ROMPETROL RAFINARE S.A.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2011

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

Ernst & Young Assurance Services SRL
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REPORT OF INDEPENDENT AUDITORS

To the shareholders of Rompetrol Rafinare S.A.

Report on the 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 2011, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes, all expressed in United States Dollar (USD). We have also reviewed the translation of these statements into Romanian lei on the basis described in Note 2 (d).

Management's Responsibility for the 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 European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

6 In our opinion, the consolidated financial statements of the Group expressed in USD, present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

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

Emphasis of matter

8 Without qualifying our opinion, we draw attention to the situation as mentioned in Note 2(b) where under Romanian Company Law (Law 31/1990, as amended by Law 441/2006, Art. 153.24) action is required by Rompetrol Rafinare S.A. (the Parent company) administrators to remedy the situation when statutory accounting net assets (the equivalent of total equity) of the company is less than 50% of the share capital. The Company is, as of 31 December 2011, in such a position, with net liabilities of RON 134 million and share capital of RON 4,411 million. To date no formal action has been undertaken by the Company administrators in relation to this matter.

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

9 In accordance with the Order of the Minister of Public Finance no 3055/2009, article no. 320 point 1e) 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 financial statements as at 31 December 2011.

On behalf of

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

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13 -04- 2012
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Name of signing person: Garry R. Collins

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

Bucharest, Romania
13 April 2012

CONTENTS

ROMPETROL RAFINARE S.A.
Consolidated Statement of Financial Position
as at December 31, 2011
(Amounts in US dollars representing the functional and presentation currency of the Group. Amounts in RON are provided for information purposes only (see Note 2d))

	Notes	December 31, 2011 USD	December 31, 2010 USD	December 31, 2011 RON	December 31, 2010 RON
Intangible assets	3	15,869,666	29,244,456	52,993,573	97,656,010
Goodwill	4	82,871,706	82,871,706	276,733,488	276,733,488
Property, plant and equipment	5	1,079,404,528	1,022,541,570	3,604,455,538	3,414,573,063
Available for sale investments	6	302,621	285,321	1,010,543	952,769
Long-term receivable		4,781,842	3,104,684	15,968,003	10,367,471
Deferred tax asset	14	-	-	-	-
Total non current assets		1,183,230,363	1,138,047,737	3,951,161,145	3,800,282,801
Inventories, net	7	341,849,388	357,368,919	1,141,537,661	1,193,362,031
Receivables and prepayments, net	8	308,347,816	324,492,795	1,029,665,863	1,083,578,790
Derivative Financial Instruments	30.5	5,832,080	-	19,475,065	-
Cash and cash equivalents	9	53,058,268	53,177,253	177,177,474	177,574,801
Total current assets		709,087,552	735,038,967	2,367,856,063	2,454,515,622
TOTAL ASSETS		1,892,317,915	1,873,086,704	6,319,017,208	6,254,798,423
Share capital	10	1,463,323,897	1,463,323,897	4,886,477,489	4,886,477,489
Share premium		74,050,518	74,050,518	247,276,895	247,276,895
Revaluation reserve		153,630,525	153,630,525	513,018,413	513,018,413
Other reserves		401,011	-	1,339,096	-
Effect of transfers with equity holders		(596,832,659)	(596,832,659)	(1,993,003,298)	(1,993,003,298)
Accumulated losses		(1,124,914,627)	(929,165,655)	(3,756,427,414)	(3,102,762,872)
Current year result		(257,054,747)	(195,748,972)	(858,382,917)	(653,664,542)
Equity attributable to equity holders of the parent		**(287,396,082)**	**(30,742,346)**	**(959,701,736)**	**(102,657,915)**
Non-Controlling interest		12,445,315	13,566,513	41,558,642	45,302,657
Total equity		(274,950,767)	(17,175,833)	(918,143,094)	(57,355,258)
Long-term borrowings from banks	12	-	1,907,918	-	6,371,110
Net obligations under finance leases	13	78,947	4,630,249	263,628	15,461,790
Deferred tax liabilities	14	1,557,049	1,258,541	5,199,455	4,202,646
Provisions	17	21,137,146	20,870,651	70,583,272	69,693,365
Other non-current liabilities		131,665	5,073,298	439,668	16,941,264
Total non-current liabilities		22,904,807	33,740,657	76,486,023	112,670,175
Trade and other payables	15	866,114,149	709,940,734	2,892,214,969	2,370,705,086
Net obligations under finance leases	13	1,707,867	5,690,016	5,703,080	19,000,670
Short-term borrowings from shareholders	16	1,146,870,633	1,076,683,163	3,829,745,105	3,595,368,086
Short-term borrowings from banks	16	126,391,655	64,207,967	422,059,654	214,409,664
Provisions - current portion	17	3,279,571	-	10,951,471	-
Total current liabilities		2,144,363,875	1,856,521,880	7,160,674,279	6,199,483,506
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,892,317,915	1,873,086,704	6,319,017,208	6,254,798,423

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

The consolidated financial statements on pages 3 to 75 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 27, 2012 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ROMPETROL RAFINARE S.A.

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

VASILE - GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Income
as at December 31, 2011
(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))

Continuing operations	**Notes**	**2011 USD**	**2010 USD**	**2011 RON**	**2010 RON**
Revenues	18	3,922,906,083	2,782,957,387	13,099,760,283	9,293,129,602
Cost of sales	19	(3,755,535,121)	(2,571,847,316)	(12,540,858,427)	(8,588,169,741)
Gross profit		167,370,962	211,110,071	558,901,856	704,959,861
Selling, general and administrative expenses, including logistic costs	20	(274,335,906)	(305,779,609)	(916,089,891)	(1,021,089,849)
Other operating income/(expenses), net	21	(76,242,585)	(18,243,431)	(254,596,866)	(60,920,289)
Operating profit		(183,207,529)	(112,912,969)	(611,784,901)	(377,050,277)
Finance income/(cost), net	22	(80,755,088)	(78,946,215)	(269,665,464)	(263,625,096)
Foreign exchange gain / (loss), net	22	6,475,655	(6,552,761)	21,624,154	(21,881,635)
Loss before income tax		(257,486,962)	(198,411,945)	(859,826,211)	(662,557,008)
Income tax	23	(688,983)	(792,361)	(2,300,721)	(2,645,931)
Loss for the year		(258,175,945)	(199,204,306)	(862,126,932)	(665,202,939)
Attributable to:					
Equity holders of the parent		(257,054,747)	(195,748,972)	(858,382,917)	(653,664,542)
Non-Controlling interest		(1,121,198)	(3,455,334)	(3,744,015)	(11,538,397)
Earnings per share *(US cents/share)*					
Basic	26	(0.772)	(0.877)	(2.578)	(2.929)

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Comprehensive Income
as at December 31, 2011
(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))

	2011 USD	2010 USD	2011 RON	2010 RON
Net Loss	(258,175,945)	(199,204,306)	(862,126,932)	(665,202,939)
Other comprehensive income				
Actuarial gains/(losses) on retirement benefits	401,011	(1,327,754)	1,339,096	(4,433,769)
Other comprehensive income for the year, net of tax	401,011	(1,327,754)	1,339,096	(4,433,769)
Total comprehensive income for the year, net of tax	(257,774,934)	(200,532,060)	(860,787,836)	(669,636,708)
Attributable to:				
Equity holders of the parent	(256,653,736)	(197,076,726)	(857,043,821)	(658,098,311)
Non-Controlling interest	(1,121,198)	(3,455,334)	(3,744,015)	(11,538,397)
Total comprehensive income for the year, net of tax	(257,774,934)	(200,532,060)	(860,787,836)	(669,636,708)

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ROMPETROL RAFINARE S.A.
Consolidated Statement of Cash Flows
as at December 31, 2011
(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))

	2011 USD	2010 USD	2011 RON	2010 RON
Net result before income tax	**(257,486,962)**	**(198,411,945)**	**(859,826,211)**	**(662,557,008)**
Adjustments for:				
Depreciation and amortisation	108,258,828	104,716,735	361,508,704	349,680,592
Provisions for receivables and inventories (incl write-off)	25,204,195	(328,496)	84,164,368	(1,096,946)
Impairment for property, plant and equipment	52,814,816	7,241,566	176,364,518	24,181,761
Provision for environmental and other liabilities	5,548,719	6,393,956	18,528,837	21,351,337
Restructuring and retirement benefit provisions	(1,601,642)	1,299,651	(5,348,363)	4,339,925
Late payment interest	1,181,917	10,895,943	3,946,776	36,384,822
Unwinding of discount on hybrid instruments	-	1,084,943	-	3,622,950
Interest expense and bank charges, net	67,478,757	57,879,535	225,331,811	193,277,131
Unrealised gains from derivatives	1,600,595		5,344,867	-
(Gain)/Loss on sale or disposal of property, plant and equipment	(352,876)	13,068	(1,178,359)	43,638
Unrealised foreign exchange (gain)/loss from restatement and monetary items	(61,585)	(5,549,715)	(205,651)	(18,532,163)
Cash generated from operations before working capital changes	**2,584,762**	**(14,764,759)**	**8,631,297**	**(49,303,961)**
Net working capital changes in:				
Receivables and prepayments	7,593,291	2,429,811	25,356,278	8,113,866
Inventories	(424,026)	(63,747,074)	(1,415,950)	(212,870,604)
Trade and other payables, excluding payables for capital expenditures	115,845,644	173,588,072	386,843,359	579,662,649
Change in working capital	**123,014,909**	**112,270,809**	**410,783,687**	**374,905,911**
Income tax paid	**(870,792)**	**(136,514)**	**(2,907,836)**	**(455,861)**
Cash payments for derivatives, net	**(7,432,675)**		**(24,819,932)**	
Net cash provided by/(used in) operating activities	**117,296,204**	**97,369,536**	**391,687,216**	**325,146,089**
Cash flows from investing activities				
Purchase of property, plant and equipment	(211,758,022)	(191,319,643)	(707,123,564)	(638,873,683)
Changes in payables for capital expenditures	39,626,171	(4,773,988)	132,323,670	(15,941,778)
Purchase of intangible assets	(417,809)	(182,123)	(1,395,190)	(608,162)
Proceeds from sale of property, plant and equipment	5,625,072	-	18,783,803	-
Sale of investments	-	10,478,329	-	34,990,284
Loans granted / repaid	-	-	-	-
Net cash used in investing activities	**(166,924,588)**	**(185,797,425)**	**(557,411,281)**	**(620,433,339)**
Cash flows from financing activities				
Share capital increase	-	100,222,477	-	334,672,917
Coupon paid on hybrid instruments (Note 11)	-	(22,497,615)	-	(75,126,286)
Hybrid redemption (Note 11)	-	(71,164,908)	-	(237,640,977)
Loans received from shareholders	70,187,470	127,520,348	234,377,019	425,828,698
Loans (repaid to)/drawn from banks, net	55,334,137	28,888,940	184,777,284	96,468,837
Lease repayments	(8,533,451)	(9,050,063)	(28,495,753)	(30,220,875)
Interest and bank charges paid, net	(67,478,757)	(57,879,535)	(225,331,812)	(193,277,131)
Net cash from financing activities	**49,509,399**	**96,039,644**	**165,326,738**	**320,705,183**
Increase / (Decrease) in cash and cash equivalents	**(118,985)**	**7,611,755**	**(397,327)**	**25,417,933**
Cash and cash equivalents at the beginning of period	**53,177,253**	**45,565,498**	**177,574,801**	**152,156,868**
Cash and cash equivalents at the end of the period	**53,058,268**	**53,177,253**	**177,177,474**	**177,574,801**

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YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

VASILE - GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

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ROMPETROL RAFINARE S.A.
Consolidated Statements of Changes in Equity
for the year ended December 31, 2011
(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	Revaluation reserves	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2009	**735,554,456**	-	**(920,832,149)**	**153,630,525**	-	**175,929,529**	**144,282,361**	**17,021,847**	**161,304,208**
Net loss for 2010	-	-	(195,748,972)	-	-	-	**(195,748,972)**	(3,455,334)	**(199,204,306)**
Share capital increase (Note 10)	100,222,477	-	-	-	-	-	**100,222,477**	-	**100,222,477**
Hybrid conversion into share capital and share premium (Note 10)	627,546,964	74,050,518	-	-	(596,832,659)	(175,929,529)	**(71,164,706)**	-	**(71,164,706)**
Actuarial gains/(losses) on Retirement Benefits	-	-	(1,327,754)	-	-	-	**(1,327,754)**	-	**(1,327,754)**
Sale of group investments	-	-	(7,005,752)	-	-	-	**(7,005,752)**	-	**(7,005,752)**
December 31, 2010	**1,463,323,897**	**74,050,518**	**(1,124,914,627)**	**153,630,525**	**(596,832,659)**	-	**(30,742,346)**	**13,566,513**	**(17,175,833)**
Net loss for 2011	-	-	(257,054,747)	-	-	-	**(257,054,747)**	(1,121,198)	**(258,175,945)**
Actuarial gains/(losses) on Retirement Benefits	-	-	-	-	-	401,011	**401,011**	-	**401,011**
December 31, 2011	**1,463,323,897**	**74,050,518**	**(1,381,969,374)**	**153,630,525**	**(596,832,659)**	**401,011**	**(287,396,082)**	**12,445,315**	**(274,950,767)**

The consolidated financial statements on pages 3 to 75 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 27, 2012 by:

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ROMPETROL RAFINARE S.A.
Consolidated Statements of Changes in Equity
for the year ended December 31, 2011
(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	Revaluation reserves	Effect of transfers with equity holders	Other reserves	Equity attributable to equity holders of the parent	Non-controlling interest	Total equity
December 31, 2009	**2,456,236,995**	-	**(3,074,934,795)**	**513,018,413**	-	**587,481,476**	**481,802,089**	**56,841,054**	**538,643,143**
Net loss for 2010	-	-	(653,664,542)	-	-	-	**(653,664,542)**	(11,538,397)	**(665,202,939)**
Share capital increase (Note 10)	334,672,917	-	-	-	-	-	**334,672,917**	-	**334,672,917**
Hybrid conversion into share capital and share premium (Note 10)	2,095,567,577	247,276,895	-	-	(1,993,003,298)	(587,481,476)	**(237,640,302)**	-	**(237,640,302)**
Actuarial gains/(losses) on Retirement Benefits	-	-	(4,433,769)	-	-	-	**(4,433,769)**	-	**(4,433,769)**
Sale of group investments	-	-	(23,394,308)	-	-	-	**(23,394,308)**	-	**(23,394,308)**
December 31, 2010	**4,886,477,489**	**247,276,895**	**(3,756,427,414)**	**513,018,413**	**(1,993,003,298)**	-	**(102,657,915)**	**45,302,657**	**(57,355,258)**
Net loss for 2011	-	-	(858,382,917)	-		-	**(858,382,917)**	(3,744,015)	**(862,126,932)**
Actuarial gains/(losses) on Retirement Benefits	-	-	-	-		1,339,096	**1,339,096**		**1,339,096**
December 31, 2011	**4,886,477,489**	**247,276,895**	**(4,614,810,331)**	**513,018,413**	**(1,993,003,298)**	**1,339,096**	**(959,701,736)**	**41,558,642**	**(918,143,094)**

The consolidated financial statements on pages 3 to 75 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 27, 2012 by:

YERZHAN ORYNBASSAROV
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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 – the highest capacity (at 4.8 million tons/annum nameplate capacity) and the only seaside Romanian refinery, which 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.

Rompetrol Rafinare S.A and its subsidiaries (hereinafter referred to as "the Group") are involved in refining, petrochemicals and downstream activities, and have all the production facilities located in Romania (see also Note 24). The number of employees of the Group at the end of 2011 and 2010 was 4,024 and 4,949 respectively.

The registered address of Rompetrol Rafinare S.A. is Bd. Navodari no. 215, Navodari, Constanta, Romania. 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, 2011, as endorsed by the EU.

