810,090         | 299,956                 | -                  | 6,881,634           |
| Provision for restructuring      | 13,486            | -                 | -                       | -                  | 13,486              |
| Environmental provisions         | 65,909,150        | -                 | -                       | (313,419)          | 65,595,731          |
| Other provisions                 | 2,865,235         | -                 | -                       | (2,865,235)        | -                   |
| <b>Total</b>                     | <b>73,559,459</b> | <b>1,810,090</b>  | <b>299,956</b>          | <b>(3,178,654)</b> | <b>72,490,851</b>   |

| RON                              | At 1 January 2014  | Charged to equity | Arising during the year | Utilised            | At 31 December 2014 |
|----------------------------------|--------------------|-------------------|-------------------------|---------------------|---------------------|
| Provision for retirement benefit | 17,591,891         | 6,673,440         | 1,105,878               | -                   | 25,371,209          |
| Provision for restructuring      | 49,720             | -                 | -                       | -                   | 49,720              |
| Environmental provisions         | 242,993,854        | -                 | -                       | (1,155,514)         | 241,838,340         |
| Other provisions                 | 10,563,548         | -                 | -                       | (10,563,548)        | -                   |
| <b>Total</b>                     | <b>271,199,013</b> | <b>6,673,440</b>  | <b>1,105,878</b>        | <b>(11,719,062)</b> | <b>267,259,269</b>  |

| 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         | 1,297,537         | 286,053                 | -                  | -  | 4,771,587           |
| 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               | -                  | (9,752,692)                                  | 2,865,236           |
| <b>Total</b>                     | <b>80,298,557</b> | <b>1,297,537</b>  | <b>3,151,290</b>        | <b>(1,435,233)</b> | <b>(9,752,692)</b>                           | <b>73,559,459</b>   |

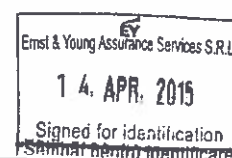
| RON                              | At 1 January 2013  | Charged to equity | Arising during the year | Utilised           | Reclassification between balance sheet items | At 31 December 2013 |
|----------------------------------|--------------------|-------------------|-------------------------|--------------------|--|---------------------|
| Provision for retirement benefit | 11,753,507         | 4,783,759         | 1,054,625               | -                  | -  | 17,591,891          |
| Provision for restructuring      | 49,720             | -                 | -                       | -                  | -  | 49,720              |
| Environmental provisions         | 248,285,271        | -                 | -                       | (5,291,417)        | -  | 242,993,854         |
| Other provisions                 | 35,956,221         | -                 | 10,563,556              | -                  | (35,956,228)                                 | 10,563,549          |
| <b>Total</b>                     | <b>296,044,719</b> | <b>4,783,759</b>  | <b>11,618,181</b>       | <b>(5,291,417)</b> | <b>(35,956,228)</b>                          | <b>271,199,014</b>  |

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 Biodiesel provision; the total amount reversed during the year for ANAF and Biodiesel was USD 6.9 million.

Provisions comprise the following:

|                         | 2014<br>USD       | 2013<br>USD       | 2014<br>RON        | 2013<br>RON        |
|-------------------------|-------------------|-------------------|--------------------|--------------------|
| Non-current provisions  | 72,490,851        | 73,246,042        | 267,259,269        | 270,043,508        |
| Current provisions      | -                 | 313,417           | -                  | 1,155,506          |
| <b>Total Provisions</b> | <b>72,490,851</b> | <b>73,559,459</b> | <b>267,259,269</b> | <b>271,199,014</b> |

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





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**14. PROVISIONS (continued)**

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. 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 5 year period, a discounted cash flow cost estimate of USD 67.35 million has been provided by the Group. A 9.9% (2013: 9.7%) discount factor was applied for the discounted cash flow calculation. The work is expected to start in the last quarter of 2015.

Under the collective labour agreements that certain Group's entities have in force it is provided that, employees are entitled to specific retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. A corresponding provision has been recognised based on: the specific benefits provided in the agreement; the number of employees working within the relevant Group entities; and actuarial assumptions regarding mortality, staff turnover etc. These liabilities are recorded at their fair values as of the balance sheet 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 3.61% (2013: 5.23%) for Romanian subsidiaries, with an expected rate of long-term salary increase 2.01%, (2013: 3.15%).


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

|                                    | <u>2014</u>    | <u>2013</u>    | <u>2014</u>      | <u>2013</u>      |
|------------------------------------|----------------|----------------|------------------|------------------|
|                                    | USD            | USD            | RON              | RON              |
| Initial recognition of obligations |                |                |                  |                  |
| Interest on obligation             | 53,317         | 66,310         | 196,569          | 244,472          |
| Service cost                       | 246,639        | 219,743        | 909,309          | 810,148          |
| <b>Total</b>                       | <b>299,956</b> | <b>286,053</b> | <b>1,105,878</b> | <b>1,054,620</b> |

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

|  | <u>2014</u>      | <u>2013</u>      | <u>2013</u>       | <u>2012</u>       |
|--|------------------|------------------|-------------------|-------------------|
|  | USD              | USD              | RON               | RON               |
| <b>Opening balance</b>   | <b>4,771,588</b> | <b>3,187,997</b> | <b>17,591,891</b> | <b>11,753,507</b> |
| Interest on obligation   | 53,317           | 66,310           | 196,569           | 244,472           |
| Service cost   | 243,988          | 219,743          | 899,535           | 810,148           |
| Change in assumptions (discount rate, salary increase, turnover) | 1,810,090        | 1,297,538        | 6,673,440         | 4,783,763         |
| <b>Closing balance</b>   | <b>6,878,983</b> | <b>4,771,588</b> | <b>25,361,435</b> | <b>17,591,891</b> |

The charge for the year is included in the salaries expenses in the income statement for 2014. It is considered that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2015.

  
 Ernst & Young Assurance Services S.R.L.  
 7 APR 2015  
 Signed for identification  
 Samir Nemir Idrissare

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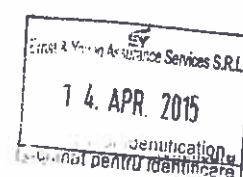
*(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))*

**15. REVENUES**

|   | <u>2014</u><br>USD   | <u>2013</u><br>USD   | <u>2014</u><br>RON    | <u>2013</u><br>RON    |
|---|----------------------|----------------------|-----------------------|-----------------------|
| Gross revenues from petroleum products production | 5,233,462,304        | 4,527,745,409        | 19,294,728,822        | 16,692,891,772        |
| Gross revenues from petroleum products trading    | 73,431,783           | 57,132,693           | 270,728,298           | 210,636,813           |
| Revenues from petrochemicals production           | 234,847,934          | 233,570,026          | 865,837,363           | 861,125,972           |
| Revenues from petrochemicals trading              | 15,363,042           | 14,423,515           | 56,640,463            | 53,176,615            |
| Revenues from merchandise sales                   | 54,035,378           | 54,233,411           | 199,217,632           | 199,947,740           |
| Revenues from utilities sold                      | 2,518,387            | 2,602,391            | 9,284,789             | 9,594,495             |
| Revenues from transportation fees                 | 1,849,339            | 1,762,127            | 6,818,143             | 6,496,610             |
| Revenues from rents and other services            | 9,790,316            | 8,339,066            | 36,094,937            | 30,744,469            |
| <b>Gross Revenues</b>                             | <b>5,625,298,483</b> | <b>4,899,808,638</b> | <b>20,739,350,447</b> | <b>18,064,614,486</b> |
| Less sales taxes                                  | (1,135,772,424)      | (893,092,148)        | (4,187,365,773)       | (3,292,652,131)       |
| Less commercial discounts                         | (140,477,079)        | (95,808,837)         | (517,910,895)         | (353,228,020)         |
| <b>Total</b>                                      | <b>4,349,048,980</b> | <b>3,910,907,653</b> | <b>16,034,073,779</b> | <b>14,418,734,335</b> |