The consolidated financial statements are prepared under the historical cost convention. An exception is for Rompetrol Rafinare S.A (Petromidia Refinery) and Rompetrol Petrochemicals S.R.L, where property, plant and equipment are stated at revalued amounts being the fair value less any accumulated depreciation and accumulated impairment loss, with acquisitions subsequent to the indicated revaluation dates being at acquisition date historic cost (see Note 5 for further comments).

b) Going concern

The financial statements of the Group are prepared on a going concern basis. As at December 31, 2011 and 2010 the Group reported net assets/(net liabilities), including non-controlling interest, of USD (275) million and USD (17) million respectively. For the years ended December 31, 2011 and 2010 the Group reported losses of USD 257 million and USD 196 million respectively. The accumulated losses incurred so far, are due to the fact that the Group has been undertaking an ongoing development of its refinery and petrochemicals activities and has looked to develop its operational network in Romania.

As a result of investments undertaken the Group has increased the processing capacity; also achieved EURO 5 standard for 96% of diesel production and 60% gasoline production; finalized and put into use at the beginning of 2009 a marine oil terminal on the Black Sea coast that provides greater operational and logistic capabilities, and significant transportation cost savings USD 6/tons (out of which a saving of USD 1.64/tones incurred in 2010 and 2011); completed launch of new petrochemical products and improved petrochemical operations efficiency; and increased market share in Romania.

In 2010 and 2011 results were significantly affected by the most volatile crude oil and consequently petroleum products market in the last 30 years – with crude oil quotation as at the beginning of 2010 at 78.84 USD/bbl (lowest of the last three years on February 2009 at 39.67 USD/bbl) and with a highest quotation of USD 94/bbl on December 29, 2010. The crude oil quotation increased during 2011, reaching its highest value on April 11, 2011 at 126.64 USD/bbl. The crude oil quotation at the end of 2011 was of 106.51 USD/bbl.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2011 the Petromidia refinery achieved significant performances:

- refining capacity utilization rate higher than 2010 with 7.3%;
- Hydrocarbon loss at lowest level compared with recent years – 0.65% (15% decrease vs. 2010 and 40% vs. 2006);
- Auto gasoline yield increased with +0.3% compared to 2010
- Petromidia has successfully concluded in November 2011 the planned shutdown and restart works on the production units within the Petromidia platform, as well as the integration of 6 new installations in the operational flow, with focus on the capacity growth program of the refinery up to 5 million tonnes of processed raw material per year to be finalized beginning of 2012.

Vega refinery profitability improvement program 2011 started in December 2010 brought good results during 2011 such as increased recovery level for n-hexane, increased white spirit yield and bitumen production. During 2011, Vega refinery processed 336.6 ktonnes, reaching the highest quantity of feedstock processed in the last seven years.

In 2011 Rompetrol Petrochemicals achieved its highest first quality index for polymers of 98 % compared to 97.4% achieved in 2010.

In December 2008 the Group completed the construction of a new off-shore oil terminal in the Black Sea, at 11 km away from Petromidia Refinery Crude Oil Tank Farm and in January 2009 was opened for business. The opening of the terminal has enabled the Group to more effectively control crude oil and product flows and enabled a cost reduction of USD 6/tonne, reaching a cost of USD 2.28/tonne during 2011.

The retail market share held by Rompetrol within the Romanian market increased during 2011, arriving at 16.8%. This increase took place on a decreasing overall market (approximate - 4.4% compared with 2010).

As of 31 December 2011 the Group's current liabilities exceed its current assets by USD 1,435 million in comparison with 2010 when its current liabilities exceeded current assets by USD 1,121 million.

For 2012 management believes that the following will enable it to further improve its results: the completion of the "Refinery Expansion project"; the development of its retail/wholesale net work in Romania; cost reduction process; optimization of its capital structure and operational structure. The management believes that these developments will result in an enhancement of the Group's ability to support its continuing operations, despite the challenges of the financial crisis.

The Group has a five years business plan that considers its development plans in particular the impact of the Refinery Expansion Project. The estimated operative profit margins for the next 5 years by Cash Generating Units are detailed in Note 4.

For 2012 onward, depending on oil price quotation movements, the Group management and KMG Board representatives will consider if further funding is required. The Group has received confirmation of KMG Group's 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 2012, it is considered that the preparation of the financial statements on a going concern basis is appropriate.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The net assets of the Company as per statutory financial statements have decreased to less than half of the share capital. Romanian Company law requires that the shareholders need to take actions to inject additional share capital or restructure the Company in order to bring the equity at above 50% of the share capital of the Company. The shareholders have to deal with this situation within 12 months of the situation coming to their knowledge, which is the date of Shareholders meeting in which the financial statements are presented to the shareholders for approval. The management is preparing a strategy to address this matter within the legal timeframe i.e by 31 December 2012.

c) Changes in accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as follows:

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2011:

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
- **IAS 24 Related Party Disclosures (Amended)**
- **IAS 32 Classification on Rights Issues (Amended)**
- **IFRS 7 Disclosures for the first time adopters (Amended)**
- **Improvements to IFRSs (May 2010)**

When the adoption of the standard or interpretation is deemed to have an impact on the financial statements or performance of the Group, its impact is described below:

- **IAS 24 Related Party Transactions (Amendment)**

The IASB issued an amendment to IAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The effect of this amendment is presented in Note 28.The amendment is applied by the Group retrospectively.

- **Improvements to IFRS's**

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies, but no impact on the financial position or performance of the Group.

- **IFRS 3 Business Combinations**

The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date fair value.

This improvement clarifies that the amendments to IFRS 7 Financial Instruments: Disclosures, IAS 32 Financial Instruments: Presentation and IAS 39 Financial Instruments: Recognition and Measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3 (as revised in 2008).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

- **IFRS 7 Financial Instruments – Disclosures**

The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.

- **IAS 1 Presentation of Financial Statements**

The amendment clarifies that an entity may present an analysis of each component of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Group explains each component of other comprehensive income in the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements**

This improvement clarifies that the consequential amendments from IAS 27 made to IAS 21. The Effect of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures apply prospectively for annual periods beginning on or after 1 July 2009 or earlier when IAS 27 is applied earlier.

Other amendments resulting from Improvements to IFRS's to the following standards and interpretations did not have any impact on the accounting policies, financial position or performance of the Group:

- IFRS 1 First time adoption
- IAS 34 Interim Financial Reporting
- IFRIC 13 Customer Loyalty Programmes

d) Foreign currency translation

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

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:

<u>Monetary assets and liabilities</u>

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.

<u>Non-monetary assets and liabilities</u>

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 balance sheet.

<u>Consolidated statements of income</u>

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.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Romanian lei translation for information purposes basis

Amounts in Romanian lei are provided for information purpose basis only and are translated by mutliplying the values in USD with the 31 December 2011 closing exchange rate of RON 3.3393 = USD 1, for both 2011 and 2010 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 statements and the uncertainties that could impact the amounts reported in the results of operations, financial position and cash flows.

- 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. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes.

- Impairment of non- financial assets

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

- Provision for environmental liability

The Group is involved in refining and petrochemicals, wholesale and retail and other related services. Environmental damage caused by such substances may require the Group to incur restoration costs to

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 17.

- 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 14 and 23.

- Retirement benefits costs

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

Under collective labor agreements in place in certain of the Group's entities, employees are entitled to certain retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the balance sheet date based on benefits provided in the agreement, employees with the company and actuarial assumptions on future liabilities. The actuarial valuation method involves various assumptions. These include determination of discount rates, future salary increases, mortality rates and future pension increases. Due to complexity of computation and the long term nature of these benefits a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

The defined benefit liability as of 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 recognized in other comprehensive income in the period in which they occur for all defined benefit plans. Actuarial gains and losses recognized in other comprehensive income are presented in statement of comprehensive income.

The Group has no other liabilities with respect to future pension, health and other costs for its employees. Further details on retirement benefits costs are provided in Note 17.

- Carrying value of trade receivables

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

- Carrying value of inventories

The Group considers on a regular basis the carrying value of inventories in comparison to expected use of items, impact of damaged or obsolete items, technical losses and a comparison to estimated net

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

realizable value compared to cost, based on latest available information and market conditions. As applicable a reserve against the carrying value of inventories is made.

f) Standards issued but not yet effective

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

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in Other Comprehensive Income. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance. 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 disclosure requirements.

- **IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets**
  The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale. Furthermore, it introduces the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 will always be measured on an asset sale basis. This amendment has not yet been endorsed by the EU. The Group does not expect that the amendment will have impact on its financial position or performance as the Group does not have any such assets.

- **IAS 19 Employee Benefits (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. Early application is permitted. 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 financial position or performance of the Group.

- **IAS 27 Separate Financial Statements (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Earlier application is permitted. 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 financial position or performance of the Group.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 11 and IFRS 12, IAS 28 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. Earlier application is permitted. This amendment has not yet been endorsed by the EU. 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.

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

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014.This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies 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 amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. 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 disclosure requirements.

- **IFRS 1 Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters (Amended)**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment introduces a new deemed cost exemption for entities that have been subject to severe hyperinflation. When an entity's date of transition to IFRS is on, or after, the functional currency "normalisation" date, the entity may elect to measure all assets and liabilities, held before the functional currency "normalisation" date, at fair value on the date of transition to IFRS. Additionally, the IASB removed the legacy fixed dates included in IFRS 1 for derecognition and day one gain or loss transactions and replaced those dates with the date of transition to IFRS. Earlier application is permitted. This amendment has not yet been endorsed by the EU. The Group is not a first time adopter, therefore, this change does not have an impact on the Group.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Enhanced Derecognition Disclosure Requirements**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment has only disclosure effects. Since the Group does not have any such transactions, therefore, the Group does not expect that this change will have an impact on the financial position or performance of the Group.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2013.The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be retrospectively applied. 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 disclosure requirements.

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. Phase 1 of IFRS 9 will have a significant impact on (i) the classification and measurement of financial assets and (ii) a change in reporting for those entities that have designated financial liabilities using the FVO. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The completion of this project is expected over the first half of 2012. Early application is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes 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.This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. 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. This standard has not yet been endorsed by the EU. Since the 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.

- **IFRS 12 Disclosures of Involvement with Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted. This standard has not yet been endorsed by the EU. The Group is in the process of assessing the impact of the new standard on the financial position or performance of the Group.

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**
  The interpretation is effective for annual periods beginning on or after 1 January 2013.This interpretation only applies to stripping costs incurred in surface mining activity during the production phase of the mine ('production stripping costs'). Costs incurred in undertaking stripping activities are considered to create two possible benefits a) the production of inventory in the current period and/or b) improved access to ore to be mined in a future period (striping activity asset). Where cost cannot be specifically allocated between the inventory produced during the period and the stripping activity asset, IFRIC 20 requires an entity to use an allocation basis that is based on a relevant production measure. Early application is permitted. IFRIC 20 has not yet been endorsed by the EU. The Group does not expect that the amendment will have an impact on its financial position or performance as the Group does not have any such transactions.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the parent company and its subsidiaries as at 31 December 2011.

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

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

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

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

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

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

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

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

Basis of consolidation prior 1 January 2010

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

- Acquisition of Non-controlling Interests, prior to 1 January 2010, were accounted for using the Parent-Entity Extension Method, whereby, the difference between the consideration and the book value of the share of net assets acquired were recognized in goodwill.
- Losses incurred by the Group were attributed to the Non-controlling Interest until the balance was reduced to nil. Any further excess losses were attributed to the Parent, unless the Non-controlling Interest had a binding obligation to these. Losses prior to 1 January 2010 are not re allocated between Non-controlling Interest and the parent shareholders.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net assets value at the date control was lost. The carrying value of such investment at 1 January 2010 have not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Business combinations and goodwill

Basis of combination from 1 January 2010

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

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

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

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

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

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

Basis of combination prior to 1 January 2010

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

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

i) Financial instruments

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

The interest expense on the liability component is calculated by applying the interest rate EURIBOR at 12 months plus 1.5% p.a. payable annually in arrears, for both 2010 and 2009.

j) Impairment of financial assets

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

k) Property, plant and equipment

Property, plant and equipment are stated at cost, except for the Rompetrol Rafinare S.A (for its Petromidia Refinery) and Rompetrol Petrochemicals S.R.L. where the property, plant and equipment are stated at revalued amounts, being the fair value less any accumulated depreciation and accumulated impairment loss.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

operation, such as repairs and maintenance are charged to income in the period in which the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost of property, plant and equipment.

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

For items where there was previously a revaluation completed, the revaluation surplus has been credited to the assets revaluation reserve included in the equity section of the balance sheet, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the income statement, in which case the increase was recognized in the income statement. A revaluation deficit is recognized in the income statement, except for the extent that it offsets an existing surplus on the same asset recognized in the asset revaluation reserve. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

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

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

l) Intangible assets

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Impairment of non-financial assets

At each balance sheet 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.

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

Goodwill

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

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

n) Provisions

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

Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Environmental liabilities

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

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

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

o) Leases

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

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

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

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

p) Inventories

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

q) Trade receivables

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

r) Cash and cash equivalents

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

s) Revenue recognition

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

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

In addition:

- Sales of goods are recognized when delivery has taken place and transfer of significant risks and rewards has been completed.
- Revenue from rendering transportation services and other services is recognized when services are rendered.
- Interest income is recognized on a time-portion basis using the effective interest method.
- Dividend income from investments is recognized when the shareholders' rights to receive payment have been established.

Early settlement discounts, for reduction in amounts owed for payment of outstanding receivables in advance of normal trading periods, are included as part of "Finance cost", as being a financial incentive (to improve cash flow and reduce financing costs of the Group) and are not provided as a sales incentive to customers.

t) Interest bearing loans and borrowings

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u) Borrowings costs

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

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

v) Retirement benefit costs

Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group pays fixed contributions into the state-managed fund and has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior period. The contributions are charged as an expense in the same period when the employee service was rendered. The total amount of social security, pension contributions and other non-income tax expenses in relation to salaries incurred by the Group during 2011 was USD 18.6 million out of which a sum of USD 15.5 million has been paid during the year.

Under collective labour agreements in certain of the Group's entities, employees are entitled to specified retirement benefits, payable on retirement, if they are employed with these entities at the date of their retirement. These amounts are estimated as of the balance sheet 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 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 are recognised in other comprehensive income in the period in which they occur.

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

w) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x) Dividends

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

y) Emission Rights

The Group refining and petrochemicals operations are allocated CO2 emission rights quota. The current quota is valid until 2012. The Group accounts for the liability for these emissions using net liability method. The liability is recognized only at a point where the actual emissions exceed the quota allocated to the respective companies.

z) Foreign Currencies Transactions

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

aa) Derivative Financial Instruments

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

For commodity derivatives the Group is executing these contracts through Vector Energy AG ("Vector") that is one of the subsidiaries of The Rompetrol Group N.V. Vector, being registered on Over the Counter (OTC) acts in substance as an agent on behalf of Rompetrol Rafinare S.A. and buys/sells futures as instructed by Rompetrol Rafinare S.A. Vector charges a fixed commission per contract for these services, which is charged to income statement as part of Cost of Sales. Vector invoices the realized and unrealized results on these derivatives on monthly basis. Unrealized component represents Mark to Market valuation and is therefore, disclosed as Derivative Asset/Liability in the balance sheet.

For foreign exchange related derivatives, the Group treats the unrealized part as Derivative Financial Asset/Liability in the balance sheet 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.