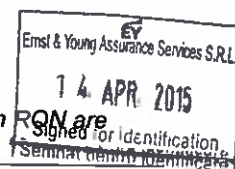
**16. COST OF SALES**

|   | <u>2014</u><br>USD   | <u>2013</u><br>USD   | <u>2014</u><br>RON    | <u>2013</u><br>RON    |
|---|----------------------|----------------------|-----------------------|-----------------------|
| Crude oil and other raw materials                   | 3,759,169,423        | 3,408,233,784        | 13,859,305,830        | 12,565,476,312        |
| Consumables and other materials                     | 12,370,987           | 13,152,343           | 45,609,355            | 48,490,058            |
| Utilities   | 86,648,499           | 88,951,632           | 319,455,686           | 327,946,877           |
| Staff costs   | 25,817,877           | 22,082,117           | 95,185,349            | 81,412,349            |
| Transportation                                      | 141,994              | 15,352               | 523,503               | 56,600                |
| Maintenance   | 20,080,619           | 15,414,836           | 74,033,226            | 56,831,417            |
| Insurance   | 2,650,171            | 2,266,871            | 9,770,650             | 8,357,500             |
| Environmental expenses                              | 317,430              | 99,052               | 1,170,301             | 365,185               |
| Other   | 14,714,862           | 9,902,450            | 54,250,753            | 36,508,353            |
| <b>Cash production cost</b>                         | <b>3,921,911,862</b> | <b>3,560,118,437</b> | <b>14,459,304,653</b> | <b>13,125,444,651</b> |
| Depreciation and amortization                       | 52,310,697           | 43,090,031           | 192,859,079           | 158,864,329           |
| <b>Production costs</b>                             | <b>3,974,222,559</b> | <b>3,603,208,468</b> | <b>14,652,163,732</b> | <b>13,284,308,980</b> |
| Less: Change in inventories                         | 58,687,271           | 47,373,476           | 216,368,231           | 174,656,531           |
| Less: Own production of property, plant & equipment | (456,656)            | (643,961)            | (1,683,599)           | (2,374,155)           |
| Cost of petroleum products trading                  | 67,195,692           | 53,168,714           | 247,737,077           | 196,022,415           |
| Cost of petrochemicals trading                      | 13,249,222           | 13,984,555           | 48,847,232            | 51,558,257            |
| Cost of merchandise sold                            | 64,666,485           | 41,847,806           | 238,412,397           | 154,284,491           |
| Cost of utilities resold                            | 1,402,687            | 1,304,768            | 5,171,426             | 4,810,419             |
| Realised (gains)/losses on derivatives              | (35,107,779)         | (9,593,419)          | (129,435,360)         | (35,369,017)          |
| <b>Total</b>  | <b>4,143,859,481</b> | <b>3,750,650,407</b> | <b>15,277,581,136</b> | <b>13,827,897,921</b> |



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**17. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES, INCLUDING LOGISTIC COSTS**

|                                  | 2014<br>USD        | 2013<br>USD        | 2014<br>RON        | 2013<br>RON        |
|----------------------------------|--------------------|--------------------|--------------------|--------------------|
| Staff costs                      | 33,792,786         | 36,079,152         | 124,587,242        | 133,016,618        |
| Utilities                        | 5,868,809          | 8,736,359          | 21,637,125         | 32,209,208         |
| Transportation                   | 47,631,700         | 48,361,010         | 175,608,552        | 178,297,372        |
| Professional and consulting fees | 32,172,518         | 31,321,996         | 118,613,639        | 115,477,935        |
| Royalties and rents              | 6,203,771          | 7,207,135          | 22,872,063         | 26,571,265         |
| Consumables                      | 1,391,851          | 1,690,936          | 5,131,476          | 6,234,143          |
| Marketing                        | 4,119,967          | 2,112,681          | 15,189,494         | 7,789,032          |
| Taxes                            | 7,075,538          | 4,743,643          | 26,086,093         | 17,488,863         |
| Communications                   | 851,307            | 951,228            | 3,138,599          | 3,506,987          |
| Insurance                        | 1,301,182          | 965,946            | 4,797,198          | 3,561,250          |
| Computer expenditures            | 12,722,140         | 13,070,128         | 46,903,986         | 48,186,948         |
| Environmental expenses           | 2,891,925          | 2,583,831          | 10,661,949         | 9,526,068          |
| Maintenance                      | 7,541,259          | 8,161,704          | 27,803,114         | 30,090,570         |
| Other expenses                   | 7,697,437          | 8,023,386          | 28,378,911         | 29,580,618         |
| <b>Costs before depreciation</b> | <b>171,262,190</b> | <b>174,009,135</b> | <b>631,409,441</b> | <b>641,536,877</b> |
| Depreciation and amortization    | 23,905,914         | 45,717,179         | 88,136,324         | 168,550,096        |
| <b>Total</b>                     | <b>195,168,104</b> | <b>219,726,314</b> | <b>719,545,765</b> | <b>810,086,973</b> |

**18. OTHER OPERATING INCOME/ (EXPENSES), NET**

|   | 2014<br>USD   | 2013<br>USD       | 2014<br>RON    | 2013<br>RON       |
|---|---------------|-------------------|----------------|-------------------|
| Net book value of non-current assets disposals    | (103,800)     | (76,979)          | (382,690)      | (283,806)         |
| Proceeds on disposals of non-current assets       | 1,946,278     | 129,360           | 7,175,538      | 476,924           |
| Reverse for impairment of tangible assets, net    | 18,198,838    | 12,597,875        | 67,095,472     | 46,445,846        |
| Provision for receivables, net                    | 4,181,288     | (1,542,146)       | 15,415,573     | (5,685,584)       |
| Provision for inventories, net                    | (9,591,043)   | 5,022,133         | (35,360,256)   | 18,515,600        |
| Receivables write-off                             | -             | (14,291)          | -              | (52,688)          |
| Tangible and intangible assets write-off          | (17,873,783)  | (510,901)         | (65,897,063)   | (1,883,590)       |
| Net book value of financial investments disposals | (1,876)       | -                 | (6,916)        | -                 |
| Proceeds on disposals of financial investments    | 10,069        | -                 | 37,122         | -                 |
| Inventories write-off                             | (1,106)       | (5,004)           | (4,078)        | (18,449)          |
| Other provisions, net                             | 3,178,654     | 8,322,689         | 11,719,062     | 30,684,094        |
| Other, net  | 147,567       | 104,832           | 544,050        | 386,491           |
| <b>Total</b>                                      | <b>91,086</b> | <b>24,027,568</b> | <b>335,814</b> | <b>88,584,838</b> |

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

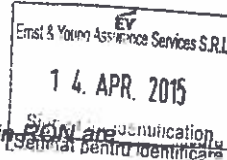
In 2013 an amount of USD 7.62 million was reclassified from other provisions during the year to reserve for receivables net in relation to Biodiesel provision; the total amount reversed during the year for ANAF and Biodiesel was USD 6.9 million.

In October 2014, the Constanta Court of Appeal settled a decision which was partially in favor of Rompetrol Rafinare. Consequently, an amount of USD 11.08 million was reversed from the provision (USD 2.8 million from other provisions and USD 8.2 million from allowance for receivable) against penalties for USD 5 million and other revenues for USD 6.08 million (see note 25 Legal matters).

During 2014, DMT installation from Rompetrol Petrochemicals was demolished. The impairment previously recorded was reversed against a write-off of USD 16.1 million. The net value of proceeds collected from scrap was USD 1.1 million.

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**OTHER OPERATING INCOME/ (EXPENSES), NET (continued)**

Impairment of receivables net for 2013, 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 Service;
- a reversal of USD 1.26 million in Vega Refinery for client ENET representing half of the client balance;

**19. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE**

|  | 2014<br>USD         | 2013<br>USD         | 2014<br>RON          | 2013<br>RON          |
|--|---------------------|---------------------|----------------------|----------------------|
| <b>Finance cost</b>                            |                     |                     |                      |                      |
| Late payment interest                          | (5,109,484)         | 2,084,072           | (18,837,645)         | 7,683,556            |
| Interest expense                               | (5,265,590)         | (8,804,185)         | (19,413,177)         | (32,459,269)         |
| Interest expense shareholders                  | (10,054,905)        | (10,273,244)        | (37,070,424)         | (37,875,396)         |
| Commission and other bank charges              | (27,429,505)        | (29,191,501)        | (101,127,099)        | (107,623,226)        |
| Early settlements discounts expenses           | (21,329,088)        | (14,010,066)        | (78,636,082)         | (51,652,311)         |
|  | <u>(69,188,572)</u> | <u>(60,194,924)</u> | <u>(255,084,427)</u> | <u>(221,926,646)</u> |
| <b>Finance income</b>                          |                     |                     |                      |                      |
| Interest income                                | 760,926             | 2,530,839           | 2,805,382            | 9,330,697            |
|  | <u>760,926</u>      | <u>2,530,839</u>    | <u>2,805,382</u>     | <u>9,330,697</u>     |
| <b>Finance income/(cost) net</b>               | <u>(68,427,646)</u> | <u>(57,664,085)</u> | <u>(252,279,045)</u> | <u>(212,595,949)</u> |
| Unrealized net foreign exchange (losses)/gains | 573,417             | (2,184,489)         | 2,114,072            | (8,053,774)          |
| Realized net foreign exchange (losses)/gains   | 6,863               | (219,235)           | 25,303               | (808,276)            |
| Foreign exchange gain/(loss), net              | <u>580,280</u>      | <u>(2,403,724)</u>  | <u>2,139,375</u>     | <u>(8,862,050)</u>   |
| Total  | <u>(67,847,366)</u> | <u>(60,067,809)</u> | <u>(250,139,670)</u> | <u>(221,457,999)</u> |

**20. INCOME TAX**

a) The current income tax rate in 2014 was 16%, the same as in 2013.

|  | 2014<br>USD    | 2013<br>USD   | 2014<br>RON      | 2013<br>RON    |
|--|----------------|---------------|------------------|----------------|
| Tax expense comprises:   |                |               |                  |                |
| Current tax expense  | 799,660        | 441,809       | 2,948,186        | 1,628,861      |
| Deferred tax credits relating to the origination and reversal of temporary differences | (89,299)       | (342,926)     | (329,227)        | (1,264,300)    |
| <b>Total tax expense/(income)</b>  | <u>710,361</u> | <u>98,883</u> | <u>2,618,959</u> | <u>364,561</u> |