(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))

For the future contracts (purchase and sales contracts) that are entered into by the Group the realised and unrealised gains/losses are included in Cost of sales for the period (see Note 19).

ab) Contingencies

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

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

3. INTANGIBLE ASSETS

Amounts in USD

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2010	**25,818,831**	**29,404,761**	**11,642,247**	**66,865,839**
Additions	15,575	166,548	-	182,123
Disposals	(701,226)	-	(58,919)	(760,145)
Transfers*	3,580,309	3,127,569	(8,886,355)	(2,178,477)
Closing balance as of December 31, 2010	**28,713,489**	**32,698,878**	**2,696,973**	**64,109,340**
Additions	103,335	-	314,474	417,809
Transfers from CIP	2,297,777	-	(2,297,777)	-
Disposals	(10,264)	(6,582)	-	(16,846)
Transfers and reclassifications**	749,544	(25,357)	451,492	1,175,679
Closing balance as of December 31, 2011	**31,853,881**	**32,666,939**	**1,165,162**	**65,685,982**
Accumulated amortization				
Opening balance as of January 1, 2010	**(12,957,877)**	**(8,949,815)**	**-**	**(21,907,692)**
Charge for the year	(5,921,613)	(7,257,887)	-	(13,179,500)
Accumulated amortization of disposals	222,308	-	-	222,308
Closing balance as of December 31, 2010	**(18,657,182)**	**(16,207,702)**	**-**	**(34,864,884)**
Charge for the year	(12,020,707)	(1,930,068)	-	(13,950,775)
Accumulated amortization of disposals	10,964	-	-	10,964
Reclassification between categories	(365,049)	-	-	(365,049)
Impairment	(646,572)	-	-	(646,572)
Closing balance as of December 31, 2011	**(31,678,546)**	**(18,137,770)**	**-**	**(49,816,316)**
Net book value				
As of December 31, 2010	**10,056,307**	**16,491,176**	**2,696,973**	**29,244,456**
As of December 31, 2011	**175,335**	**14,529,169**	**1,165,162**	**15,869,666**

*) *Includes transfers from construction in progress, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*
**) *Include, transfer to property, plant and equipment, reclassifications between categories and other adjustments;*

The significant part of "Other Intangible Assets" relate to Licenses.

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3. INTANGIBLE ASSETS (continued)

Amounts in RON

	Software	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2010	**86,216,822**	**98,191,318**	**38,876,955**	**223,285,095**
Additions	52,010	556,152	-	608,162
Disposals	(2,341,604)	-	(196,748)	(2,538,352)
Transfers*	11,955,726	10,443,891	(29,674,205)	(7,274,588)
Closing balance as of December 31, 2010	**95,882,954**	**109,191,361**	**9,006,002**	**214,080,317**
Additions	345,067	-	1,050,123	1,395,190
Transfers from CIP	7,672,967	-	(7,672,967)	-
Disposals	(34,275)	(21,979)	-	(56,254)
Transfers and reclassifications*	2,502,952	(84,675)	1,507,667	3,925,944
Closing balance as of December 31, 2011	**106,369,665**	**109,084,707**	**3,890,825**	**219,345,197**
Accumulated amortization				
Opening balance as of January 1, 2010	**(43,270,239)**	**(29,886,117)**	**-**	**(73,156,356)**
Charge for the year	(19,774,042)	(24,236,262)	-	(44,010,304)
Accumulated amortization of disposals	742,353	-	-	742,353
Closing balance as of December 31, 2010	**(62,301,928)**	**(54,122,379)**	**-**	**(116,424,307)**
Charge for the year	(40,140,747)	(6,445,076)	-	(46,585,823)
Accumulated amortization of disposals	36,612	-	-	36,612
Reclassification between categories	(1,219,008)	-	-	(1,219,008)
Impairment	(2,159,098)	-	-	(2,159,098)
Closing balance as of December 31, 2011	**(105,784,169)**	**(60,567,455)**	**-**	**(166,351,624)**
Net book value				
As of December 31, 2010	**33,581,026**	**55,068,982**	**9,006,002**	**97,656,010**
As of December 31, 2011	**585,496**	**48,517,252**	**3,890,825**	**52,993,573**

Transfers and reclassifications of USD 1.2 million (RON 3.9 million) represent transfer to property, plant and equipment, reclassifications between categories and other adjustments.

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4. GOODWILL

The carrying value of goodwill as of 31 December 2011 and 2010 was USD 82,871,706 (RON: 276,733,488).

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 2011 on the Downstream Romania cash generating units ("CGU"). Based on the impairment tests no impairment has been identified.
The Downstream Romania CGU comprises the retail and wholesale operations of Rompetrol Downstream SRL and the wholesale activity supported by the storage depots owned by Rom Oil S.A..
The recoverable amount of Downstream Romania unit has also been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 10.4% and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.9%.

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 Downstream Romania Cash Generating Units:

	2012	2013	2014	2015	2016
Downstream Romania	2.2%	2.8%	3.1%	3.3%	3.2%

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 average percentage of a weighted average cost of capital for the industry. This rate was further adjusted to reflect the market assessment of any risk specific to the cash generating unit for which future estimates of cash-flows have not been adjusted.

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

Sensitivity to changes in assumptions

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

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 82% reaching the following Operating profit margins:

	2012	2013	2014	2015	2016
Operating profit margin	0.4%	0.5%	0.6%	0.6%	0.6%

Operating profit margins were re-computed considering net revenue

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5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost or valuation					
As of January 1, 2010	789,900,380	571,456,326	125,460,469	172,793,933	1,659,611,108
Additions	517,576	805,896	975,100	189,021,071	191,319,643
Disposals	(6,031,666)	(1,103,406)	(17,452,662)	(183,294)	(24,771,028)
Transfers	24,851,031	94,053,598	11,939,744	(128,317,300)	2,527,073
As of December 31, 2010	809,237,321	665,212,414	120,922,651	233,314,410	1,828,686,796
Additions	95,969	446,355	115,938	211,099,760	211,758,022
Transfers from CIP	18,973,334	54,237,153	3,791,861	(77,002,348)	-
Disposals	(364,279)	(2,749,974)	(16,947,660)	502	(20,061,411)
Transfers and reclassifications*	(535,867)	(2,691,224)	(2,309,490)	(663,226)	(6,199,807)
As of December 31, 2011	**827,406,478**	**714,454,724**	**105,573,300**	**366,749,098**	2,014,183,600
Accumulated depreciation & Impairment					
As of January 1, 2010	(310,976,294)	(333,504,506)	(68,945,176)	(6,304,502)	(719,730,478)
Charge for the year	(26,605,017)	(43,376,659)	(21,555,559)	0	(91,537,235)
Accumulated depreciation of disposals	2,039,629	690,866	9,633,558	0	12,364,053
Impairment	(292,357)	(4,436,338)	233,968	(2,746,839)	(7,241,566)
As of December 31, 2010	(335,834,039)	(380,626,637)	(80,633,209)	(9,051,341)	(806,145,226)
Charge for the year	(27,220,060)	(50,645,966)	(16,442,027)	0	(94,308,053)
Accumulated depreciation of disposals	273,404	2,252,749	12,268,944	0	14,795,097
Impairment	(5,949,742)	(25,100,304)	(8,454)	(21,109,744)	(52,168,244)
Transfers & Reclasifications*	1,049,701	(780,511)	2,778,164	0	3,047,354
As of December 31, 2011	**(367,680,736)**	**(454,900,669)**	**(82,036,582)**	**(30,161,085)**	(934,779,072)
Net book value as of December 31, 2010	473,403,282	284,585,777	40,289,442	224,263,069	1,022,541,570
Net book value as of December 31, 2011	459,725,742	259,554,055	23,536,718	336,588,013	1,079,404,528

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Amounts in RON

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Cost or valuation					
As of January 1, 2010	2,637,714,339	1,908,264,109	418,950,144	577,010,780	5,541,939,372
Additions	1,728,342	2,691,129	3,256,151	631,198,061	638,873,683
Disposals	(20,141,542)	(3,684,604)	(58,279,674)	(612,074)	(82,717,894)
Transfers	82,985,048	314,073,180	39,870,387	(428,489,960)	8,438,654
As of December 31, 2010	2,702,286,187	2,221,343,814	403,797,008	779,106,807	6,106,533,816
Additions	320,469	1,490,513	387,151	704,925,431	707,123,564
Transfers from CIP	63,357,654	181,114,125	12,662,160	(257,133,939)	-
Disposals	(1,216,437)	(9,182,988)	(56,593,321)	1,676	(66,991,070)
Transfers and reclassifications*	(1,789,421)	(8,986,804)	(7,712,080)	(2,214,711)	20,703,016
As of December 31, 2011	**2,762,958,452**	**2,385,778,660**	**352,540,918**	**1,224,685,264**	**6,725,963,294**
Accumulated depreciation & Impairment					
As of January 1, 2010	(1,038,443,139)	(1,113,671,597)	(230,228,626)	(21,052,624)	(2,403,395,986)
Charge for the year	(88,842,133)	(144,847,677)	(71,980,478)	-	(305,670,288)
Accumulated depreciation of disposals	6,810,933	2,307,009	32,169,340	-	41,287,282
Impairment	(976,268)	(14,814,263)	781,289	(9,172,519)	(24,181,761)
As of December 31, 2010	(1,121,450,607)	(1,271,026,528)	(269,258,475)	(30,225,143)	(2,691,960,753)
Charge for the year	(90,895,946)	(169,122,074)	(54,904,861)	-	(314,922,881)
Accumulated depreciation of disposals	912,978	7,522,605	40,969,685	-	49,405,268
Impairment	(19,867,973)	(83,817,445)	(28,230)	(70,491,772)	(174,205,420)
Transfers and reclassifications*	3,505,267	(2,606,360)	9,277,123	0	10,176,030
As of December 31, 2011	**(1,227,796,281)**	**(1,519,049,802)**	**(273,944,758)**	**(100,716,915)**	**(3,121,507,756)**
Net book value as of December 31, 2010	1,580,835,580	950,317,286	134,538,533	748,881,664	3,414,573,063
Net book value as of December 31, 2011	1,535,162,171	866,728,858	78,596,160	1,123,968,349	3,604,455,538

Transfers and Reclassifications of USD 6.2 million (RON 20.7 million) represent transfer to intangibles, reclassifications between categories and other adjustments.

- *Revaluation of certain assets*

As mentioned in Note 2k) property, plant and equipment held at Rompetrol Rafinare S.A. as of December 31, 2003 and those held at Rompetrol Petrochemicals S.R.L. as at December 31, 2005 are carried at revalued amounts.

Revaluations were undertaken by an independent valuer considering the depreciated replacement cost as of the valuation dates. Subsequent to the revaluation these assets have been depreciated in accordance with Group policy and considered for any impairment. Items of property, plant and equipment acquired after the dates mentioned are recorded at historic cost and depreciated, which is considered to be indicative of fair value under a depreciated replacement cost basis.

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

The net book values of the assets held by Rompetrol Rafinare S.A. and Rompetrol Petrochemicals S.R.L.are presented in the table below:

USD	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Rompetrol Rafinare	171,724,529	164,442,922	6,704,661	173,947,740	516,819,852
Rompetrol Petrochemicals	60,431,871	61,716,048	2,902,779	17,582,602	142,633,300
Net book value as of December 31, 2010	**232,156,400**	**226,158,970**	**9,607,440**	**191,530,342**	659,453,152
Rompetrol Rafinare	176,434,180	179,598,914	6,422,867	299,046,407	661,502,368
Rompetrol Petrochemicals	60,933,990	33,401,978	2,671,329	6,065,590	103,072,887
Net book value as of December 31, 2011	**237,368,170**	**213,000,892**	**9,094,196**	**305,111,997**	764,575,255

If Rompetrol Rafinare S.A. and Rompetrol Petrochemicals S.R.L. were to measure the revalued assets using the historic cost model the net book value of these assets would have been USD 729.70 million instead of current reported net book value of USD 764.57 million (2010: USD 621.44 million instead of USD 659.45 million).

- *Construction in progress*

The Group has significant assets under construction. A major part of these assets are expected to be completed by at the beginning of 2012. These mainly consist of cost incurred in relation to the Petromodia Expansion Package and include the hydrocracking plant and the new hydrogen factory.

- *Borrowing costs capitalized*

The Group is financing its operations significantly 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 2011 was USD 6.6 million (2010: USD 4.2 million). The rate used to determine the amount of borrowing costs eligible for capitalization was 2.24% (2010: 2.33%).

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5. PROPERTY, PLANT AND EQUIPMENT (continued)

- *Rompetrol Petrochemicals S.R.L. – steam cracker production line*

Rompetrol Petrochemicals S.R.L. has items of plant and equipment relating to a steam cracker production line. Of the total steam cracker production line about 3/4, consisting of multiple pieces of equipment and sub-lines, is not in use. The remaining 1/4 of the steam cracker production line is used by Rompetrol Petrochemical S.R.L. for polypropylene production. Related to the assets currently not in use an impairment provision of USD 70.8.million (2010: USD 36.0 million) is included in the balance of "Accumulated depreciation and impairment" as at December 31, 2011 to fully provide for the steam cracker equipment and sub-lines not in use.

Following is an analysis of the net book value of steam cracker production line as of December 31, 2011:

Description	**2011 USD '000**	**2010 USD '000**
Value of plant and equipment not used	55,237	55,294
Impairment provision	(55,237)	(36,064)
	-	**19,230**
Construction in progress	15,556	15,556
Impairment provision	(15,556)	-
Total carrying value for steam cracker production line (not in use)	-	**34,786**

- *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.

In addition to the impairment test performed on Downstream Romania for which details are provided in note 4 above, the Group also tested Rompetrol Rafinare CGU, and Rompetrol Petreochemicals CGU for impairment. Based on the impairment test, no impairment has been identified. A summary of assumptions used and the sensitivity analysis for these assumptions is provided below:

Rompetrol Refineries

Rompetrol Refineries CGU includes the operations of Rompetrol Rafinare SA (Petromidia Refinery and Vega Refinery). The recoverable amount of Rompetrol Refineries 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. The discount rate applied to cash flow projections is 10.4% and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.9%.

Petrochemicals

Petrochemicals CGU includes Rompetrol Petrochemicals SRL involved in the production and distribution of olefins in Romania.
The recoverable amount of Petrochemicals 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. The discount rate applied to cash flow projections is 10.4% and cash flows beyond the 5-year period are extrapolated using a 1.5% growth rate that is the same as the long-term average growth rate for the industry. The capitalization rate used for residual values is 8.9%.

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;

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- 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:

	2012	2013	2014	2015	2016
Rompetrol Refineries	0%	3%	4%	6%	6%
Petrochemicals	1%	6%	6%	7%	6%

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

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

Sensitivity to changes in assumptions

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

Rompetrol Refineries

The break-even point for the current model is achieved under a decrease of 65% of Operating profit, reaching the following Operating profit margins:

	2012	2013	2014	2015	2016
Operating profit margin	0.0%	0.9%	1.6%	2.0%	2.0%

Petrochemicals

The break-even point for the current model is achieved under a decrease of 58% of Operating profit, reaching the following Operating profit margins:

	2012	2013	2014	2015	2016
Operating profit margin	0.4%	2.7%	2.5%	2.8%	2.7%

In 2011 the Group recorded impairments in relation to certain fixed assets not in use as at December 31, 2011 amounting to 52.17 million (RON: 174.2 million). The main items impaired as of 2011 are: USD 34.9 million value of equipment and sub-lines of the steam cracker not in use; USD 6.8 million related to Simleu depot; USD 2.4 million in relation to express stations not in use; and certain production equipment at the Petromidia refinery amounting to USD 3.04 million.

In 2010 the provision for impairment increased by USD 7.2 million due to an impairment of USD 5.8 million for the steam cracker at Rompetrol Petrochemicals and a reversal of USD 0.7 million for HDPE installation and the remaining amount related to a provision of USD 2.1 million for tangible assets at Rompetrol Downstream S.R.L.

- *Held under finance leases*

The carrying amount of the Group's vehicles includes an amount of approximately USD 4.5 million (RON 14.9 million) as at December 31, 2011 and USD 12.3 million (RON 41.07 million) as at December 31, 2010, in respect of assets held under finance leases.

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- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 282.2 million (RON 942.3 million) as at December 31, 2011 and USD 156.5 million (RON 522.60 million) as at December 31, 2010, to secure banking facilities granted to the Group.

6. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at December 31, 2011 and 2010 are as follows:

Company name	Range of activity	Effective ownership December 31, 2011	Control December 31, 2011	Effective ownership December 31, 2010	Control December 31, 2010
Rompetrol Downstream S.R.L.	Retail Trade of Fuels and Lubricants	100.00%	100.00%	100.00%	100.00%
Rom Oil S.A.	Wholesale of Fuels	100.00%	100.00%	100.00%	100.00%
Rompetrol Logistics S.R.L.	Fuels Transportation	66.19%	66.26%	66.19%	66.26%
Rompetrol Petrochemicals S.R.L.	Petrochemicals	100.00%	100.00%	100.00%	100.00%
Rompetrol Quality Control S.R.L.	Quality Control Services	100.00%	100.00%	100.00%	100.00%
Rompetrol Gas S.R.L.	LPG Sales	66.19%	100.00%	66.19%	100.00%

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

b) Available for sale Investments

	2011 USD	2010 USD	2011 RON	2010 RON
Bursa Maritima de Marfuri	257,312	257,312	859,243	859,239
IM Moldintergaz SRL	-	-	-	-
Other	45,309	28,009	151,300	93,530
Total	**302,621**	**285,321**	**1,010,543**	**952,769**

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

	2011 USD	2010 USD	2011 RON	2010 RON
Crude oil and other feedstock materials	142,650,858	186,101,361	476,354,011	621,448,275
Petroleum and petrochemical products	141,559,144	110,850,390	472,708,450	370,162,707
Work in progress	68,350,063	55,401,473	228,241,365	185,002,139
Spare parts	5,699,515	6,124,974	19,032,390	20,453,126
Consumables and other raw materials	9,176,273	11,804,832	30,642,328	39,419,875
Merchandises	10,443,162	8,097,470	34,872,851	27,039,882
Other inventories	3,641,580	2,716,069	12,160,328	9,069,769
Inventories provision	(39,671,207)	(23,727,650)	(132,474,062)	(79,233,742)
	341,849,388	**357,368,919**	**1,141,537,661**	**1,193,362,031**

Finished goods mainly comprise petroleum and petrochemical products.

The inventories provision movement in 2011 and 2010 is provided below:

	2011 USD	2010 USD	2011 RON	2010 RON
Reserve as of January 1	**(23,727,650)**	**(27,024,465)**	**(79,233,742)**	**(90,242,796)**
Accrued provision	(23,282,715)	(12,338,751)	(77,747,971)	(41,202,792)
Write off	-	-	-	-
Reversal provision inventories reserve	7,339,158	15,635,566	24,507,651	52,211,846
Reserve as of December 31	**(39,671,207)**	**(23,727,650)**	**(132,474,062)**	**(79,233,742)**

The inventories provisions mainly represent a provision for Net Realizable Value. The provision has increased at the end of December 31, 2011 compared with 2010, due to the oil and gas market conditions with selling prices having decreased.

8. RECEIVABLES AND PREPAYMENTS, NET

	2011 USD	2010 USD	2011 RON	2010 RON
Trade receivables	277,994,339	283,743,510	928,306,496	947,504,703
Advances to suppliers	15,198,203	32,506,915	50,751,359	108,550,341
Sundry debtors	18,861,020	19,301,659	62,982,604	64,454,030
VAT to be recovered	10,371,013	2,963,596	34,631,924	9,896,336
Other receivables	44,716,760	39,694,182	149,322,678	132,550,782
Provision for bad and doubtful debts	(58,793,519)	(53,717,067)	(196,329,198)	(179,377,402)
	308,347,816	**324,492,795**	**1,029,665,863**	**1,083,578,790**

As mentioned in Note 1 the Parent company and its subsidiaries are part of the Rompetrol Group. The balances with related parties are disclosed in Note 25. Movement in the above provision is disclosed below and in Note 21.

Trade receivables totaling USD 136.7 million (RON 456.48 million) as at December 31, 2011 and USD 78.1 million (RON 260.8 million) as at December 31, 2010 are pledged to obtain credit facilities (see Notes 12 and 16).

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8. RECEIVABLES AND PREPAYMENTS, NET (continued)

The movement in provision for doubtful debts is as follows:

Movements in receivables reserve:	2011 USD	2010 USD	2011 RON	2010 RON
Balance at the beginning of the year	**(53,717,067)**	**(54,769,055)**	**(179,377,402)**	**(182,890,305)**
Impairment losses recognised on receivables	(8,549,029)	(8,690,195)	(28,547,772)	(29,019,169)
Impairment losses reversed	1,069,169	5,721,876	3,570,276	19,107,061
Exchange rate differences	2,403,408	4,020,307	8,025,700	13,425,011
Balance at the end of the year	**(58,793,519)**	**(53,717,067)**	**(196,329,198)**	**(179,377,402)**

The major amounts included in the 2011, accrued provision and write-offs relate to specific items and to a collective impairment made in relation to retail and wholesale sales of petroleum products.

As at 31 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
2011	220,820,593	124,590,098	36,191,855	16,673,178	5,299,099	3,255,087	34,811,276
2010	231,854,424	51,795,514	113,095,609	13,253,754	19,115,421	5,843,298	28,750,828

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
2011	737,386,205	416,043,714	120,855,461	55,676,743	17,695,281	10,869,712	116,245,294
2010	774,231,478	172,960,760	377,660,167	44,258,261	63,832,125	19,512,525	96,007,640

Trade receivables are non-interest bearing and are generally on 30 day terms.

As at 31 December 2011, trade receivables at initial value of USD 57.17 million. (2010: USD 51.89 million) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

	Individually impaired USD	Collectively impaired USD	Total USD
At 1 January 2010	4,061,063	48,880,012	52,941,075
Charge for the year	30,001	8,660,194	8,690,195
Utilised	-	(4,912,714)	(4,912,714)
Unused amounts reversed	(26,706)	(782,457)	(809,163)
Exchange rate differences	(108,559)	(3,911,748)	(4,020,307)
At 31 December 2010	**3,955,799**	**47,933,287**	**51,889,086**
Charge for the year	7,510,586	907,826	8,418,412
Utilised	(551,382)	(340,602)	(891,984)
Unused amounts reversed	1,883	(99,946)	(98,063)
Reclassification between categories trade receivables and other receivables	235,519	(43,999)	191,520
Reclassification between individually and collectively	32,835,113	(32,835,113)	-
Exchange rate differences	(1,743,987)	(591,238)	(2,335,225)
At 31 December 2011	**42,243,531**	**14,930,215**	**57,173,746**

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8. RECEIVABLES AND PREPAYMENTS, NET (continued)

	Individually impaired RON	Collectively impaired RON	Total RON
At 1 January 2010	13,561,108	163,225,024	176,786,132
Charge for the year	100,182	28,918,986	29,019,168
Utilised	-	(16,405,026)	(16,405,026)
Unused amounts reversed	(89,179)	(2,612,859)	(2,702,038)
Exchange rate differences	(362,511)	(13,062,500)	(13,425,011)
At 31 December 2010	**13,209,600**	**160,063,625**	**173,273,225**
Charge for the year	25,080,100	3,031,503	28,111,603
Utilised	(1,841,230)	(1,137,372)	(2,978,602)
Unused amounts reversed	6,288	(333,750)	(327,462)
Reclassification between categories trade receivables and other receivables	786,469	(146,926)	639,543
Reclassification between individually and collectively	109,646,293	(109,646,293)	-
Exchange rate differences	(5,823,696)	(1,974,320)	(7,798,016)
At 31 December 2011	**141,063,824**	**49,856,467**	**190,920,291**

9. CASH AND CASH EQUIVALENTS

	2011 USD	2010 USD	2011 RON	2010 RON
Cash at bank	45,812,938	48,984,164	152,983,143	163,572,819
Cash on hand	2,233,565	1,617,873	7,458,544	5,402,563
Cash equivalents	5,011,765	2,575,216	16,735,787	8,599,419
	53,058,268	53,177,253	177,177,474	177,574,801

Included in cash at bank is an amount of approximately USD 8.6 million (RON 28.6 million) as at December 31, 2011 and USD 8.2 million (RON 27.3 million) as at December 31, 2010 representing cash collateral for certain bank facilities (see Notes 12 and 16). Cash equivalents represent mainly cheques in the course of being cashed.

10. SHARE CAPITAL

As of December 31, 2011 and 2010 the share capital consisted of 24,394,196, 673 and 21,099,276,002 respectively, authorized, issued and fully paid ordinary shares with a face value of RON 0.1 each.

Shareholders' structure as at December 31, 2011 is as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
The Rompetrol Group NV	43.74%	1,929,404,013	640,080,217	2,137,419,868
Romanian state represented by Ministry of Public Finance	44.70%	1,971,500,905	654,045,871	2,184,055,377
Rompetrol Financial Group S.R.L.	6.47%	285,408,308	94,684,271	316,179,186
Rompetrol S.A.	4.37%	192,846,630	63,976,913	213,638,106
Rompetrol Well Services S.A.	0.05%	2,198,030	729,197	2,435,008
Others (not State)	0.67%	29,562,686	9,807,428	32,749,944
Total	**100%**	**4,410,920,572**	**1,463,323,897**	**4,886,477,489**

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10. SHARE CAPITAL (continued)

Shareholders' structure as at December 31, 2010 was as follows:

Shareholders	Ownership	Amount per statutory documents [RON]	Amount under IFRS [USD]	Amount under IFRS [RON]
The Rompetrol Group NV	79.09%	1,929,404,013	661,041,050	2,207,414,378
Rompetrol Financial Group S.R.L.	11.70%	285,408,308	97,785,901	326,536,459
Rompetrol S.A.	7.91%	192,846,630	66,068,167	220,621,430
Rompetrol Well Services S.A.	0.09%	2,198,030	752,199	2,511,818
Others (not state)	1.21%	29,562,686	10,129,616	33,825,827
Total recorded with Trade Registry	100.00%	2,439,419,667	835,776,933	2,790,909,912
Unrecorded with Trade Registry		1,971,500,905	627,546,964	2,095,567,577
Total		**4,410,920,572**	**1,463,323,897**	**4,886,477,489**

As a result of the Extraordinary General Shareholders' Meeting of 30 June 2010, approving the share capital increase with up to RON 450 million, the Rompetrol Group subscribed and paid in a number of 3,294,914,165 shares (the equivalent of USD 100,222,279), and the minority shareholders subscribed and paid in a number of 6,506 shares (USD 198). These shares were recorded with the Trade Registry.

Following the Extraordinary General Shareholders' Meeting of 30 September 2010, the Company converted the unredeemed hybrid instruments into shares in favor of the Romanian State, resulting in a total of 19,715,009,053 shares in amount of USD 627,546,964.

Consequent to the above the Romanian State through Ministry of Finance holds 44.7% shares in the Company.

Revaluation reserve

The revaluation reserve is used to record the increase in the fair value of property, plant and equipment in Rompetrol Rafinare S.A. conducted in 2003 and Rompetrol Petrochemicals S.R.L. in 2005. These reserves cannot be used to pay dividends.

Share premium and Effect of transfers with equity holders

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

The transactions resulted in an impact on the Effect on equity transaction reserve amounting USD 596.83 million and share premium of USD 74 million (see note 11 for more details).

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11. HYBRID INSTRUMENTS

	USD	EUR	RON
Nominal value of Hybrid Instrument Issues	**719,408,676**	**570,302,441**	**2,402,321,392**
Less:			
Equity component	175,929,538	139,465,994	587,481,506
Fair value of extinguishment of debt	415,525,081	329,402,441	1,387,562,903
Liability component at the date of issue	**127,954,057**	**101,434,006**	**427,276,982**
Interest accrued 2003	3,598,703	2,852,831	12,017,149
Balance brought forward 2004	**131,552,760**	**104,286,837**	**439,294,130**
Coupon payment 2004	(27,436,013)	(22,258,904)	(91,617,078)
Interest accrued 2004	14,553,928	11,710,162	48,599,932
Exchange rate effect 2004	9,238,434	-	30,849,903
Balance brought forward 2005	**127,909,109**	**93,738,095**	**427,126,888**
Coupon payment 2005	(26,636,411)	(21,717,117)	(88,946,967)
Interest accrued 2005	12,423,987	9,960,696	41,487,420
Exchange rate effect 2005	(16,695,968)	-	(55,752,846)
Balance carried forward 2005	**97,000,717**	**81,981,674**	**323,914,494**
Coupon payment 2006	(38,056,462)	(30,037,829)	(127,081,944)
Interest accrued 2006	24,716,896	19,490,493	82,537,131
Exchange rate effect 2006	10,425,015	-	34,812,253
Balance carried forward 2006	**94,086,166**	**71,434,338**	**314,181,934**
Coupon payment 2007	(50,990,386)	(35,963,272)	(170,272,196)
Interest accrued 2007	33,608,613	24,421,239	112,229,241
Exchange rate effect 2007	11,320,038	-	37,801,003
Balance carried forward 2007	**88,024,431**	**59,892,305**	**293,939,982**
Coupon payment 2008	(59,622,872)	(40,189,213)	(199,098,656)
Interest accrued 2008	34,174,516	22,275,103	114,118,961
Exchange rate effect 2008	(3,550,012)	-	(11,854,555)
Balance carried forward 2008	**59,026,063**	**41,978,195**	**197,105,732**
Coupon payment 2009	(22,885,609)	(15,694,723)	(76,421,914)
Interest accrued 2009	(15,546,188)	(10,588,749)	(51,913,386)
Exchange rate effect 2009	2,007,298	-	6,702,969
Balance carried forward 2009	**22,601,564**	**15,694,723**	**75,473,401**
Coupon payment 2010	(22,497,615)	(16,563,218)	(75,126,286)
Interest accrued 2010	1,084,943	868,495	3,622,950
Exchange rate effect 2010	(1,188,892)	-	(3,970,067)
Balance carried forward 2010	-	-	-

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11. HYBRID INSTRUMENTS (continued)

Emergency Ordinance ("EGO") 118/2003 ratified by Law 89/2005, approved 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 SA, at the option of the Company.

The main provisions of the issuance agreement are:

- The instruments were convertible into equity at the due date at the issuer's choice; this choice was irrevocably confirmed by the Company.
- The conversion rate was fixed (4.4562832601 shares for one instrument title) at the date of the issuance based on a formula being subsequently affected by shares splits; as of the maturity date the conversion rate was 954.625 shares for one instrument title.
- The instruments were denominated in Euro, with nominal value of 25 Euro each.
- The instrument had 7 years maturity (till September 30, 2010).
- Interest rate was EURIBOR at 12 months plus 1.5% p.a. payable annually in arrears.
- The instrument was unsecured.

At the issuance of the bonds in 2003, the Group engaged an independent investment bank to assist in establishing the present value of the Hybrid instruments. Using this valuation report the management assessed the fair value of the Hybrid on issue to be EUR 240.9 million. As the difference between the present value and nominal value of the Bond was more than 10%, this was considered as extinguishment of the debt and charged to the statement of income for 2003.

In relation to Hybrid instruments, following are the developments during the year:

- On August 2010, Rompetrol Rafinare SA redeemed 2.16 million Bonds amounting USD 71.1 million, equivalent of EUR 54 million.
- On September 2010, Rompetrol Rafinare paid the last coupon, amounting USD 22.5 million, equivalent of EUR 16.6 million, leading to a nil balance of hybrid liability.
- On September 30, 2010, the Extraordinary General Meeting of the Shareholders of Rompetrol Rafinare SA 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, calculated based on the conversion rate of bonds into shares. This resulted in a non-controlling position of Romanian State in Rompetrol Rafinare SA of 44.6959%.

These transactions resulted in decrease of the reserve previously recorded as equity component as of issuance date amounting USD 175.92 million, and on impact on the Effect on equity transaction reserve amounting USD 596.83 million.

The Romanian State does not agree with the settlement of Hybrid through conversion to the share capital and has initiated legal cases against this decision of shareholders please refer to note 28.