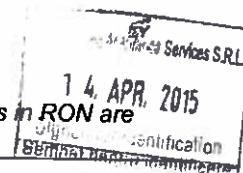
As of December 31, 2014, the Group had the following unused fiscal losses:

| Entity                         | Taxable loss<br>2014<br>USD million | Taxable loss<br>2014<br>RON million | Carry forward tax<br>losses 2013<br>USD million | Carry forward tax<br>losses 2013<br>RON million |
|--------------------------------|-------------------------------------|-------------------------------------|---|---|
|                                | Rompetrol Rafinare SA               | 749.44                              | 2,763.03  | 548.39  |
| Rompetrol Petrochemicals SRL   | 55.49                               | 204.59                              | 43.03   | 158.64  |
| Rompetrol Downstream SRL       | 27.09                               | 99.88                               | 27.09   | 99.88   |
| Rom Oil SA                     | 9.32                                | 34.37                               | 8.87  | 32.7  |
| <b>As at December, 31 2014</b> | <u>841.34</u>                       | <u>3,101.87</u>                     | <u>627.38</u>                                   | <u>2,313.02</u>                                 |

As realization is uncertain, no deferred tax asset was computed in relation to unused fiscal losses. A breakdown of tax losses by Group entity and by year are:

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**21. INCOME TAX (continued)**

| Entity                                | Taxable loss<br>Amount<br>USD million | Taxable loss<br>Amount RON<br>million | Tax loss<br>Expires<br>in |
|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------|
| <b>Romp petrol Rafinare SA</b>        |                                       |                                       |                           |
| 2009                                  | 92.47                                 | 340.92                                | 2016                      |
| 2010                                  | 114.81                                | 423.28                                | 2016                      |
| 2010                                  | 16.08                                 | 59.28                                 | 2017                      |
| 2011                                  | 127.02                                | 468.30                                | 2018                      |
| 2012                                  | 91.99                                 | 339.15                                | 2019                      |
| 2013                                  | 106.02                                | 390.87                                | 2020                      |
| 2014                                  | 201.05                                | 741.23                                | 2021                      |
|                                       | <b>749.44</b>                         | <b>2,763.03</b>                       |                           |
| <b>Romp petrol Petrochemicals SRL</b> |                                       |                                       |                           |
| 2009                                  | 17.51                                 | 64.56                                 | 2016                      |
| 2010                                  | 3.52                                  | 12.98                                 | 2017                      |
| 2011                                  | 4.92                                  | 18.14                                 | 2018                      |
| 2012                                  | 17.08                                 | 62.97                                 | 2019                      |
| 2013                                  | -                                     | -                                     | 2020                      |
| 2014                                  | 12.46                                 | 45.94                                 | 2021                      |
|                                       | <b>55.49</b>                          | <b>204.59</b>                         |                           |
| <b>Rom Oil SA</b>                     |                                       |                                       |                           |
| 2009                                  | 3.52                                  | 12.98                                 | 2016                      |
| 2010                                  | 2.81                                  | 10.36                                 | 2017                      |
| 2011                                  | 0.58                                  | 2.14                                  | 2018                      |
| 2012                                  | 1.09                                  | 4.02                                  | 2019                      |
| 2013                                  | 0.87                                  | 3.21                                  | 2020                      |
| 2014                                  | 0.45                                  | 1.66                                  | 2021                      |
|                                       | <b>9.32</b>                           | <b>34.37</b>                          |                           |
| <b>Romp petrol Downstream SRL</b>     |                                       |                                       |                           |
| 2009                                  | 1.00                                  | 3.69                                  | 2016                      |
| 2010                                  | 0.95                                  | 3.50                                  | 2017                      |
| 2011                                  | 6.51                                  | 24.00                                 | 2018                      |
| 2012                                  | 18.63                                 | 68.69                                 | 2019                      |
|                                       | <b>27.09</b>                          | <b>99.88</b>                          |                           |

Note: 2010 was split in two fiscal years, the last quarter being treated as a separate fiscal year for computation and carrying forward the tax losses of 2010

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.

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 11.

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 :

|  | 2014<br>USD    | 2013<br>USD   | 2014<br>RON      | 2013<br>RON    |
|--|----------------|---------------|------------------|----------------|
| Loss from operations   | (57,734,885)   | (95,509,309)  | (212,856,978)    | (352,123,720)  |
| Tax at prevailing tax rate   | (9,237,582)    | (15,281,489)  | (34,057,117)     | (56,339,794)   |
| Effect of statutory items nondeductible / (not taxable) for tax purposes | 10,037,242     | 15,723,298    | 37,005,304       | 57,968,655     |
| Effect of temporary differences  | (89,299)       | (342,926)     | (329,228)        | (1,264,300)    |
| <b>Income tax expense recognised in profit or loss</b>                   | <b>710,361</b> | <b>98,883</b> | <b>2,618,959</b> | <b>364,561</b> |

English translation is for information purposes only. Romanian language text is the official text for submission.

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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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. OPERATING SEGMENT INFORMATION**

**a) Business Segments**


For management purposes the Group is currently organized in 2 segments – refining and petrochemicals and marketing. Refining and Petrochemicals comprises Petromidia and Vega refineries, Rompetrol Petrochemicals operations, Marketing comprises Rompetrol Downstream, Rom Oil, Rompetrol Logistics, and other subsidiaries operations.

**2014 Income Statement information**

| USD  | Refining and<br>Petrochemicals | Marketing       | Consolidation<br>adjustments | Consolidated    |
|--|--------------------------------|-----------------|------------------------------|-----------------|
| Net revenues                                 | 4,042,825,591                  | 1,942,518,843   | (1,636,295,454)              | 4,349,048,980   |
| Cost of sales                                | (4,040,593,263)                | (1,769,806,743) | 1,666,540,525                | (4,143,859,481) |
| Gross margin                                 | 2,232,328                      | 172,712,100     | 30,245,071                   | 205,189,499     |
| Selling, general and administrative expenses | (54,611,930)                   | (121,175,061)   | (19,381,113)                 | (195,168,104)   |
| Other operating expenses, net                | (8,803,351)                    | (2,552,130)     | 11,446,567                   | 91,086          |
| Operating margin                             | (61,182,953)                   | 48,984,909      | 22,310,525                   | 10,112,481      |
| Financial expenses, net                      | (38,428,834)                   | (29,674,603)    | (324,209)                    | -               |
| Net foreign exchange result                  | (3,047,832)                    | 3,628,112       | -                            | 580,280         |
| Result before income tax                     | (102,659,619)                  | 22,938,418      | 21,986,316                   | (57,734,885)    |
| Income tax                                   | -                              | (710,361)       | -                            | (710,361)       |
| Net Result                                   | (102,659,619)                  | 22,228,057      | 21,986,316                   | (58,445,246)    |
| Non-Controlling interest                     | -                              | -               | (525,889)                    | (525,889)       |
| Net Result Group                             | (102,659,619)                  | 22,228,057      | 21,460,427                   | (58,971,135)    |

| RON  | Refining and<br>Petrochemicals | Marketing       | Consolidation<br>adjustments | Consolidated     |
|--|--------------------------------|-----------------|------------------------------|------------------|
| Net revenues                                 | 14,905,089,389                 | 7,161,678,470   | (6,032,694,080)              | 16,034,073,779   |
| Cost of sales                                | (14,896,859,242)               | (6,524,923,500) | 6,144,201,606                | (15,277,581,136) |
| Gross margin                                 | 8,230,147                      | 636,754,970     | 111,507,526                  | 756,492,643      |
| Selling, general and administrative expenses | (201,343,264)                  | (446,748,215)   | (71,454,286)                 | (719,545,765)    |
| Other operating expenses, net                | (32,456,194)                   | (9,409,193)     | 42,201,201                   | 335,814          |
| Operating margin                             | (225,569,311)                  | 180,597,562     | 82,254,441                   | 37,282,692       |
| Financial expenses, net                      | (141,679,425)                  | (109,404,326)   | (1,195,294)                  | (252,279,045)    |
| Net foreign exchange result                  | (11,236,747)                   | 13,376,122      | -                            | 2,139,375        |
| Result before income tax                     | (378,485,483)                  | 84,569,358      | 81,059,147                   | (212,856,978)    |
| Income tax                                   | -                              | (2,618,959)     | -                            | (2,618,959)      |
| Net Result                                   | (378,485,483)                  | 81,950,399      | 81,059,147                   | (215,475,937)    |
| Non-Controlling interest                     | -                              | -               | (1,938,847)                  | (1,938,847)      |
| Net Result Group                             | (378,485,483)                  | 81,950,399      | 79,120,300                   | (217,414,784)    |

  
 Ernst & Young Assurance Services S.R.L.  
 7 4. APR. 2015  
 Signed or identified  
 Semnat pentru identificare

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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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))*