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12. LONG-TERM BORROWINGS FROM BANK

The long term debt is repayable as follows:

	2011 USD	2010 USD	2011 RON	2010 RON
Piraeus Bank Rompetrol Downstream SRL: Investment loan of EUR 2.7 million (USD 3.39 million). The repayment will be made in monthly installments starting March 2009, the maturity date being 16 February 2015. The maturity date is February 16, 2015. The Loan has been fully repaid during the year.	-	2,515,277	-	8,399,264
Romanian Commercial Bank Rompetrol Downstream SRL: Investment loan of USD 20 million used for construction of filling stations and acquisition of related equipment. Repayment will be made in 19 quarterly installments starting in November 2006 . The maturity date is April 15, 2011. The loan has been fully repaid during the year.	-	2,500,000	-	8,348,250
Amount payable within one year principal	-	(3,107,359)	-	(10,376,404)
Total	-	1,907,918	-	6,371,110

The long term debt is repayable as follows:

	2011 USD	2010 USD	2011 RON	2010 RON
One year or less - principal	-	3,107,359	-	10,376,404
One year or less - accrued interest long-term loans			-	-
Between two and five years	-	1,907,918	-	6,371,110
Total	-	5,015,277	-	16,747,514

All loans are interest bearing and weighted average interest rates per currency for 2010 are the following:

- EUR 4.76%
- USD 3.3%

The loans are secured with pledges on property, plant and equipment inventories and trade receivables, please see relevant notes for detail.

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13. OBLIGATIONS UNDER FINANCE LEASES

	2011 USD	2010 USD	2011 RON	2010 RON
Amounts due within 1 year	1,714,418	5,941,894	5,724,956	19,841,767
Amounts due after more than 1 year but not later than 5 years	79,934	4,719,631	266,924	15,760,264
Total lease obligations	**1,794,352**	**10,661,525**	**5,991,880**	**35,602,031**
Less future finance charges on finance leases	(7,538)	(341,260)	(25,172)	(1,139,571)
Present value of finance lease liabilities	**1,786,814**	**10,320,265**	**5,966,708**	**34,462,460**
Analysed as follows:				
Maturing within one year	1,707,867	5,690,016	5,703,080	19,000,670
Maturing after more than one year but not later than five years	78,947	4,630,249	263,628	15,461,790
Total	**1,786,814**	**10,320,265**	**5,966,708**	**34,462,460**

It is the Group's policy to lease certain of its vehicles under finance leases. The average lease term is one to five years. For the year ended December 31, 2011 the effective borrowing rate ranked between 4% - 9%. The lease obligations are denominated in USD and EUR.

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

14. DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax, net balances are presented in the balance sheet as follows:

	2011 USD	2010 USD	2011 RON	2010 RON
Deferred tax liabilities	1,557,049	1,258,541	5,199,455	4,202,646
Deferred tax assets	-	-	-	-
Deferred tax (asset) / liability, net	**1,557,049**	**1,258,541**	**5,199,455**	**4,202,646**

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

USD

2011	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	373,727	(97,494)	0	276,233
Property, plant and equipment	684,078	225,355	0	909,433
Investments	31,235	212,955	0	244,190
Inventories	633	21,695	0	22,328
Other	168,868	(64,003)	0	104,865
Deferred tax (asset)/liability recognized	**1,258,541**	**298,508**	**0**	**1,557,049**

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RON

2011	Opening balance	Charged/(Credited) to income	Charged/(Credited) to equity	Closing balance
Temporary differences				
Intangible assets	1,247,986	(325,561)	-	922,425
Property, plant and equipment	2,284,342	752,528	-	3,036,870
Investments	104,303	711,121	-	815,424
Inventories	2,114	72,446	-	74,560
Other	563,901	(213,725)	-	350,176
Deferred tax (asset)/liability recognized	**4,202,646**	**996,808**	**-**	**5,199,455**

See also note 23 for details for the income tax rate and other related matters.

15. TRADE AND OTHER PAYABLES

	2011 USD	2010 USD	2011 RON	2010 RON
Trade payables	723,488,459	589,461,938	2,415,945,003	1,968,390,244
Advances from customers	8,145,005	4,350,817	27,198,615	14,528,683
FSPP	60,311,509	64,702,243	201,398,222	216,060,200
VAT payable	37,591,870	38,811,787	125,530,531	129,604,200
Profit tax payable	-	48,268	-	161,181
Taxes payable	3,114	343,090	10,399	1,145,680
Employees and social obligations	8,103,064	6,613,855	27,058,562	22,085,646
Deferred revenues	4,835,389	873,852	16,146,814	2,918,054
Other liabilities	23,635,739	4,734,884	78,926,823	15,811,198
Total	**866,114,149**	**709,940,734**	**2,892,214,969**	**2,370,705,086**

16. SHORT-TERM DEBT

	2011 USD	2010 USD	2011 RON	2010 RON
EFG EUROBANK Rompetrol Downstream SRL: General corporate purposes facility of USD 43,155,000. The maturity date is July 28, 2012.	40,462,848	-	135,117,590	-
Bancpost Rompetrol Rafinare SA: Revolving credit ceiling on short term of up to EUR 30 million, for issue of letters of credit and letters of guarantee, maturity January 29, 2012. Drawings in USD/EUR/RON.	29,807,113	20,791,425	99,534,892	69,428,804
Raiffeisen Bank Rompetrol Petrochemicals SRL: Overdraft facility, granted by the Raiffeisen Bank SA, up to EUR 30 Million, for working capital needs, bearing guarantees; Maturity date May 31, 2012; Drawings in EUR/RON.	22,118,144	-	73,859,118	-

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	2011 USD	2010 USD	2011 RON	2010 RON
Royal Bank of Scotland	12,250,640	12,702,637	40,908,562	42,417,916
Rompetrol Downstream SRL: General corporate purposes and working capital facility of EUR 9.5 million, bearing guarantees. No maturity, automatic rollover.				
Piraeus Bank Romoil SA: Short term credit for working capital needs, in amount of EUR 8 million, maturity date: June 30, 2012; bearing guarantees.	10,295,608	10,696,957	34,380,124	35,720,349
Royal Bank of Scotland Rompetrol Downstream SRL: Working capitalacility for EUR 20 million, bearing guarantees. No maturity, automatic rollover.	6,467,972	12,034,077	21,598,499	40,185,393
Banc Post Rompetrol Petrochemicals SRL: Non-revolving working capital facility agreement, up to USD 4,712,129 , bearing guarantees, maturity date is April 7, 2012.	4,712,129	4,712,129	15,735,212	15,735,212
Accrued interest	277,201	163,383	925,657	545,586
Current portion of long-term debt	-	3,107,359	0	10,376,404
	126,391,655	**64,207,967**	**422,059,654**	**214,409,664**

Borrowings from shareholders	2011 USD	2010 USD	2011 RON	2010 RON
The Rompetrol Group N.V. Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 1,2 billion granted to Rompetrol Rafinare SA, maturity date - 20 September 2012; assignment of receivables, real movable security interest over movable assets; real movable security interest over the participations over Rompetrol Logistics S.R.L, Rompetrol Petrochemicals S.R.L, Rompetrol Downstream S.R.L, Romoil S.A; real movable security interest over the bank accounts.	983,854,469	969,154,469	3,285,385,228	3,236,297,518
The Rompetrol Group N.V. Rompetrol Downstream SRL: Working capital facility for USD 39,260,000. Maturity date is November 29, 2012.	39,261,257	-	131,105,116	-
The Rompetrol Group N.V. Rompetrol Gas SRL: Short-term facility for working capital needs in amount of USD 23 million, maturity date - April 2012.	23,000,000	3,030,000	76,803,900	10,118,079
Rompetrol Well Services S.A. Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million, maturity date - 9 January 2012. The loan is secured with a promissory note covering the debt.	3,893,031	4,056,795	12,999,998	13,546,856

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	2011 USD	2010 USD	2011 RON	2010 RON
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million, maturity date - 13 January 2012. The loan is secured with a promissory note covering the debt.	2,096,248	2,184,428	7,000,001	7,294,460
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3,1 million, maturity date - 3 January 2012. The loan is secured with a promissory note covering the debt.	928,338	967,390	3,099,999	3,230,405
Rompetrol Well Services S.A Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 1,5 million, maturity date - 27 January 2012. The loan is secured with a promissory note covering the debt.	449,196	468,092	1,500,000	1,563,100
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to RON 63.9 million, maturity date - 2 October 2012.	309,464	19,940,708	1,033,393	66,588,006
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to USD 10 million granted to, maturity date - 18 May 2011.	-	7,140,000	-	23,842,602
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to RON 46.7 million granted to, maturity date - 18 May 2011.	-	12,700,889	-	42,412,079
The Rompetrol Group N.V. Rompetrol Gas: Short-term facility for working capital needs in amount of USD 6 million, maturity date - Dec 2011.	-	5,021,141	-	16,767,096
Accrued interest	93,078,630	52,019,251	310,817,470	173,707,885
	1,146,870,633	**1,076,683,163**	**3,829,745,105**	**3,595,368,086**

All loans are interest bearing and the weighted average interest rates per currency are the following: EUR 5.88% (2010:5.76%), RON 8.16% (2010:9.51%) and USD 4.28% (2010:4.37%).

The loans are secured with pledges on property plant and equipment, inventories and trade receivables.

As of December 23, 2011, a short term loan for working capital financing and issuance of contingent engagements was signed by Rompetrol Downstream S.R.L. with ING Bank, up to a total amount of USD 50 million. Until December 31, 2011 the credit line has not been utilized.

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17. PROVISIONS

The movement in provisions is presented below (refer also to Notes 5, 7 and 8):

USD

	At 1 January 2011	Charged to equity	Arising during the year	Utilised	Unused amounts reversed	At 31 December 2011
Provision for retirement benefit	3,792,662	(401,011)	655,686	-	(1,286,004)	2,761,333
Provision for restructuring	992,796	-	-	(971,324)	-	21,472
Environmental and other provisions	16,085,193	-	7,386,427	-	(1,837,708)	21,633,912
Total	20,870,651	(401,011)	8,042,113	(971,324)	(3,123,712)	24,416,717

RON

	At 1 January 2011	Charged to equity	Arising during the year	Utilised	Unused amounts reversed	At 31 December 2011
Provision for retirement benefit	12,664,836	(1,339,096)	2,189,532	-	(4,294,354)	9,220,918
Provision for restructuring	3,315,244	-	-	(3,243,542)	-	71,702
Environmental and other provisions	53,713,285	-	24,665,496	-	(6,136,658)	72,242,123
Total	69,693,365	(1,339,096)	26,855,028	(3,243,542)	(10,431,012)	81,534,743

USD

	At 1 January 2010	Charged to equity	Arising during the year	Utilised	Unused amounts reversed	At 31 December 2010
Provision for retirement benefit	2,158,255	1,327,754	520,206	-	(213,552)	3,792,662
Provision for restructuring	-	-	992,796	-	-	992,796
Environmental and other provisions	9,691,237	-	6,393,956	-	-	16,085,193
Total	11,849,492	1,327,754	7,906,958	-	(213,552)	20,870,651

RON	At 1 January 2010	Charged to equity	Arising during the year	Utilised	Unused amounts reversed	At 31 December 2010
Provision for retirement benefit	7,207,061	4,433,769	1,737,124	-	(713,114)	12,664,840
Provision for restructuring	-	-	3,315,244	-	-	3,315,244
Environmental and other provisions	32,361,948	-	21,351,333	-	-	53,713,281
Total	39,569,009	4,433,769	26,403,701	-	(713,114)	69,693,365

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17. PROVISIONS (continued)

For 2011 the current provision represents the current liability for environmental provision in relation to Rompetrol Rafinare S.A.
An environmental provision of USD 9.6 million has been recognized as of December 31, 2009 for Rompetrol Rafinare S.A. (Vega refinery) for cleaning of the oil sludge pools and restoration of contaminated land. During 2010 an additional environmental provision of USD 6.4 million was computed for Vega refinery, leading to an environmental liability of USD 16 million. During 2011 the environmental provision from Vega was partly reversed (USD 1.84 million) and an additional provision was booked for Rompetrol Rafinare S.A. of USD 3.28 million.
Other provisions in amount of USD 4.1 million represents a fiscal litigation provision in respect with the ANAF fiscal control that was in place in Rompetrol Rafinare S.A. (ANAF descision was contested by the Group, please see note 27 for details).

Under the collective labor agreements that certain Group's entities have in force provided that, employees are entitled to certain retirement benefits that are payable on retirement, if the employees are employed with Group entities at the date of their retirement. These amounts are estimated as of the balance sheet date based on: the specific benefits provided in the agreement, the number of employees working within the company at date and actuarial assumptions on future liabilities. These liabilities are recorded at their fair values as of the 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 7.33% (2010: 7.2), with an expected rate of long-term salary increase of 3% (2010: 3%)).

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

	2011 USD	2010 USD	2011 RON	2010 RON
Initial recognition of obligations	-	270,934	-	904,730
Interest on obligation	172,606	93,145	576,383	311,039
Service cost	483,080	156,127	1,613,149	521,355
Curtailment due to restructuration	(1,286,004)	(213,552)	(4,294,353)	(713,114)
Total	**(630,318)**	**306,654**	**(2,104,821)**	**1,024,010**

The amounts included in the balance sheet arising from the retirement benefit obligation are as follows:

	2011 USD	2010 USD	2011 RON	2010 RON
Opening balance	**3,792,662**	**2,158,255**	**12,664,836**	**7,207,061**
Initial recognition of obligations	-	270,934	-	904,730
Interest on obligation	172,606	93,145	576,383	311,039
Service cost	483,080	156,127	1,613,149	521,355
Curtailment due to restructuration	(1,286,004)	(213,552)	(4,294,353)	(713,114)
Change in assumptions (tax rate, salary increase, turnover)	(401,011)	1,327,753	(1,339,097)	4,433,765
Closing balance	**2,761,333**	**3,792,662**	**9,220,918**	**12,664,836**

The charge for the year is included in the salaries expenses in the income statement for 2011.

It is considered that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2012.