**22. OPERATING SEGMENT INFORMATION (continued)**

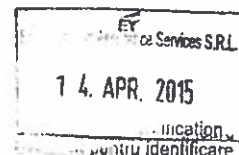
**Statement of financial position information**

| USD   | Refining<br>And<br>Petrochemicals |                    | Marketing            | Consolidation<br>adjustments | Consolidated |
|---|-----------------------------------|--------------------|----------------------|------------------------------|--------------|
|   |                                   |                    |                      |                              |              |
| Total non-current assets                          | 1,599,496,694                     | 219,307,753        | (600,368,704)        | 1,218,435,743                |              |
| Total current assets                              | 347,534,579                       | 287,285,589        | (57,685,634)         | 577,134,534                  |              |
| <b>TOTAL ASSETS</b>                               | <b>1,947,031,273</b>              | <b>506,593,342</b> | <b>(658,054,338)</b> | <b>1,795,570,277</b>         |              |
| Total equity                                      | 768,073,611                       | 182,300,112        | (593,523,725)        | 356,849,998                  |              |
| Total non-current liabilities                     | 67,470,230                        | 558,105            | 4,936,930            | 72,965,265                   |              |
| Total current liabilities                         | 1,111,487,432                     | 323,735,125        | (69,467,543)         | 1,365,755,014                |              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>1,947,031,273</b>              | <b>506,593,342</b> | <b>(658,054,338)</b> | <b>1,795,570,277</b>         |              |
| Capital expenditure                               | 23,348,679                        | 21,350,013         | (3,224,004)          | 41,474,688                   |              |
| Depreciation and amortization                     | 63,363,405                        | 19,275,836         | (6,422,630)          | 76,216,611                   |              |
| Impairment losses                                 | 16,171,909                        | 2,026,929          | -                    | 18,198,838                   |              |

| RON   | Refining and<br>Petrochemicals<br>Restated* |                      | Marketing              | Consolidation<br>adjustments | Consolidated |
|---|---|----------------------|------------------------|------------------------------|--------------|
|   |   |                      |                        |                              |              |
| Total non-current assets                          | 5,897,024,411                               | 808,543,824          | (2,213,439,338)        | 4,492,128,897                |              |
| Total current assets                              | 1,281,290,487                               | 1,059,164,510        | (212,675,398)          | 2,127,779,598                |              |
| <b>TOTAL ASSETS</b>                               | <b>7,178,314,898</b>                        | <b>1,867,708,334</b> | <b>(2,426,114,736)</b> | <b>6,619,908,495</b>         |              |
| Total equity                                      | 2,831,733,789                               | 672,104,053          | (2,188,203,269)        | 1,315,634,573                |              |
| Total non-current liabilities                     | 248,749,244                                 | 2,057,622            | 18,201,471             | 269,008,337                  |              |
| Total current liabilities                         | 4,097,831,864                               | 1,193,546,659        | (256,112,940)          | 5,035,265,585                |              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>7,178,314,897</b>                        | <b>1,867,708,334</b> | <b>(2,426,114,738)</b> | <b>6,619,908,493</b>         |              |
| Capital expenditure                               | 86,081,910                                  | 78,713,228           | (11,886,253)           | 152,908,885                  |              |
| Depreciation and amortisation                     | 233,608,202                                 | 71,066,152           | (23,678,951)           | 280,995,403                  |              |
| Impairment losses                                 | 59,622,594                                  | 7,472,878            | -                      | 67,095,472                   |              |

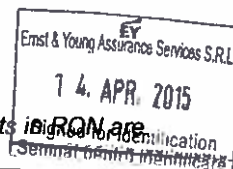
**2013 Income Statement information**

| USD  | Refining and<br>Petrochemicals |                    | Marketing           | Consolidation<br>adjustments | Consolidated |
|--|--------------------------------|--------------------|---------------------|------------------------------|--------------|
|  |                                |                    |                     |                              |              |
| Net revenues                                 | 3,629,920,439                  | 1,955,672,646      | (1,674,685,432)     | 3,910,907,653                |              |
| Cost of sales                                | (3,643,079,273)                | (1,801,108,843)    | 1,693,537,709       | (3,750,650,407)              |              |
| <b>Gross margin</b>                          | <b>(13,158,834)</b>            | <b>154,563,803</b> | <b>18,852,277</b>   | <b>160,257,246</b>           |              |
| Selling, general and administrative expenses | (65,277,264)                   | (131,283,414)      | (23,165,636)        | (219,726,314)                |              |
| Other operating expenses, net                | 72,263,153                     | 3,630,547          | (51,866,132)        | 24,027,568                   |              |
| <b>Operating margin</b>                      | <b>(6,172,945)</b>             | <b>26,910,936</b>  | <b>(56,179,491)</b> | <b>(35,441,500)</b>          |              |
| Financial expenses, net                      | (32,413,476)                   | (25,183,993)       | (66,616)            | (57,664,085)                 |              |
| Net foreign exchange result                  | (2,115,856)                    | (287,868)          | -                   | (2,403,724)                  |              |
| <b>Resultt before income tax</b>             | <b>(40,702,277)</b>            | <b>1,439,075</b>   | <b>(56,246,107)</b> | <b>(95,509,309)</b>          |              |
| Income tax                                   | -                              | (98,883)           | -                   | (98,883)                     |              |
| <b>Net Resultt</b>                           | <b>(40,702,277)</b>            | <b>1,340,192</b>   | <b>(56,246,107)</b> | <b>(95,608,192)</b>          |              |
| Non-Controlling interest                     | -                              | -                  | 208,251             | 208,251                      |              |
| <b>Net Resultt Group</b>                     | <b>(40,702,277)</b>            | <b>1,340,192</b>   | <b>(56,037,856)</b> | <b>(95,399,941)</b>          |              |



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**22. OPERATING SEGMENT INFORMATION (continued)**

| RON  | Refining and<br>Petrochemicals | Marketing       | Consolidation<br>adjustments | Consolidated            |
|--|--------------------------------|-----------------|------------------------------|-------------------------|
| Net revenues                                 | 13,382,790,675                 | 7,210,173,911   | (6,174,230,251)              | <b>14,418,734,335</b>   |
| Cost of sales                                | (13,431,304,664)               | (6,640,328,082) | 6,243,734,825                | <b>(13,827,897,921)</b> |
| Gross margin                                 | (48,513,989)                   | 569,845,829     | 69,504,574                   | <b>590,836,414</b>      |
| Selling, general and administrative expenses | (240,664,217)                  | (484,015,691)   | (85,407,065)                 | <b>(810,086,973)</b>    |
| Other operating expenses, net                | 266,419,792                    | 13,385,101      | (191,220,055)                | <b>88,584,838</b>       |
| Operating margin                             | (22,758,414)                   | 99,215,239      | (207,122,546)                | <b>(130,665,721)</b>    |
| Financial expenses, net                      | (119,502,003)                  | (92,848,345)    | (245,601)                    | <b>(212,595,949)</b>    |
| Net foreign exchange result                  | (7,800,738)                    | (1,061,312)     | -                            | <b>(8,862,050)</b>      |
| Result before income tax                     | (150,061,155)                  | 5,305,582       | (207,368,147)                | <b>(352,123,720)</b>    |
| Income tax                                   | -                              | (364,561)       | -                            | <b>(364,561)</b>        |
| Net Result                                   | (150,061,155)                  | 4,941,021       | (207,368,147)                | <b>(352,488,281)</b>    |
| Non-Controlling interest                     | -                              | -               | 767,779                      | <b>767,779</b>          |
| Net Result Group                             | (150,061,155)                  | 4,941,021       | (206,600,368)                | <b>(351,720,502)</b>    |

**Statement of financial position information**

| USD   | Refining and<br>Petrochemicals<br>Restated* | Marketing          | Consolidation<br>adjustments | Consolidated         |
|---|---|--------------------|------------------------------|----------------------|
| Total non-current assets                          | 1,642,988,333                               | 217,501,412        | (606,732,234)                | 1,253,757,511        |
| Total current assets                              | 723,843,654                                 | 351,469,643        | (258,652,184)                | 816,661,113          |
| <b>TOTAL ASSETS</b>                               | <b>2,366,831,987</b>                        | <b>568,971,055</b> | <b>(865,384,418)</b>         | <b>2,070,418,624</b> |
| Total equity                                      | 871,218,397                                 | 160,721,817        | (613,963,764)                | 417,976,450          |
| Total non-current liabilities                     | 70,335,465                                  | 624,774            | 2,826,886                    | 73,787,125           |
| Total current liabilities                         | 1,425,278,125                               | 407,624,464        | (254,247,540)                | 1,578,655,049        |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>2,366,831,987</b>                        | <b>568,971,055</b> | <b>(865,384,418)</b>         | <b>2,070,418,624</b> |
| Capital expenditure                               | 206,435,637                                 | 10,925,261         | (145,381,549)                | 71,979,349           |
| Depreciation and amortisation                     | 61,497,754                                  | 23,944,833         | 3,364,623                    | 88,807,210           |
| Impairment losses                                 | 8,643,537                                   | 5,905,983          | (1,951,645)                  | 12,597,875           |

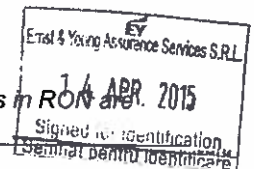
| RON   | Refining and<br>Petrochemicals<br>Restated* | Marketing            | Consolidation<br>adjustments | Consolidated         |
|---|---|----------------------|------------------------------|----------------------|
| Total non-current assets                          | 6,057,369,383                               | 801,884,207          | (2,236,900,404)              | <b>4,622,353,186</b> |
| Total current assets                              | 2,668,666,784                               | 1,295,798,280        | (953,598,872)                | <b>3,010,866,192</b> |
| <b>TOTAL ASSETS</b>                               | <b>8,726,036,167</b>                        | <b>2,097,682,487</b> | <b>(3,190,499,276)</b>       | <b>7,633,219,378</b> |
| Total equity                                      | 3,212,007,986                               | 592,549,195          | (2,263,561,603)              | <b>1,540,995,578</b> |
| Total non-current liabilities                     | 259,312,792                                 | 2,303,417            | 10,422,164                   | <b>272,038,373</b>   |
| Total current liabilities                         | 5,254,715,389                               | 1,502,829,874        | (937,359,839)                | <b>5,820,185,427</b> |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>8,726,036,167</b>                        | <b>2,097,682,486</b> | <b>(3,190,499,278)</b>       | <b>7,633,219,378</b> |
| Capital expenditure                               | 761,086,909                                 | 40,279,248           | (535,992,693)                | 265,373,464          |
| Depreciation and amortisation                     | 226,729,919                                 | 88,279,810           | 12,404,696                   | 327,414,425          |
| Impairment losses                                 | 31,866,994                                  | 21,774,177           | (7,195,325)                  | 46,445,846           |

- 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 margins / discounts taking into account, quantity, quality, payment terms, transportation costs etc.



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**22. OPERATING SEGMENT INFORMATION (continued)**

**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:

|                        | 2014<br>USD          | 2013<br>USD          | 2014<br>RON           | 2013<br>RON           |
|------------------------|----------------------|----------------------|-----------------------|-----------------------|
| <b>Romania</b>         | <b>2,437,374,041</b> | <b>2,356,221,531</b> | <b>8,986,110,614</b>  | <b>8,686,917,540</b>  |
| <b>Export</b>          | <b>1,911,674,939</b> | <b>1,554,686,122</b> | <b>7,047,963,165</b>  | <b>5,731,816,795</b>  |
| <i>out of which</i>    |                      |                      |                       |                       |
| Petroleum products     | 1,762,577,153        | 1,406,766,122        | 6,498,269,448         | 5,186,465,339         |
| Petrochemical products | 149,097,786          | 147,920,000          | 549,693,717           | 545,351,456           |
| <b>Total</b>           | <b>4,349,048,980</b> | <b>3,910,907,653</b> | <b>16,034,073,779</b> | <b>14,418,734,335</b> |

**22. 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                        |
|-------------------------------------|---|
| KMG International N.V.              | Majority Shareholder                          |
| Romp petrol S.A.                    | Company owned by KMG International Group      |
| Rominserv S.A.                      | Company owned by KMG International Group      |
| Ecomaster Servicii Ecologice S.R.L. | Company owned by KMG International Group      |
| KazMunayGas Trading AG              | Company owned by KMG International Group      |
| Romp petrol Well Services S.A.      | Company owned by KMG International Group      |
| Palplast S.A.                       | Company owned by KMG International Group      |
| Romp petrol Bulgaria JSC            | Company owned by KMG International Group      |
| Romp petrol Moldova SA              | Company owned by KMG International Group      |
| Romp petrol Georgia LTD             | Company owned by KMG International Group      |
| Romcalor Oil Services S.A.          | Company owned by KMG International Group      |
| Midia Marine Terminal S.R.L.        | Company owned by KMG International Group      |
| Romp petrol Financial Group S.R.L.  | Company owned by KMG International Group      |
| Dyneff SA                           | Company owned by KMG International Group      |
| Byron Shipping Ltd                  | Company owned by KMG International Group      |
| KMG Rom petrol S.R.L.               | Company owned by KMG International Group      |
| Romp petrol Albania Wholesale Sh.A. | Company owned by KMG International Group      |
| Romp petrol Ukraine LTD             | Company owned by KMG International Group      |
| Rominserv Valves Iaifo SRL          | Company owned by KMG International Group      |
| Rominserv Kazakhstan Ltd            | Company owned by KMG International Group      |
| Uzina Termoelectrica Midia S.A.     | Associate of the KMG International Group      |
| Global Security Systems SA          | Company owned by KMG International Group      |
| Kazmotransflot                      | Company affiliated to KMG International Group |
| Tengizchevroil LLP                  | Company affiliated to KMG International Group |

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, 2014, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2013: 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.


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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))*

**23. RELATED PARTIES (continued)**

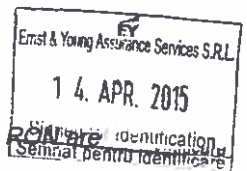
| Name of related party               | <u>Receivables and other assets</u> |                          |                           |                           |
|-------------------------------------|-------------------------------------|--------------------------|---------------------------|---------------------------|
|                                     | <u>31-Dec-14</u>                    | <u>31-Dec-13</u>         | <u>31-Dec-14</u>          | <u>31-Dec-13</u>          |
|                                     | USD                                 | USD                      | RON                       | RON                       |
| KazMunayGas Trading AG              | 204,056                             | 704,056                  | 752,314                   | 2,595,714                 |
| Rominserv S.A.                      | 2,973,235                           | 30,226,844               | 10,961,723                | 111,440,328               |
| KMG International N.V.              | 1,224,652                           | 91,699                   | 4,515,047                 | 338,076                   |
| KMG Rompetrol S.R.L.                | 5,981,467                           | 87,261                   | 22,052,473                | 321,714                   |
| Rompetrol S.A.                      | 4,786,451                           | 5,236,971                | 17,646,688                | 19,307,665                |
| Ecomaster Servicii Ecologice S.R.L. | 75                                  | 1,068,970                | 277                       | 3,941,079                 |
| Rompetrol Well Services S.A.        | 235,449                             | 273,875                  | 868,053                   | 1,009,722                 |
| Palplast S.A.                       | 2,532,908                           | 2,786,739                | 9,338,325                 | 10,274,149                |
| Rompetrol Bulgaria JSC              | 3,815,120                           | 3,100,392                | 14,065,584                | 11,430,525                |
| Rompetrol Moldova SA                | 884,285                             | 9,149,292                | 3,260,182                 | 33,731,610                |
| Rompetrol Financial Group           | 2,691                               | 0                        | 9,921                     | 0                         |
| Rompetrol Georgia LTD               | 1,666,443                           | 1,888,544                | 6,143,842                 | 6,962,684                 |
| KazMunayGas Engineering B.V.        | 7,146                               | 0                        | 26,346                    | 0                         |
| Dyneff SA                           | 229,570                             | 260,167                  | 846,379                   | 959,184                   |
| Byron Shipping Ltd.                 | 2,274                               | 2,218                    | 8,384                     | 8,177                     |
| Rompetrol Albania Wholesale Sh.A    | 18,156                              | 15,066                   | 66,938                    | 55,545                    |
| Midia Marine Terminal SRL           | 255,070                             | 21,424                   | 940,392                   | 78,986                    |
| Rominserv Valves Iaifo SRL          | 6,533                               | 10,200                   | 24,086                    | 37,605                    |
| Rominserv Kazakhstan Ltd            | 168,167                             | 168,167                  | 619,998                   | 619,998                   |
| Rompetrol Ukraine LTD               | 8,459                               | 9,079                    | 31,187                    | 33,472                    |
| Uzina Termoelectrica Midia S.A.     | 2,144,602                           | 1,616,196                | 7,906,719                 | 5,958,591                 |
| Global Security Systems SA          | 143,356                             | 249,503                  | 528,525                   | 919,868                   |
| Tengizchevroil LLP                  | 77,838                              | 0                        | 286,973                   | 0                         |
| <b>Total</b>                        | <b><u>27,368,003</u></b>            | <b><u>56,966,663</u></b> | <b><u>100,900,356</u></b> | <b><u>210,024,692</u></b> |

| Name of related party               | <u>Payables, loans and other liabilities</u> |                             |                             |                             |
|-------------------------------------|--|-----------------------------|-----------------------------|-----------------------------|
|                                     | <u>31-Dec-14</u>                             | <u>31-Dec-13</u>            | <u>31-Dec-14</u>            | <u>31-Dec-13</u>            |
|                                     | USD  | USD                         | RON                         | RON                         |
| KazMunayGas Trading AG              | 605,652,629                                  | 758,287,806                 | 2,232,920,113               | 2,795,655,483               |
| Rominserv S.A.                      | 13,158,320                                   | 52,856,502                  | 48,512,094                  | 194,871,352                 |
| KMG International N.V.              | 286,166,187                                  | 341,532,666                 | 1,055,037,498               | 1,259,162,633               |
| KMG Rompetrol S.R.L.                | 33,659,078                                   | 4,539,290                   | 124,094,289                 | 16,735,454                  |
| Rompetrol S.A.                      | 152,096                                      | 134,314                     | 560,748                     | 495,189                     |
| Ecomaster Servicii Ecologice S.R.L. | 9,753  | 351,816                     | 35,957                      | 1,297,075                   |
| Rompetrol Well Services S.A.        | 9,351,491                                    | 7,621,863                   | 34,477,077                  | 28,100,285                  |
| Rompetrol Bulgaria JSC              | 470,688                                      | 386,279                     | 1,735,333                   | 1,424,133                   |
| Rompetrol Moldova SA                | 4  | 636                         | 15                          | 2,345                       |
| Byron Shipping Ltd.                 | 91,826                                       | 10                          | 338,544                     | 37                          |
| Midia Marine Terminal SRL           | 27,910,418                                   | 20,466,976                  | 102,900,129                 | 75,457,647                  |
| Rominserv Valves Iaifo SRL          | 57,207                                       | 27,906                      | 210,911                     | 102,884                     |
| Uzina Termoelectrica Midia S.A.     | 3,468,540                                    | 6,165,077                   | 12,787,813                  | 22,729,406                  |
| Global Security Systems S.A.        | 473,244                                      | 827,831                     | 1,744,756                   | 3,052,047                   |
| <b>Total</b>                        | <b><u>980,621,481</u></b>                    | <b><u>1,193,198,972</u></b> | <b><u>3,615,355,277</u></b> | <b><u>4,399,085,970</u></b> |