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18. REVENUES

	2011 USD	2010 USD	2011 RON	2010 RON
Gross revenues from petroleum products production	4,228,579,304	2,931,537,521	14,120,494,870	9,789,283,244
Gross revenues from petroleum products trading	155,909,337	279,480,563	520,628,049	933,269,444
Revenues from petrochemicals production	327,155,325	232,187,028	1,092,469,777	775,342,143
Revenues from petrochemicals trading	22,442,376	29,893,130	74,941,826	99,822,129
Revenues from merchandise sales	60,824,360	53,448,978	203,110,785	178,482,172
Revenues from utilities sold	2,567,201	3,352,747	8,572,654	11,195,828
Revenues from transportation fees	2,441,860	6,803,240	8,154,103	22,718,059
Revenues from rents and other services	12,667,542	17,456,334	42,300,723	58,291,936
Gross Revenues	**4,812,587,305**	**3,554,159,541**	**16,070,672,787**	**11,868,404,955**
Less sales taxes	(816,860,708)	(708,540,890)	(2,727,742,962)	(2,366,030,594)
Less commercial discounts	(72,820,514)	(62,661,264)	(243,169,542)	(209,244,759)
Total	**3,922,906,083**	**2,782,957,387**	**13,099,760,283**	**9,293,129,602**

19. COST OF SALES

	2011 USD	2010 USD	2011 RON	2010 RON
Crude oil and other raw materials	3,330,478,502	2,127,876,055	11,121,466,862	7,105,616,510
Consumables and other materials	21,018,054	16,115,178	70,185,588	53,813,414
Utilities	98,589,146	79,069,690	329,218,735	264,037,416
Staff costs	32,509,063	30,494,812	108,557,514	101,831,326
Transportation	599,137	3,932,172	2,000,698	13,130,702
Maintenance	20,404,352	22,690,386	68,136,253	75,770,006
Insurance	1,526,853	1,324,560	5,098,620	4,423,103
Environmental expenses	1,419,794	2,954,995	4,741,118	9,867,615
Other	9,478,350	8,002,143	31,651,054	26,721,556
Cash production cost	**3,516,023,251**	**2,292,459,991**	**11,741,056,442**	**7,655,211,648**
Depreciation and amortization	53,601,251	42,091,213	178,990,657	140,555,186
Production costs	**3,569,624,502**	**2,334,551,204**	**11,920,047,099**	**7,795,766,834**
Less: Change in inventories	(42,240,447)	(87,135,947)	(141,053,525)	(290,973,068)
Less: Own production of property, plant & equipment	(1,671,494)	(553,819)	(5,581,620)	(1,849,368)
Cost of petroleum products trading	141,877,496	251,784,291	473,771,522	840,783,283
Cost of petrochemicals trading	22,574,106	29,834,960	75,381,712	99,627,882
Cost of merchandise sold	44,142,574	40,460,439	147,405,297	135,109,544
Cost of utilities resold	1,301,796	2,906,188	4,347,087	9,704,634
Realised (gains)/losses on derivatives	19,042,930	-	63,590,056	-
Unrealised losses on derivatives	883,658	-	2,950,799	-
Total	**3,755,535,121**	**2,571,847,316**	**12,540,858,427**	**8,588,169,741**

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

	2011 USD	2010 USD	2011 RON	2010 RON
Staff costs	58,295,117	69,118,122	194,664,884	230,806,143
Utilities	7,831,221	7,087,423	26,150,796	23,667,032
Transportation	48,156,455	53,498,912	160,808,850	178,648,917
Professional and consulting fees	39,449,885	34,431,440	131,735,001	114,976,908
Royalties and rents	8,367,451	12,794,685	27,941,429	42,725,292
Consumables	3,314,170	7,134,463	11,067,008	23,824,112
Marketing	2,249,668	3,719,804	7,512,316	12,421,541
Taxes	6,029,551	4,983,763	20,134,480	16,642,280
Communications	1,261,262	2,785,944	4,211,732	9,303,103
Insurance	1,758,927	2,354,959	5,873,585	7,863,915
Computer related expenses	19,315,207	13,231,288	64,499,271	44,183,240
Environmental expenses	2,623,553	1,578,783	8,760,831	5,272,030
Maintenance	7,803,199	11,869,418	26,057,222	39,635,548
Other expenses	13,222,663	18,565,083	44,154,439	61,994,382
Costs before depreciation	**219,678,329**	**243,154,087**	**733,571,844**	**811,964,443**
Depreciation and amortisation	54,657,577	62,625,522	182,518,047	209,125,406
Total	**274,335,906**	**305,779,609**	**916,089,891**	**1,021,089,849**

21. OTHER OPERATING INCOME/ (EXPENSES), NET

	2011 USD	2010 USD	2011 RON	2010 RON
Net book value of non-current assets disposals	(5,272,196)	(12,936,732)	(17,605,444)	(43,199,629)
Proceeds on disposals of non-current assets	5,625,072	12,923,664	18,783,803	43,155,991
Provision for impairment of tangible assets, net	(52,814,816)	(7,241,566)	(176,364,518)	(24,181,761)
Provision for receivables, net	(7,479,860)	(2,968,319)	(24,977,496)	(9,912,108)
Provision for inventories, net	(15,943,557)	3,296,815	(53,240,320)	11,009,054
Inventories write-off	(26,553)	(566,750)	(88,668)	(1,892,548)
Other provisions	(4,577,395)	(7,184,384)	(15,285,295)	(23,990,813)
Other, net	4,246,720	(3,566,159)	14,181,072	(11,908,475)
Total	**(76,242,585)**	**(18,243,431)**	**(254,596,866)**	**(60,920,289)**

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

In 2010 the increase in provision for impairment of tangible assets includes an amount of USD 5.8 million in relation to steam cracker from Rompetrol Petrochemicals SRL and USD 2.1 million from Rompetrol Downstream SRL in relation to construction in progress.

The movement in provision for inventories, net for 2011 includes an amount of USD 15.9 million as the difference between cost and net realizable value on crude oil and petroleum products held as of 31 December 2011.

In 2010, other provisions include the increase of environmental provision in relation to Vega of USD 6.4 million.

Other net movement in 2011 include revenues of USD 6 million from the sale of CO2 certificates from Rompetrol Rafinare SA.

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22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	2011 USD	2010 USD	2011 RON	2010 RON
Finance cost				
Late payment interest	(28,436)	(10,895,943)	(94,955)	(36,384,823)
Interest expense	(1,298,741)	(6,092,263)	(4,336,886)	(20,343,894)
Interest expense shareholders	(46,739,930)	(38,040,322)	(156,078,648)	(127,028,047)
Unwinding of discount on hybrid	-	(1,084,943)	-	(3,622,950)
Commission and other bank charges	(21,983,522)	(15,497,925)	(73,409,575)	(51,752,221)
Collection discounts expenses	(12,094,414)	(9,085,794)	(40,386,877)	(30,340,192)
	(82,145,043)	**(80,697,190)**	**(274,306,941)**	**(269,472,127)**
Finance income				
Interest income	1,389,955	1,235,620	4,641,477	4,126,106
Other financial income	-	515,355	-	1,720,925
	1,389,955	**1,750,975**	**4,641,477**	**5,847,031**
Finance income/(cost) net	**(80,755,088)**	**(78,946,215)**	**(269,665,464)**	**(263,625,096)**
Unrealized net foreign exchange (losses)/gains	4,663,826	2,744,171	15,573,913	9,163,610
Realized net foreign exchange (losses)/gains	1,811,829	(9,296,932)	6,050,241	(31,045,245)
Foreign exchange gain/(loss), net	**6,475,655**	**(6,552,761)**	**21,624,154**	**(21,881,635)**
Total	**(74,279,433)**	**(85,498,976)**	**(248,041,310)**	**(285,506,731)**

23. INCOME TAX

a) The current income tax rate in 2011 was 16%, the same as in 2010.

	2011 USD	2010 USD	2011 RON	2010 RON
Tax expense comprises:				
Current tax expense	390,475	159,770	1,303,913	533,520
Deferred tax expense relating to the origination and reversal of temporary differences	298,508	632,591	996,808	2,112,411
Total tax expense/(income)	688,983	792,361	2,300,721	2,645,931

As of December 31, 2011, the Group had the following unused fiscal losses:

Entity	**Taxable loss 2011 USD million**	**Taxable loss 2011 RON million**	**Carry forward tax losses 2010 USD million**	**Carry forward tax losses 2010 RON million**
Rompetrol Rafinare SA	528.25	1,763.99	439.30	1,466.95
Rompetrol Petrochemicals SRL	87.64	292.66	85.58	285.78
Rompetrol Downstream SRL	52.57	175.55	56.58	188.94
Rom Oil SA	9.07	30.29	11.09	37.03
As at December 31 2011	**677.53**	**2,262.49**	**592.55**	**1,978.70**

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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:

Entity	Taxable loss Amount USD million	Taxable loss Amount RON million	Tax loss Expires in
Rompetrol Rafinare SA			
2006	8.48	28.32	2011
2007	42.77	142.82	2012
2008	89.84	300.00	2013
2009	102.1	340.94	2016
2010	144.63	482.96	2017
2011	140.43	468.94	2018
	528.25	**1,763.98**	
Rompetrol Petrochemicals SRL			
2007	11.22	37.47	2012
2008	48.69	162.59	2013
2009	19.33	64.55	2016
2010	2.90	9.68	2017
2011	5.50	18.37	2018
	87.64	**292.66**	
Rom Oil SA			
2008	2.91	9.72	2013
2009	3.88	12.96	2016
2010	1.65	5.52	2017
2011	0.63	2.11	2018
	9.07	**30.31**	
Rompetrol Downstream SRL			
2008	25.31	84.52	2013
2009	8.88	29.65	2016
2010	15.49	51.73	2017
2011	2.89	9.65	2018
	52.57	**175.55**	

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.

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23. INCOME TAX (continued)

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

b) The deferred tax liabilities details are disclosed in Note 14

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 :

	2011 USD	2010 USD	2011 RON	2010 RON
Profit/(loss) from operations	(257,486,962)	(198,411,945)	(859,826,211)	(662,557,008)
Tax at prevailing tax rate	(41,197,914)	(31,745,911)	(137,572,194)	(106,009,121)
Effect of statutory items non deductible / (not taxable) for tax purposes	41,588,389	31,905,681	138,876,107	106,542,641
Effect of temporary differences	298,508	632,591	996,808	2,112,411
Income tax expense recognised in profit or loss	**688,983**	**792,361**	**2,300,721**	**2,645,931**

24. OPERATING SEGMENT INFORMATION

a) Business Segments

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

2011 Income Statement information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	3,362,589,233	355,055,334	1,970,776,707	(1,765,515,191)	3,922,906,083
Cost of sales	(3,393,468,739)	(354,981,165)	(1,796,935,572)	1,789,850,355	(3,755,535,121)
Gross margin	**(30,879,506)**	**74,169**	**173,841,135**	**24,335,164**	**167,370,962**
Selling, general and administrative expenses	(59,481,132)	(13,722,619)	(177,536,436)	(23,595,719)	(274,335,906)
Other operating expenses, net	(23,744,872)	(33,778,104)	(17,980,873)	(738,736)	(76,242,585)
Operating margin	**(114,105,510)**	**(47,426,554)**	**(21,676,174)**	**709**	**(183,207,529)**
Financial expenses, net	(61,617,308)	(1,872,047)	(23,744,175)	6,478,442	(80,755,088)
Net foreign exchange result	4,147,340	7,725,756	(5,397,441)	-	6,475,655
Profit before income tax	**(171,575,478)**	**(41,572,845)**	**(50,817,790)**	**6,479,151**	**(257,486,962)**
Income tax	-	-	(688,983)	-	(688,983)
Net Profit	**(171,575,478)**	**(41,572,845)**	**(51,506,773)**	**6,479,151**	**(258,175,945)**
Non-Controlling interest	-	-	-	1,121,198	1,121,198
Net Profit Group	**(171,575,478)**	**(41,572,845)**	**(51,506,773)**	**7,600,349**	**(257,054,747)**

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24. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	11,228,694,226	1,185,636,277	6,581,014,658	(5,895,584,878)	**13,099,760,283**
Cost of sales	(11,331,810,160)	(1,185,388,604)	(6,000,506,956)	5,976,847,293	**(12,540,858,427)**
Gross margin	**(103,115,934)**	**247,673**	**580,507,702**	**81,262,415**	**558,901,856**
Selling, general and administrative expenses	(198,625,344)	(45,823,942)	(592,847,421)	(78,793,184)	**(916,089,891)**
Other operating expenses, net	(79,291,251)	(112,795,223)	(60,043,529)	(2,466,863)	**(254,596,866)**
Operating margin	**(381,032,529)**	**(158,371,492)**	**(72,383,248)**	**2,368**	**(611,784,901)**
Financial expenses, net	(205,758,677)	(6,251,327)	(79,288,924)	21,633,464	**(269,665,464)**
Net foreign exchange result	13,849,212	25,798,617	(18,023,675)	-	**21,624,154**
Profit before income tax	**(572,941,994)**	**(138,824,202)**	**(169,695,847)**	**21,635,832**	**(859,826,211)**
Income tax	-	-	(2,300,721)	-	**(2,300,721)**
Net Profit	**(572,941,994)**	**(138,824,202)**	**(171,996,568)**	**21,635,832**	**(862,126,932)**
Non-Controlling interest	-	-	-	3,744,015	**3,744,015**
Net Profit Group	**(572,941,994)**	**(138,824,202)**	**(171,996,568)**	**25,379,847**	**(858,382,917)**

Balance sheet information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,400,518,787	103,443,244	250,380,629	(571,112,297)	1,183,230,363
Total current assets	569,821,509	59,022,982	311,671,893	(231,428,832)	709,087,552
TOTAL ASSETS	**1,970,340,296**	**162,466,226**	**562,052,522**	**(802,541,129)**	**1,892,317,915**
Total equity	75,307,671	74,033,946	149,598,537	(573,890,921)	(274,950,767)
Total non-current liabilities	20,228,838	-	1,859,338	816,631	22,904,807
Total current liabilities	1,874,803,787	88,432,280	410,594,647	(229,466,839)	2,144,363,875
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,970,340,296**	**162,466,226**	**562,052,522**	**(802,541,129)**	**1,892,317,915**
Capital expenditure	193,453,500	8,043,136	4,028,146	6,651,049	**212,175,831**
Depreciation and amortisation	49,044,121	12,808,014	43,259,083	3,147,610	**108,258,828**
Impairment losses	(3,287,043)	(34,927,761)	(14,600,012)	-	**(52,814,816)**

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24. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	4,676,752,385	345,428,025	836,096,034	(1,907,115,299)	**3,951,161,145**
Total current assets	1,902,804,965	197,095,444	1,040,765,953	(772,810,299)	**2,367,856,063**
TOTAL ASSETS	**6,579,557,350**	**542,523,469**	**1,876,861,987**	**(2,679,925,598)**	**6,319,017,208**
Total equity	251,474,905	247,221,556	499,554,396	(1,916,393,951)	**(918,143,094)**
Total non-current liabilities	67,550,159	-	6,208,886	2,726,978	**76,486,023**
Total current liabilities	6,260,532,286	295,301,913	1,371,098,705	(766,258,625)	**7,160,674,279**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,579,557,350**	**542,523,469**	**1,876,861,987**	**(2,679,925,598)**	**6,319,017,208**
Capital expenditure	645,999,273	26,858,444	13,451,189	22,209,848	**708,518,754**
Depreciation and amortisation	163,773,033	42,769,801	144,455,056	10,510,814	**361,508,704**
Impairment losses	(10,976,423)	(116,634,273)	(48,753,822)	-	**(176,364,518)**

2010 Income Statement Information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	2,212,742,024	265,705,423	1,441,700,765	(1,137,190,825)	2,782,957,387
Cost of sales	(2,223,138,828)	(247,574,292)	(1,292,633,880)	1,191,499,684	(2,571,847,316)
Gross margin	**(10,396,804)**	**18,131,131**	**149,066,885**	**54,308,859**	**211,110,071**
Selling, general and administrative expenses	(59,519,658)	(16,003,592)	(167,825,351)	(62,431,008)	(305,779,609)
Other operating expenses, net	(2,790,756)	(6,396,152)	(2,618,811)	(6,437,712)	(18,243,431)
Operating margin	**(72,707,218)**	**(4,268,613)**	**(21,377,277)**	**(14,559,861)**	**(112,912,969)**
Financial expenses, net	(63,717,774)	(2,651,794)	(17,113,692)	4,537,045	(78,946,215)
Net foreign exchange result	(6,693,329)	(1,932,493)	2,073,061	-	(6,552,761)
Profit before income tax	**(143,118,321)**	**(8,852,900)**	**(36,417,908)**	**(10,022,816)**	**(198,411,945)**
Income tax	(9,967)	(9,967)	(772,427)	-	(792,361)
Net Profit	**(143,128,288)**	**(8,862,867)**	**(37,190,335)**	**(10,022,816)**	**(199,204,306)**
Non-Controlling interest	-	-	-	3,455,334	3,455,334
Net Profit Group	**(143,128,288)**	**(8,862,867)**	**(37,190,335)**	**(6,567,482)**	**(195,748,972)**