  
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**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

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



**23. RELATED PARTIES (continued)**

During 2014 and 2013, Rompetrol Rafinare Group entered into the following transactions with related parties:

| Name of related party               | Sales and other revenues |                      |                      |                      |
|-------------------------------------|--------------------------|----------------------|----------------------|----------------------|
|                                     | 31-Dec-14                | 31-Dec-13            | 31-Dec-14            | 31-Dec-13            |
|                                     | USD                      | USD                  | RON                  | RON                  |
| KazMunayGas Trading AG              | 1,568,008,944            | 1,261,705,478        | 5,780,935,375        | 4,651,655,756        |
| Rominserv S.A.                      | 1,550,223                | 1,319,769            | 5,715,362            | 4,865,724            |
| KMG Rompetrol S.R.L.                | 194,463                  | 179,683              | 716,946              | 662,455              |
| Rompetrol S.A.                      | 38,853                   | 4,294,823            | 143,243              | 15,834,153           |
| Ecomaster Servicii Ecologice S.R.L. | 141,266                  | 238,164              | 520,819              | 878,063              |
| Rompetrol Well Services S.A.        | 1,651,236                | 2,141,855            | 6,087,777            | 7,896,591            |
| Palplast S.A.                       | 2,700,711                | 2,943,378            | 9,956,981            | 10,851,646           |
| Rompetrol Bulgaria JSC              | 31,729,367               | 12,371,610           | 116,979,830          | 45,611,652           |
| Rompetrol Moldova SA                | 156,532,680              | 124,929,493          | 577,104,685          | 460,590,055          |
| Midia Marine Terminal SRL           | 446,192                  | 534,502              | 1,645,021            | 1,970,602            |
| Dyneff SA                           | -                        | 1,332                | -                    | 4,911                |
| Byron Shipping Ltd.                 | 31,803                   | 29,427               | 117,251              | 108,491              |
| Rominserv Valves Iai fo SRL         | 21,391                   | 24,502               | 78,864               | 90,334               |
| Rompetrol Ucraina                   | -                        | 9,002,236            | -                    | 33,189,444           |
| Uzina Termoelectrica Midia S.A.     | 17,334,165               | 16,871,341           | 63,907,600           | 62,201,260           |
| Global Security Systems SA          | 146,953                  | 139,845              | 541,786              | 515,581              |
|                                     | <b>1,780,528,247</b>     | <b>1,436,727,438</b> | <b>6,564,451,540</b> | <b>5,296,926,718</b> |

| Name of related party               | Nature of transaction                       | Purchases and other costs |                      |                       |                       |
|-------------------------------------|---|---------------------------|----------------------|-----------------------|-----------------------|
|                                     |   | 31-Dec-14                 | 31-Dec-13            | 31-Dec-14             | 31-Dec-13             |
|                                     |   | USD                       | USD                  | RON                   | RON                   |
| KazMunayGas Trading AG              | Purchase of crude oil                       | 3,557,959,599             | 3,237,556,713        | 13,117,485,450        | 11,936,224,089        |
| Rominserv S.A.                      | Acquisition and maintenance of fixed assets | 26,593,661                | 85,016,461           | 98,045,509            | 313,438,688           |
| KMG International N.V.              | Purchase of crude oil / Management services | 12,713,309                | 2,414,294            | 46,871,428            | 8,901,019             |
| KMG Rompetrol S.R.L.                | Management services                         | 37,516,237                | 30,313,613           | 138,314,863           | 111,760,228           |
| Rompetrol S.A.                      | Management services                         | 62,481                    | 62,922               | 230,355               | 231,981               |
| Ecomaster Servicii Ecologice S.R.L. | Environmental services                      | 844,906                   | 1,498,048            | 3,114,999             | 5,523,003             |
| Rompetrol Well Services S.A.        | Interest on loan                            | 517,044                   | 26,590               | 1,906,238             | 98,032                |
| Palplast S.A.                       |   | -                         | 15,015               | -                     | 55,357                |
| Rompetrol Bulgaria JSC              | Sales intermediary services                 | -                         | 377,000              | -                     | 1,389,924             |
| Rompetrol Moldova ICS               |   | 10                        | -                    | 37                    | -                     |
| Midia Marine Terminal SRL           | Handling services                           | 16,400,607                | 12,949,496           | 60,465,758            | 47,742,202            |
| Byron Shipping Ltd.                 | Shipping services                           | 113,442                   | -                    | 418,238               | -                     |
| Rominserv Valves Iai fo SRL         | Valves                                      | 122,808                   | -                    | 452,769               | -                     |
| Uzina Termoelectrica Midia S.A.     | Acquisition of utilities                    | 26,905,585                | 26,150,448           | 99,195,511            | 96,411,472            |
| Global Security Systems SA          | Security and protection services            | 3,925,640                 | 3,739,692            | 14,473,050            | 13,787,496            |
| Tengizchevroil LLP                  | Liquefied Petroleum Gas                     | 7,381,697                 | -                    | 27,214,840            | -                     |
|                                     |   | <b>3,691,057,026</b>      | <b>3,400,120,292</b> | <b>13,608,189,045</b> | <b>12,535,563,491</b> |

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 MFPR, 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.

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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The amount of remuneration for key management personnel for 2014 was of USD 0.58 million (2013: USD 0.69 million), representing short term benefits and bonuses.

**23. EARNINGS PER SHARE**

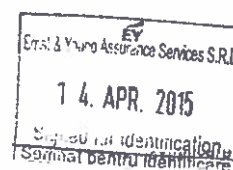
The calculation of the basic earnings per share attributable to the ordinary equity holders of the parent is based on the following data:

|   | 2014<br>USD    | 2013<br>USD    | 2014<br>RON    | 2013<br>RON    |
|---|----------------|----------------|----------------|----------------|
| <b>Earnings</b>   |                |                |                |                |
| Loss for the year attributable to ordinary equity holders of the parent entity              | (58,971,135)   | (95,399,941)   | (217,414.784)  | (351,720.502)  |
| <b>Number of shares</b>   |                |                |                |                |
| 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 |
| <b>Earnings per share (US cents/share)</b>  |                |                |                |                |
| Basis   | <u>(0.134)</u> | <u>(0.216)</u> | <u>(0.494)</u> | <u>(0.796)</u> |

**24. CONTINGENCIES**

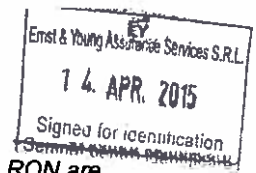
Related to the Parent's oil products technological lending practice to other refineries, D.G.F.P Constanta claimed unrecorded income, excise, VAT and related penalties totaling RON 47.7 million (USD 14.7 million) to be paid by the Parent. These claims (the legal effects) were suspended by the local court 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 25). 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 low. In 2014 no changes were incurred.



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES  
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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))*



**25. LEGAL MATTERS**

**Litigation with the State involving criminal charges**

Starting with March 22, 2005, a number of criminal investigations have been initiated against certain current and former directors, managers and external censors of S.C. Rompetrol Rafinare S.A. («RRC»); these investigations were carried out at a formal level and materialized into different criminal proceeding activities (including specialized judicial expertises), currently undergoing the criminal prosecution phase. At the present date, only one of the current directors of the Company is contemplated by the investigation initiated by the General Prosecutor's Office appended to the High Court of Cassation and Justice (PICCJ – DIICOT)

The charges brought against the defendants upon the initiation of the criminal investigations 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 keeping of accounting registries regarding the technological products operations undertaken at the oil terminal owned by Oil Terminal, charges which concern events that took place during April 2001 – October 2002;
- d) adoption of GEO no. 118/2003.

The said charges have been disjoined by the prosecutors' office from the initial file created in 2004 (which has been sent to trial following such disjoining and which is currently finally and irrevocably settled) and are subject to a separate file currently pending before PGO - DIICOT.