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24. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	7,389,009,441	887,270,119	4,814,271,365	(3,797,421,323)	**9,293,129,602**
Cost of sales	(7,423,727,488)	(826,724,833)	(4,316,492,315)	3,978,774,895	**(8,588,169,741)**
Gross margin	**(34,718,047)**	**60,545,286**	**497,779,050**	**181,353,572**	**704,959,861**
Selling, general and administrative expenses	(198,753,994)	(53,440,795)	(560,419,195)	(208,475,865)	**(1,021,089,849)**
Other operating expenses, net	(9,319,172)	(21,358,670)	(8,744,996)	(21,497,451)	**(60,920,289)**
Operating margin	**(242,791,213)**	**(14,254,179)**	**(71,385,141)**	**(48,619,744)**	**(377,050,277)**
Financial expenses, net	(212,772,763)	(8,855,136)	(57,147,752)	15,150,555	**(263,625,096)**
Net foreign exchange result	(22,351,034)	(6,453,174)	6,922,573	-	**(21,881,635)**
Profit before income tax	**(477,915,010)**	**(29,562,489)**	**(121,610,320)**	**(33,469,189)**	**(662,557,008)**
Income tax	(33,283)	(33,283)	(2,579,365)	-	**(2,645,931)**
Net Profit	**(477,948,293)**	**(29,595,772)**	**(124,189,685)**	**(33,469,189)**	**(665,202,939)**
Non-Controlling interest	-	-	-	11,538,397	**11,538,397**
Net Profit Group	**(477,948,293)**	**(29,595,772)**	**(124,189,685)**	**(21,930,792)**	**(653,664,542)**

Balance sheet information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,301,928,613	143,137,150	309,511,310	(616,529,336)	1,138,047,737
Total current assets	600,573,558	68,669,377	320,803,688	(255,007,656)	735,038,967
TOTAL ASSETS	**1,902,502,171**	**211,806,527**	**630,314,998**	**(871,536,992)**	**1,873,086,704**
Total equity	246,883,149	115,606,794	200,873,914	(580,539,690)	(17,175,833)
Total non-current liabilities	17,965,215	110	13,927,372	1,847,960	33,740,657
Total current liabilities	1,637,653,807	96,199,623	415,513,712	(292,845,262)	1,856,521,880
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,902,502,171**	**211,806,527**	**630,314,998**	**(871,536,992)**	**1,873,086,704**
Capital expenditure	169,023,297	15,294,527	7,183,942	-	**191,501,766**
Depreciation and amortisation	41,815,485	12,177,627	47,290,983	3,432,640	**104,716,735**
Impairment losses	328,624	(1,130,721)	(2,521,890)	(3,917,579)	**(7,241,566)**

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	4,347,530,217	477,977,884	1,033,551,117	(2,058,776,417)	**3,800,282,801**
Total current assets	2,005,495,282	229,307,651	1,071,259,755	(851,547,066)	**2,454,515,622**
TOTAL ASSETS	**6,353,025,499**	**707,285,535**	**2,104,810,872**	**(2,910,323,483)**	**6,254,798,423**
Total equity	824,416,900	386,045,767	670,778,261	(1,938,596,186)	**(57,355,258)**
Total non-current liabilities	59,991,242	367	46,507,673	6,170,893	**112,670,175**
Total current liabilities	5,468,617,357	321,239,401	1,387,524,938	(977,898,190)	**6,199,483,506**

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

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,353,025,499	707,285,535	2,104,810,872	(2,910,323,483)	**6,254,798,423**
Capital expenditure	564,419,497	51,073,014	23,989,334	-	**639,481,845**
Depreciation and amortisation	139,634,449	40,664,750	157,918,780	11,462,613	**349,680,592**
Impairment losses	1,097,374	(3,775,817)	(8,421,347)	(13,081,971)	**(24,181,761)**

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

b) Geographical segments

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

	2011 USD	2010 USD	2011 RON	2010 RON
Romania	**2,484,646,995**	**1,858,864,400**	**8,296,981,710**	**6,207,305,891**
Export	**1,438,259,088**	**924,092,987**	**4,802,778,573**	**3,085,823,711**
out of which				
Petroleum products	1,227,833,826	780,323,657	4,100,105,496	2,605,734,787
Petrochemical products	210,425,262	143,769,330	702,673,077	480,088,924
Total	**3,922,906,083**	**2,782,957,387**	**13,099,760,283**	**9,293,129,602**

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25. RELATED PARTIES

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

Name of related party	Nature of relationship
The Rompetrol Group N.V.	Majority Shareholder
Rompetrol S.A.	Company owned by The Rompetrol Group
Rominserv S.A.	Company owned by The Rompetrol Group
Ecomaster Servicii Ecologice S.R.L	Company owned by The Rompetrol Group
Vector Energy AG	Company owned by The Rompetrol Group
Rompetrol Well Services S.A.	Company owned by The Rompetrol Group
Rominservices Therm S.R.L.	Company owned by The Rompetrol Group
Palplast S.A.	Company owned by The Rompetrol Group
Rompetrol Bulgaria JSC	Company owned by The Rompetrol Group
Rompetrol Moldova SA	Company owned by The Rompetrol Group
Rompetrol Industrial Park S.R.L	Company owned by The Rompetrol Group
Rompetrol Georgia LLC	Company owned by The Rompetrol Group
Romcalor Oil Services S.A.	Company owned by The Rompetrol Group
Midia Marine Terminal S.R.L.	Company owned by The Rompetrol Group
Rompetrol Financial Group S.R.L.	Company owned by The Rompetrol Group
Dyneff SA	Company owned by The Rompetrol Group
The Rompetrol Group Corporate Center S.R.L	Company owned by The Rompetrol Group
Rompetrol Albania Wholesale Sh.A.	Company owned by The Rompetrol Group
Rompetrol Ukraine LLC	Company owned by The Rompetrol Group
Rominserv Valves Iaifo SRL	Company owned by The Rompetrol Group
Rominserv Kazakhstan Ltd	Company owned by The Rompetrol Group
Uzina Termoelectrica Midia S.A.	Associate of the Rompetrol Group
Odyssey Communication SRL	Company affiliated to the Group until March 31, 2010
Global Security Services	Company owned by The Rompetrol Group
Rompetrol Georgia LLC	Company owned by The Rompetrol Group
Kazmotransflot	Company affiliated to KMG Group
Tengizchevroil LLP	Company affiliated to KMG 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, 2011, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2010: 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.

Name of related party	Receivables			
	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Vector Energy AG	-	4,779,387	-	15,959,807
Rominserv S.A.	27,584,828	41,840,125	92,114,016	139,716,729
The Rompetrol Group N.V.	431,713	612,715	1,441,619	2,046,039
The Rompetrol Group Corporate Center S.R.L	425,477	-	1,420,795	-
Rompetrol S.A.	351,103	158,769	1,172,438	530,177
Ecomaster Servicii Ecologice S.R.L	494,104	184,899	1,649,961	617,433
Rompetrol Well Services S.A.	191,121	243,800	638,210	814,121
Rominservices Therm S.R.L.	-	3,532,743	-	11,796,889
Palplast S.A.	2,525,083	2,418,187	8,432,010	8,075,052
Rompetrol Bulgaria JSC	3,591,137	2,286,560	11,991,884	7,635,510
Rompetrol Moldova SA	837,070	-	2,795,228	-
Rompetrol Georgia LLC	1,773,189	1,460,237	5,921,210	4,876,169
Dyneff SA	255,331	184,226	852,627	615,186

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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))

	Receivables			
Name of related party	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Byron Shipping SRL	53,930	-	180,088	-
Rompetrol Albania	13,190	13,746	44,045	45,902
Midia Marine Terminal SRL	23,908	65,352	79,836	218,230
Rominserv Valves Iaifo SRL	3,340	-	11,153	-
Rominserv Kazakhstan Ltd	179,283	-	598,680	-
Rompetrol Ukraine LLC	739	5,849	2,468	19,532
Uzina Termoelectrica Midia S.A.	2,399	1,448	8,011	4,835
Global Security Service	260,301	311,621	869,223	1,040,596
Total	38,997,246	58,099,664	130,223,502	194,012,207

	Liabilities			
Name of related party	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Vector Energy AG	532,689,793	416,325,141	1,778,811,026	1,390,234,543
Rominserv S.A.	122,333,467	37,569,206	408,508,146	125,454,850
The Rompetrol Group N.V.	1,143,158,569	1,033,003,925	3,817,349,409	3,449,510,007
The Rompetrol Group Corporate Center S.R.L	5,030,921	1,639,090	16,799,754	5,473,413
Rompetrol S.A.	1,023,150	43,979,485	3,416,605	146,860,694
Ecomaster Servicii Ecologice S.R.L	144,983	867,569	484,142	2,897,073
Rompetrol Well Services S.A.	7,480,337	7,782,776	24,979,089	25,989,024
Rominservices Therm S.R.L.	-	6,837	-	22,831
Palplast S.A.	-	2,349	-	7,844
Rompetrol Bulgaria JSC	4,132	839,918	13,798	2,804,738
Rompetrol Moldova SA	-	347,760	-	1,161,275
Dyneff SA	1,056	-	3,526	-
Byron Shipping SRL.	7,376	-	24,631	-
Rompetrol Albania	-	-	-	-
Midia Marine Terminal SRL	6,024,899	6,402,436	20,118,945	21,379,655
Rominserv Valves Iaifo SRL	4,616	-	15,414	-
Rominserv Kazakhstan Ltd	5,621	-	18,770	-
Uzina Termoelectrica Midia S.A.	2,111,218	618,197	7,049,990	2,064,345
Odyssey Communication SRL	-	205,662	-	686,767
Global Security Service	696,713	880,293	2,326,534	2,939,562
Tengizchevroil LLP	151,609	-	506,268	-
Total	1,820,868,460	1,550,470,644	6,080,426,047	5,177,486,621

During 2011 and 2010, Rompetrol Rafinare Group entered into the following transactions with related parties:

	Sales			
Name of related party	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Vector Energy AG	1,113,837,456	735,484,971	3,719,437,417	2,456,004,964
Rominserv S.A.	1,802,995	14,017,584	6,020,741	46,808,918
Rominservices Therm S.R.L.	-	4,532,271	-	15,134,613
The Rompetrol Group N.V.	64	-	214	-
The Rompetrol Group Corporate Center S.R.L	294,601	-	983,761	-
Rompetrol S.A.	141,359	224,874	472,040	750,922
Ecomaster Servicii Ecologice S.R.L	260,234	1,321,476	868,999	4,412,805
Rompetrol Well Services S.A.	2,640,953	2,141,661	8,818,934	7,151,649
Palplast S.A.	1,054,285	1,366,989	3,520,574	4,564,786
Rompetrol Bulgaria JSC	36,162,192	8,163,932	120,756,408	27,261,818
Rompetrol Moldova SA	56,594,237	37,750,649	188,985,136	126,060,742
Rompetrol Georgia LLC	329,834	467,999	1,101,415	1,562,789

(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))

	Sales			
Name of related party	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Midia Marine Terminal SRL	724,793	540,460	2,420,301	1,804,758
Dyneff SA	84,690	125,565	282,805	419,299
Byron Shipping SRL	65,799	-	219,723	-
Rominserv Valves Iaifo SRL	2,737	-	9,140	-
Rominserv Kazakhstan Ltd	172,312	-	575,401	-
Uzina Termoelectrica Midia S.A.	13,016,677	15,135,571	43,466,590	50,542,212
Global Security Service	10,403	45,918	34,739	153,334
Kazmotransflot	-	353,822	-	1,181,518
	1,227,195,621	821,673,742	4,097,974,338	2,743,815,127

		Purchases			
Name of related party	Nature of transaction	31-Dec-11 USD	31-Dec-10 USD	31-Dec-11 RON	31-Dec-10 RON
Vector Energy AG	Purchase of crude oil	3,090,238,790	2,014,574,540	10,319,234,391	6,727,268,761
Rominserv S.A.	Acquisition and maintenance of fixed assets	214,238,395	205,052,322	715,406,272	684,731,219
The Rompetrol Group N.V.	Purchase of crude oil / Management services	5,233,661	642,648	17,476,764	2,145,994
The Rompetrol Group Corporate Center S.R.L	Management services	31,831,617	1,529,252	106,295,319	5,106,631
Rompetrol S.A.	Management services	28,467	26,047,777	95,060	86,981,342
Ecomaster Servicii Ecologice S.R.L	Environmental services	728,503	3,625,723	2,432,690	12,107,377
Rompetrol Well Services S.A.	Interest on loan	38,485	47,161	128,513	157,485
Rompetrol Bulgaria JSC	Sales intermediary services	1,357,931	754,690	4,534,539	2,520,136
Midia Marine Terminal SRL	Shipping services	12,828,758	12,994,722	42,839,072	43,393,275
Byron Shipping SRL	Shipping services	23,144	-	77,285	-
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	19,452,577	16,975,159	64,957,990	56,685,148
Odyssey Communication SRL	Marketing services	-	2,658,189	-	8,876,491
Global Security Service	Security and protection services	3,217,210	5,879,002	10,743,229	19,631,751
Tengizchevroil LLP	Liquefied Petroleum Gas	20,684,971	22,018,912	69,073,324	73,527,753
		3,399,902,509	2,312,800,097	11,353,294,448	7,723,133,363

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") is the holder of 44.6959% of the share in Rompetrol Rafinare SA since September 2010. As a result MFPR and Other Authorities are considered to be a related party of the Group. No entities in the Group have had any transactions during the period since MPFR became a related party or balances as of period end , other than those arising from Romanian fiscal and legislative requirements, with MFPR and Other Authorities in Romania.

The amount of remuneration for key management personnel for 2011 was of USD 0.63 million (2010: USD 1.73 million), representing short term benefits and bonuses.

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26. 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:

	2011 USD	2010 USD	2011 RON	2010 RON
Earnings				
Loss for the year attributable to ordinary equity holders of the parent entity	(257,054,747)	(195,748,972)	(858,382,917)	(653,664,542)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 10)	33,306,461,039	22,317,945,291	33,306,461,039	22,317,945,291
Earnings per share *(US cents/share)*				
Basis	**(0.772)**	**(0.877)**	**(2.578)**	**(2.929)**

27. 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 14.3 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 28). 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 3 million). The management is confident that the likelihood of reversal of the earlier court decision is very little.

The fiscal authorities concluded fiscal inspection of the Parent for profit tax, VAT, excises, tax on income obtained by non-resident entities and taxes related to salaries for the period 1 January 2007 – 31 December 2010. For the audited period a Notice of Assessment representing additional taxes and late payment penalties was issued on March 29, 2012. The Fiscal audit Report has been concluded on and the fiscal administration assessed a liability of RON 49,447,797 (USD 14,807,833).

The Parent is required to pay the assessed amount, however, the Parent has filed a request for an administrative review of the decision with the Romanian fiscal authorities under Art. 205 of the Fiscal Procedure Code. The Parent has also submitted a request for the suspension of the Notice of Assessment execution with the Constanta Court of Appeal. The first hearing was on April 12, 2012, and at this hearing the Constanta Court of Appeal was expected to advise a date for the next hearing to consider the Parent's request for suspension, however, there was at the hearing on April 12, 2012 no date set for the next hearing by the Constanta Court of Appeal.

The management is confident that the litigations have high likelihood of being decided in favour of the Parent, however, given due consideration to the risk, the management has recognized a provision of USD 4.1 million in this regard.

28. LEGAL MATTERS

Litigation with the State involving criminal charges

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

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

For certain charges under investigation – charges not concerning the Parent directly, that are part of the initial file open by the prosecutors' office, even after the split of the file – the PGO decided to send to trial certain officials of The Rompetrol Group N.V. ("TRG"), the controlling company of S.C. Rompetrol Rafinare S.A. Following intensive discussions on several procedural matters, the first competent court, the Bucharest Tribunal, initiated the inquiry on the merits (the factual background) by interviewing the accused persons. Following the hearing of 17 September 2010, the court decided to refer the file to the Constitutional Court for settlement of certain motions raised by the defense. Currently, the trial is suspended before the Bucharest Tribunal and will resume after the Constitutional Court will issue its decision (there is no particular time-frame for the Constitutional Court to take-up such discussions).