**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 (see Note 10).

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**25. LEGAL MATTERS (continued)**

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

- 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 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 Group 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 Group will acquire shares owned by OPSPI and representing 26.6959% of RRC's share capital for a cash consideration of USD 200 million;
- The Group 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.

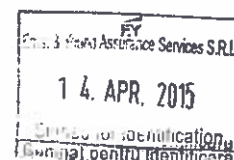
Following the hearing on March 24, 2014 it is confirmed that the court case is closed following the Ministry of Finance renouncing all the court actions that were in progress that are mentioned above.

Following this decision, Rompetrol submitted to the Romanian authorities a requirement for the annulment of the seizure. As long as the court decision confirmed that the state is a shareholder of Petromidia and therefore there is no amount payable by the Refinery to the state, there is no object for the seizure.

**Litigation regarding the import of Biodiesel**

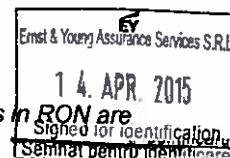
On June 20, 2012 the National Authority of Customs, the Excise Supervision and Customs Operations Department issued a Minute in which they assessed that Rompetrol Rafinare should pay an amount of RON 108 million for antidumping and countervailing duties, VAT and interests for late payment plus penalties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



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**25. LEGAL MATTERS (continued)**

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.

Romp petrol Rafinare considers that as no final report has been issued by OLAF that the Romanian Customs Authorities were premature in issuing its assessment minute. To date OLAF is still to issue a final report.

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

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.

Romp petrol 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 Rom petrol 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 Rom petrol Rafinare to request a reply from ANAF. On February 20, 2013, the Court decided in the favor of Rom petrol Rafinare SA. On February 22, 2013 Rom petrol 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 VAT part of the total amount (including penalties and late payment interest related to the VAT), considering that the company had a VAT deferred tax certificate. The re-audit is expected to be carried on within the next period and to be in solved in the favor of the Company.

Group Management proceeded with further legal action in this matter. On July 18, 2013 Rom petrol 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 in February and November 2014. The Supreme Court rejected the appeal submitted by Rom petrol Rafinare.

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

For an amount of RON 32.2 million Rom petrol Rafinare obtained from local customs authorities an approval for reschedule of payment, which was fulfilled through complete payment in 2013. An amount of RON 9.9 million was cancelled by the local custom authorities following the fulfilment of the rescheduling agreement, as per Romanian legislation. The remaining amount of RON 7.8 million in relation to VAT was not paid following the decision of re-audit.

A provision has been included in 2012 and 2013 for the amount of USD 26.3 million (USD 23 mUSD following forex depreciation as of 2014) equal with the amount paid by Rom petrol Rafinare.

Romp petrol Rafinare, through KazMunayGas Trading AG, started the recourse against the Canadian supplier of the biodiesel (Bioversel) in front of the LCIA; on July 28, 2014 the Court fully upheld KazMunayGas Trading AG forcing Bioversel request to pay the sum of RON 215.77 million, plus GBP 1.35 million plus EUR 0.8million plus USD 1.1 million.

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**25. LEGAL MATTERS (continued)**

KazMunayGas Trading AG started the enforcement of the LCIA award in Canada against Bioversel.

**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.

The following has subsequently occurred relating to this matter:

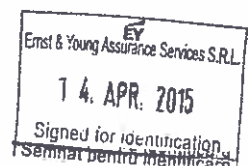
- Both the Report and the Decision were challenged subject to a prior administrative appeal, which is currently still pending settlement by the National Agency for Tax Administration – General Division for Appeals Settlement. As ANAF did not respond within the deadline provided by the law, a court proceeding has been commenced by the Rompetrol Rafinare to request a reply from ANAF. On February 20, 2013, the Court decided in the favor 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 has been settled on 27<sup>th</sup> of October by Constanta Court of Appeal which partially annulled both Decision no. 33 and the Assessment Decision for payment of RON 48 million (equivalent USD 14.1 million).

Constanta Court of Appeal held liable the National Agency for Tax Administration for paying back Rompetrol Rafinare approximately RON 21.131.343 (equivalent USD 6.215.200) and to pursue to audit again for approximately RON 9.760.896 (equivalent of USD 2.870.851).

This Decision is not final, both Rompetrol Rafinare and National Agency for Tax Administration appealed against it in front of the Supreme Court of Justice, This final appeals are still to be solved by the Supreme Court of Justice during the next period of time.





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**25. LEGAL MATTERS (continued)**

**Litigation between Rompetrol Downstream SRL and the Romanian Competition Council**

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 % (Rompertrol) 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.

Rompertrol Downstream challenged the RCC in court to get the annulment of the fine or a significant decrease of the fine amount.

Rompertrol 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 regarding suspension of payments 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. 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, 2014 was paid a total amount of RON 74.3 million (USD 22.3 million).

Despite all evidences provided, in September 2013 the Court of Appeal dismissed Rompetrol Downstream's claim in respect to the main matter (anti-competitive behaviour). At the end of November 2014, Rompetrol Downstream submitted its appeal to be ruled by the Supreme Court, following the communication of the grounds of the decision issued at the beginning of November 2014. The first hearing was scheduled on February 9, 2015. The Supreme Court postponed the hearings for June 15, 2015 in order to allow Rompetrol Downstream to acknowledge the defence statement submitted by the Competition Council.

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.

Ernst & Young Assurance Services S.R.L.  
14. APR. 2015  
Signed for authentication  
Sandra Elena Mădăraș

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**25. LEGAL MATTERS (continued)**

**Litigation regarding CO2 emission allowances.**

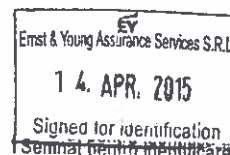
On February 28, 2011 Rompetrol Rafinare S.A. won the court case against The Romanian Government and The Ministry of Environment which required the Romanian authorities to allocate to Rompetrol Rafinare an additional number of 2.577.938 CO2 emission certificates for the entire period 2008-2012. This first 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 market value for a CO2 emission certificate as of December 2013 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.

On April 24, 2014 the court rejected the Rompetrol's claim on a reason that "is lack of object". Even though Rompetrol did not receive yet the extensive decision, the result is quite strange since Rompetrol did not receive neither the certificates not their value, therefore at least from this point of view the claim cannot be reasonably rejected as "lack of object". Rompetrol appealed the Decision in front of the Supreme Court. The first hearing is not yet been set by the Supreme Court.

Additionally Rompetrol Rafinare launched a new legal enforcement procedure in front of the Constanta Court of Appeal, based on some new and much clearer provisions of law. This procedure is also still pending, first hearing was on March 2<sup>nd</sup> 2015. The Court settles a new hearing for April 20, 2015.



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**26. 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, 2014 Rompetrol Rafinare S.A. has environmental commitments of USD 0.08 million (2013: USD 6.7 million) to conform to the Integrated Environmental Authorisation.

**Other commitments**

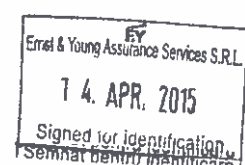
As of December 31, 2014 Rompetrol Rafinare S.A. has contracted capital commitments for projects related to capacity increase and compliance with Euro standards at the Petromidia refinery of USD 54.72 million (2013: USD 12.5 million). As of December 31, 2013, Rompetrol Downstream S.R.L has contracted capital commitments of USD 3.75 million (2013: USD 5.22).

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 2015 is USD 5.16 million (USD 4.15 million in 2014).

**Sale and purchase commitments**

As of December 31, 2014 Rompetrol Rafinare S.A. has non-group commitments for purchases of raw materials and utilities of USD 265.73 million (2013: USD 159.88 million) and for sales of petroleum, petrochemicals products and utilities sales of USD 316.68 million (2013: USD 502.01 million).

Due to the fact that starting with January 1, 2014 the activity of Rompetrol Petrochemicals S.R.L. was transferred to Rompetrol Rafinare S.A., the commitments for the contracts transferred are included in Rompetrol Rafinare S.A. figures.



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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

**27.1. 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 13), 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".

**27.2. Gearing ratio**

The gearing ratio at the year-end was as follows:

|                                      | <u>December 31,<br/>2014</u> | <u>December 31,<br/>2013</u><br>Restated* |
|--------------------------------------|------------------------------|---|
| Debt (excluding shareholder loans)   | 187,971,875                  | 180,258,301                               |
| Cash and cash equivalents            | (12,937,600)                 | (118,470,507)                             |
| <b>Net debt</b>                      | <u>175,034,275</u>           | <u>61,787,794</u>                         |
| Equity (including shareholder loans) | 654,772,979                  | 771,959,610                               |
| <b>Net debt to equity ratio</b>      | <u>0.27</u>                  | <u>0.08</u>                               |

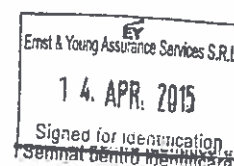
**27.4. Categories of financial instruments and fair values**

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

|   | <u>December 31,<br/>2014</u> | <u>December 31,<br/>2013</u> |
|---|------------------------------|------------------------------|
| <b>Financial assets</b>                 |                              |                              |
| Trade and other receivables             | 248,572,880                  | 295,674,370                  |
| Long-term receivables                   | 391,683                      | 900,451                      |
| Available for sale investments          | 18,583                       | 302,272                      |
| Derivative financial instruments        | 53,479                       | -                            |
| Cash and cash equivalents               | 12,937,600                   | 118,470,507                  |
| <b>TOTAL FINANCIAL ASSETS</b>           | <u>261,974,225</u>           | <u>415,347,600</u>           |
| <b>Financial liabilities</b>            |                              |                              |
| Derivative financial instruments        | 479,575                      | 63,466                       |
| Short term borrowings from shareholders | 297,922,981                  | 353,983,160                  |
| Other non-current liabilities           | 167,844                      | 145,214                      |
| Net obligations under finance lease     | -                            | -                            |
| Trade and other payables                | 818,477,088                  | 968,583,873                  |
| Short-term borrowings banks             | 187,971,875                  | 180,258,301                  |
| <b>TOTAL FINANCIAL LIABILITIES</b>      | <u>1,305,019,363</u>         | <u>1,503,034,014</u>         |

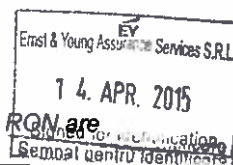
Trade and other receivables are at net recoverable value the following are not considered as financial assets:

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



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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

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.
- 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 2014, 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,<br>2014 | Level 1           | Level 2        | Level 3              |
|---|----------------------|-------------------|----------------|----------------------|
| <b>Financial assets</b>                 |                      |                   |                |                      |
| Trade and other receivables             | 248,572,880          | -                 | -              | 248,572,880          |
| Long-term receivables                   | 391,683              | -                 | -              | 391,683              |
| Available for sale investments          | 18,583               | -                 | -              | 18,583               |
| Derivative financial instruments        | 53,479               | -                 | 53,479         | -                    |
| Cash and cash equivalents               | 12,937,600           | 12,937,600        | -              | -                    |
| <b>TOTAL FINANCIAL ASSETS</b>           | <b>261,920,746</b>   | <b>12,937,600</b> | <b>53,479</b>  | <b>248,983,146</b>   |
| <b>Financial liabilities</b>            |                      |                   |                |                      |
| Derivative financial instruments        | 479,575              | -                 | 479,575        | 479,575              |
| Short term borrowings from shareholders | 297,922,981          | -                 | -              | 297,922,981          |
| Other non-current liabilities           | 167,844              | -                 | -              | 167,844              |
| Net obligations under finance lease     | -                    | -                 | -              | -                    |
| Trade and other payables                | 818,477,088          | -                 | -              | 818,477,088          |
| Short-term borrowings banks             | 187,971,875          | -                 | -              | 187,971,875          |
| <b>TOTAL FINANCIAL LIABILITIES</b>      | <b>1,305,019,363</b> | <b>-</b>          | <b>479,575</b> | <b>1,305,019,363</b> |

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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

|   | December 31,<br>2013 | Level 1            | Level 2       | Level 3              |
|---|----------------------|--------------------|---------------|----------------------|
| <b>Financial assets</b>                 |                      |                    |               |                      |
| 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        | -             | -                    |
| <b>TOTAL FINANCIAL ASSETS</b>           | <b>415,347,600</b>   | <b>118,470,507</b> | <b>-</b>      | <b>296,877,093</b>   |
| <b>Financial liabilities</b>            |                      |                    |               |                      |
| 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          |
| <b>TOTAL FINANCIAL LIABILITIES</b>      | <b>1,503,034,014</b> | <b>-</b>           | <b>63,466</b> | <b>1,503,034,014</b> |

During the reporting period ending 31 December 2014 and 2013, 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.

**27.5 Derivative financial instruments**

The Group uses different commodity derivatives as a part of price risk management in trading of crude oil and products.

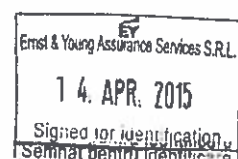
**Balance Sheet:**

|   | December 31,<br>2014 | December<br>31,2013 |
|---|----------------------|---------------------|
| Derivative financial asset              | 53,479               | -                   |
| Derivative financial liability          | (479,575)            | (63,466)            |
| <b>Net position - asset/(liability)</b> | <b>(426,096)</b>     | <b>(63,466)</b>     |

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.

**27.6 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.



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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.7. 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 currency exposure arises in this context. Certain assets and liabilities are denominated in foreign currencies, which are translated 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      |             |
|--------------|-------------|-------------|-------------|-------------|
|              | 2014        | 2013        | 2014        | 2013        |
| Currency RON | 316,493,059 | 262,463,990 | 257,403,118 | 330,088,320 |
| Currency EUR | 33,032,125  | 81,674,902  | 13,502,382  | 30,865,473  |

**27.8. 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.


|                | USD | USD | RON         |             | EUR       |             |
|----------------|-----|-----|-------------|-------------|-----------|-------------|
|                |     |     | 2014        | 2013        | 2014      | 2013        |
| Profit or loss | 5%  |     | (2,954,497) | 3,381,216   | (976,487) | (2,540,471) |
|                | -5% |     | 2,954,497   | (3,381,216) | 976,487   | 2,540,471   |

**27.9. 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 13.

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 2014 would decrease/increase by USD 3,931 thousand (2013: decrease/increase by USD 841 thousand).

  
 Ernst & Young Assurance Services S.R.L.  
 14. APR. 2015  
 Signed for identification  
 Semnat pentru inregistrare

**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
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**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.10. Liquidity risk management**

The tables below summarize the maturity profile of the Group's financial liabilities at 31 December 2014 and 31 December 2013 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

| Year ended December 31, 2014            | Less than 1 month<br>or on demand | <3 months          | 3-12<br>months     | 1-5<br>years   | >5<br>years | Total                |
|---|-----------------------------------|--------------------|--------------------|----------------|-------------|----------------------|
| Trade and other payables                | 358,838,358                       | 454,227,318        | 5,328,301          | 88,568         | -           | 818,482,545          |
| Derivative financial instruments        | -                                 | 479,575            | -                  | -              | -           | 479,575              |
| Short-term borrowings from shareholders | 290,609,676                       | 2,409,262          | 14,400,541         | -              | -           | 307,419,479          |
| Short-term debt                         | -                                 | 65,546,238         | 125,871,713        | -              | -           | 191,417,951          |
| Other non-current liabilities           | -                                 | -                  | -                  | 167,844        | -           | 167,844              |
|   | <b>649,448,034</b>                | <b>522,662,393</b> | <b>145,600,555</b> | <b>256,412</b> | <b>-</b>    | <b>1,317,967,394</b> |

| Year ended December 31, 2013            | Less than 1 month<br>or on demand | <3 months          | 3-12<br>months     | 1-5<br>years   | >5<br>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              |
|   | <b>843,661,128</b>                | <b>322,156,485</b> | <b>348,546,378</b> | <b>145,214</b> | <b>-</b>    | <b>1,514,509,205</b> |

**27.11. 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 and in 2014 it was implemented a hedging program in Rompetrol Downstream.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock in case of Rompetrol Refinery, benchmark stock for Rompetrol Downstream) is hedged using future contracts traded on ICE Exchange and some OTC instruments. 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 routine hedging program for stocks was very important for 2014 as the company results were significantly protected by the oil price drop.

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. The company also had hedge operations for refinery margins. The net impact of the commodity hedges (physical result -loss- plus paper result -gain- for hedged stocks) was USD 7.2 million (2013: net loss of USD 0.47 million). However the company results were affected by the inventory losses related to the base operating stock in refinery but considering such stocks is constant in time, the loss is only on paper not on cash.

Ernst & Young Assurance Services S.R.L.  
**14. APR. 2015**  
 Signed for identification  
 Semnar Bentan



**ROMPETROL RAFINARE S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2014**

*(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))*

**27. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)**

**27.12 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.

**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 36% 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.

**28 SUBSEQUENT EVENTS**

During February 2015, KMG Rompetrol Development S.R.L. was set-up. The shareholders are the following: KMG International N.V. 99.975%, Rompetrol Downstream S.R.L. 0.025%. Rompetrol Downstream's intention is to implement investment projects related to the development of its network in Romania through this new subsidiary.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of EUR 7 million has been extended until April 14, 2015.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of EUR 11.2 million was extended until April 28, 2015.

Facility granted to Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of EUR 13 million has been extended until May 10, 2015.

Facility granted Rompetrol Rafinare S.A. by Rompetrol Well Services S.A. in amount of EUR 3.1 million has been extended until May 3, 2015.

Facility granted to Rompetrol Rafinare S.A. by Midia Marine Terminal LLC in amount of USD 7 million has been extended until 31 December 2015.

Facility short-term overdraft granted Rompetrol Rafinare S.A. by Raiffeisen Bank in amount of EUR 30 million was extended until the date of May 30, 2015.

Umbrella facility granted to Rompetrol Downstream S.R.L (EUR 38 million) and Rompetrol Gas S.R.L (EUR 12 million) by Unicredit Tiriac Bank S.A. was extended until June 30, 2015.

On March 19, 2015 the facility provided by Rompetrol Financial Group SRL was fully used.

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14. APR. 2015  
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Semnat pentru identificare