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

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

Furthermore, on 15 December 2005, The Rompetrol Group N.V. submitted a request for arbitration before the International Centre for Settlement of Investment Disputes within the World Bank ("ICSID") of Washington DC against the Government of Romania whereby it requested compensation for the damages incurred. The request for arbitration emphasizes the breach by the Romanian State of The Rompetrol Group N.V.'s rights under the Agreement on Encouragement and Reciprocal Protection of Investments between the Government of the Kingdom of the Netherlands and the Government of Romania, in force as of 1 February 1995 (the "Dutch-Romanian BIT"). In May 2010, the debates on the merits of the dispute were closed (followed by two rounds of post-hearing briefs) and the award (including any individual or dissenting opinion) is expected during 2012.

Litigations related to Hybrid Conversion

A) The Romanian Ministry of Public Finance (MFP) has initiated various litigations against Rompetrol Rafinare SA ("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, regulated the conversion of RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro-denominated long-term reserve 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). 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 SA 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 value amounting to 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 SA 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, calculated based on the conversion rate of bonds into shares (see Note 11).

The Ministry of Public Finance (MFP) has publicly taken the position that:

1) the Company had the right to either redeem or to convert the Bonds, in each case in their entirety, but no legal option to combine a partial redemption and a partial conversion of the Bonds issue;
2) the payment of August 9, 2010 effected by the Company should be deemed as a final option to redeem the entire Bonds issue and, consequently,
3) the possibility of the Company to convert the balance of the unredeemed Bonds upon maturity was barred, thus the conversion being illegal and effectless, and
4) commencing October 1, 2010, the Company has had a budgetary debt to the Romanian treasury amounting to the value of the unredeemed Bonds (approximately Euro 516 million).

On the basis of these allegations, the Ministry of Public Finances has taken the following main actions:

1) MFP filed a request, asking by an injunction relief, for suspending the execution of GMS Decisions of June 30, 2010. The injunction request was irrevocably dismissed.
2) MFP filed also an intervention to the registration of the share capital increase of June 30, 2010 with the Trade Registry. The first court dismissed it and MFP filed an appeal which was also dismissed. The share capital increase was fully registered with the Trade Registry and the capital market institutions.
3) MFP submitted a request for annulment of the GMS decisions of:

    a. June 30, 2010, referring to the share capital increase by USD 100 million;

    b. September 14, 2010, referring to the preliminary approval of the conversion option; and

    c. September 30, 2010, referring to share capital increase by conversion of the unredeemed bonds into ordinary shares adopted by RRC's shareholders. The case is pending with Constanța Tribunal having the next hearing on May 23, 2011. Constanta Tribunal dismissed the Romanian State request: (a) for some of the annulment reasons considering that the Romanian State lacks the capacity to stand trial, arguing that same did not have the capacity of shareholder when such acts were adopted, (b) for some of the annulment reasons considering that there were not grounded. MFP submitted a final appeal which is pending with Constanta Court of Appeal, having the next hearing on May 14, 2012.

4) MFP submitted interventions to the registration of the all GMS decisions (decisions of June 30, 2010, of September 14, 2010 and of September 30, 2010) to the Trade Registry. Most of the cases were dismissed by Constanta Tribunal and MFP submitted appeal requests which are pending with Constanta Court of Appeal. The rest of the cases are either pending in first court proceedings, or suspended as result of relocation requests submitted to High Court of Justice and Cassation by MFP. The relocation requests were also dismissed, but the interventions requests are not yet reopened and settled. In relation to the MFP intervention to the registration to the Trade Registry of the GMS dated June 30, 2010 the Constanta Court rejected the claim. Therefore, the Trade Registry registered on December 27, 2010 the share capital increase

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according to GMS as of June 30, 2010. Consequently, CNVM approved on February 8, 2011 the issuing of the new shares registrations certificate following the share capital increase. MFP appealed the Constanta Court decision mentioned above. Both Constanta Tribunal and Constanta Court of Appeal dismissed the Romanian State intervention request.

B) On September 10, 2010 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 which is pending with Bucharest Tribunal, having the next hearing on June 6, 2012.
The management is confident, based on the advice of legal counsels, that there are sufficient grounds to believe that the matter will be decided in favor of Rompetrol Rafinare S.A.

C) MFP issued on 17 November 2010 a Summons and a Forced Execution Title for the amount of 2,205,592,436 RON on the grounds of the issuing Convention of December 5, 2003 and of the Letter no 933430/16.11.2010 from ANAF's accounting department to the Large Contributors department. RRC filed an annulment and a suspension request against the above mentioned Letter, which constitutes the legal basis for the Summons and Forced Execution Title. On January, 14, 2011, Constanta Court of Appeal suspended the enforcement and any effects of Letter no 933430/16.11.2010 and, consequently, any effects of the Forced Execution Title on the Company are also suspended.

In relation to annulment of the Letter, the Constanta Court of Appeal suspended the case until the irrevocable solution of the case submitted by MFP for the annulment of the GMS decisions of June 30, 2010, September 14, 2010 and September 30, 2010, as presented above at point 3) a),b) and c). MFP submitted an appeal against the Constanta Court of Appeal decision which was dismissed by the High Court of Justice and Cassation.

RRC also filed a challenge against the forced execution asking for the cancelation of the Summons and the Forced Execution Title with Constanta Local Court, which relocated the file to Bucharest Local District 5 Court, where the next hearing is to be scheduled.

The Company management believes that the decisions taken by the Extraordinary General Meeting of the Shareholders are within the legal framework and can be sustained through the following main arguments:

- Neither EGO no. 118/2003, nor the Issuing Convention prohibit RRC to make a partial redemption of the Bonds;
- Neither EGO no. 118/2003, nor the Issuing Convention prohibits RRC to convert balance of the non-redeemed Bonds into shares upon maturity. As per Article 7 of the EGO no. 118/2003 and Article 9 of the Issuing Convention, "*the bonds not redeemed [...] are to be converted on due date, upon the option of the issuer, [...] with ordinary shares existing at the date of the issue.*" Such text explicitly admits that there can be outstanding Bonds on due date which can be converted into shares (even though some have already been redeemed as at such date).
- Finally, RRC defends its position by showing that the Bonds are credit titles issued by a company and generate the obligation to repay its value (principal) plus interest. Each Bond incorporated on obligation of RRC towards MFP. Hence, the stake of bonds incorporated a plurality (22.8 million bonds) of obligations (one obligation per each Bond). Therefore, in relation with each such title, RRC had the option to implement a different strategy, namely either to redeem it or to convert it on due date. In other words, while RRC could not decide, in relation to an individual bond, to make a partial redemption and to concert the balance of such bond into shares, RRC had the right to freely choose what number of outstanding Bonds to redeem and to convert the balance into shares (i.e. the path pursued on 30 September 2010).
-

Pending or overtly threatened litigation

Rompetrol Downstream S.R.L. was announced on 10 January 2012 that following deliberations on 21 December 2011, the Romanian Competition Council decided that Rompetrol Downstream S.R.L. breached article 5 of the Competition Law and article 101 of the Treaty for the Functioning of the European Union and imposed a fine in the amount of 159,553,612 RON (equivalent of USD 46.83 million).

According to the Competition Council's regulations, Rompetrol Downstream S.R.L. could file a petition for the suspension of the amount, otherwise needed to pay to the Competition Council within 30 days from the date the decision is communicated.

In addition to petition for suspension, Rompetrol Downstream within 30 days had to challenge the fine before the Bucharest Court of Appeal, starting from the date the decision is communicated to it.

Rompetrol Downstream filed both petitions. Bucharest Court of Appeal dismissed on March 22, 2012 Group's petition 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. Rompetrol Downstream submitted the appeal on March 30, 2012. The Court of Appeal will draft the decision in the next period, and the file will be sent to the Supreme Court.

The first hearing regarding the annulment of the Competition Council's Decision will be on May 15, 2012.

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 other firms 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.

Litigations related to salary benefits

During August-September 2010, three Unions representing the interests of some employees of certain Group companies in Romania, filed before Constanta County Tribunal and Prahova Country Tribunal several claims requesting the increase of the salaries of the Union members mentioned in the lists attached to the claim. The legal hearings were held at Constanta County Tribunal and Prahova County Tribunal.

The Constanta court admitted the Unions' claims, obliging the companies to pay to the employees above mentioned the requested salary increase after the communication of the Court's decision to the parties involved. The decisions relating to the litigations initiated by the first Union were pronounced on 29 March 2011 and have been communicated to the parties on May 13, 2011. The Group Companies filed an appeal to Constanta Court of Appeals. Together with the appeal the Group Companies exercised their legal right to request the suspension of the enforcement of the first decision.

The decisions relating to the litigations initiated by the second Union were pronounced May 3, 2011 and communicated to the Group Companies beginning of June 2011. All the Group Companies have filed a second appeal against the Court's decisions, which is to be heard by the Constanta Court of Appeals and also requested the suspension of the enforcement of the decision.
The Constanta Court of Appeal granted the application for suspension in all cases.

During October-November 2011 the Constanta Court of Appeal admitted the Group Companies appeal and therefore rejected irrevocably the claim of the Unions to increase the salaries.

2. The Prahova County Tribunal rejected on September 15, 2011 the claim of the Unions for increasing the salaries. The Unions appealed the decision. The trials are still outstanding before the Ploiesti Court of Appeal.

3. During August-September 2010, one of the Unions mentioned above submitted a claim against one Group company requesting the granting of two months bonus for the employees. On 12 April 2011, the Constanta County Tribunal rejected the claim submitted by the Union. To date there has been no appeal against decision by the Unions.

Litigation with the State involving CO2 emission certificates

On February 28, 2011 Rompetrol Rafinare S.A. ("RRC") won the court case against The Romanian Government and The Ministry of Environment which obliged the Romanian authorities to allocate to RRC 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 Environmental Ministry and a final appeal is to be heard in April 2012 by the Supreme Court of Justice, and it is expected that a final decision on the matter is expected during this year. Accordingly to the current internal and European legal frame, the certificates obtained for 2008 – 2012 period may be owned and used also for the next period of 2013 – 2020. The current market value is around 7 Euro/certificate.

29. 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, 2010 Rompetrol Rafinare SA has environmental commitments amounting to USD 52.62 million as in accordance with the Integrated Environmental Authorization.

Other commitments

As of December 31, 2011 Rompetrol Rafinare S.A. has contracted capital commitments in projects related to capacity increase and compliance with Euro standards at the Petromidia refinery of USD 75.3 million (2010: USD 196.1 million). As of December 31, 2011, Rompetrol Petrochemicals S.R.L has contracted capital commitments amounting to USD 4.21 million (2010: USD 4.8 million).

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 2012 is USD 3.87 million (USD 3.4 million in 2011).

Sale and purchase commitments

As of December 31, 2011 Rompetrol Rafinare S.A has non-TRG Group commitments for purchases of raw materials and utilities of USD 137.38 million and for petroleum products and utilities sales amounting to USD 267.10 million. Also, as of December 31, 2011 Rompetrol Rafinare S.A has commitments for purchases of raw materials of USD 3,623 million from Vector Energy AG and for petroleum products sales amounting to USD 1,322 million to Vector Energy AG.

As of December 31, 2011 Rompetrol Petrochemicals S.R.L has non-TRG Group commitments for purchases of raw materials of USD 5.82 million and for petrochemical products sales amounting to USD 197.80 million.

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

30. 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 Notes 12 and 16), 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".

(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))

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (CONTINUED)

30.2. GEARING RATIO

The gearing ratio at the year end was as follows:

	December 31, 2011	December 31, 2010
Debt (excluding shareholder loans - see Note 16)	128,178,469	76,436,150
Cash and cash equivalents	(53,058,268)	(53,177,253)
Net debt	**75,120,201**	**23,258,897**
Equity (including shareholder loans - see Note 16)	871,919,866	1,059,507,330
Net debt to equity ratio	**0.09**	**0.02**

30.3. SIGNIFICANT ACCOUNTING POLICIES

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

30.4. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	December 31, 2011	December 31, 2010
Financial assets		
Trade and other receivables	269,551,583	274,598,951
Long-term receivables	4,781,842	3,104,684
Available for sale investments	302,621	285,321
Derivative Financial Instruments	5,832,080	-
Cash and cash equivalents	53,058,268	53,177,253
TOTAL FINANCIAL ASSETS	**333,526,394**	**331,166,209**
Financial liabilities		
Long-term borrowings	-	1,907,918
Short term borrowings from shareholders	1,146,870,633	1,076,683,163
Other non-current liabilities	131,665	5,073,298
Net obligations under finance lease	1,786,814	10,320,265
Trade and other payables	752,122,568	600,810,677
Short-term borrowings banks	126,391,655	64,207,967
TOTAL FINANCIAL LIABILITIES	**2,027,303,335**	**1,759,003,288**

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

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

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

- Advances from customers
- Excises taxes

(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))

- FSPP
- 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 2011, 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, 2011	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	269,551,583			269,551,583
Long-term receivables	4,781,842			4,781,842
Available for sale investments	302,621			302,621
Derivative Financial Instruments	5,832,080		5,832,080	
Cash and cash equivalents	53,058,268		-	53,058,268
TOTAL FINANCIAL ASSETS	**333,526,394**	-	**5,832,080**	**327,694,314**
Financial liabilities				
Long-term borrowings	-			-
Short term borrowings from shareholders	1,146,870,633			1,146,870,633
Other non-current liabilities	131,665			131,665
Net obligations under finance lease	1,786,814			1,786,814
Trade and other payables	752,122,568			752,122,568
Short-term borrowings banks	126,391,655			126,391,655
TOTAL FINANCIAL LIABILITIES	**2,027,303,335**	-	-	**2,027,303,335**

During the reporting period ending 31 December 2011, 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.

30.5 DERIVATIVE FINANCIAL INSTRUMENTS

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

The Group started in January 2011 the hedge of commodities in Rompetrol Rafinare SA.

Balance Sheet:

	December 31, 2011
Derivative financial asset	5,832,080
Derivative financial liability	-
Net position - asset/(liability)	**5,832,080**

Income Statement:

	December 31, 2011
Unrealised (gains)	-
Unrealised losses	883,658
Net position - (gain)/loss - in Cost of sales	**883,658**
Realised losses - net	19,042,930
Total position - loss/(gain) - in Cost of sales	**19,926,588**

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

	December 31, 2011
Derivative asset/(liability) 2010	-
Unrealized derivative gains/(loss)	(883,658)
Forex unrealized (hedging of forex)	(716,937)
Cash payments	7,432,675
Derivative asset/(liability) 2011	5,832,080

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.

30.6 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.

30.7. 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 retranslated at the prevailing exchange rate at each balance sheet date. The resulting differences are charged or credited to the income statement but do not affect cash flows. Group Treasury is responsible for handling the Group foreign currency transactions.

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

	Liabilities		Assets	
	2011	2010	2011	2010
Currency RON	307,781,217	302,187,098	327,857,216	339,724,714
Currency EUR	98,907,174	81,739,317	24,610,166	19,519,137

30.8. FOREIGN CURRENCY SENSITIVITY ANALYSIS

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

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

	RON		EUR	
	2011	2010	2011	2010
USD				
5%	1,003,800	1,876,881	(3,714,850)	(3,111,009)
-5%	(1,003,800)	(1,876,881)	3,714,850	3,111,009

30.9. 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 Notes 12 and 16.

The sensitivity analyses below have been determined based on the financial instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet 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 2011 would decrease/increase by USD 2.711 thousand (2010: decrease/increase by USD 7.437 thousand).

30.10. LIQUIDITY RISK MANAGEMENT

The tables below summarizes the maturity profile of the Group's financial liabilities at 31 December 2011 and 31 December 2010 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

(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))

Year ended December 31, 2011	Less than 1 month or on call	<3 months	3-12 months	1-5 years	>5 years	Total
Trade and other payables	408,923,043	412,187,685	29,313,498	15,689,923	-	866,114,149
Net obligations under finance lease	-	1,593,942	121,126	79,283	-	1,794,351
Short-term borrowings from shareholders	-	18,467,126	1,161,110,242	-	-	1,179,577,368
Short-term debt	-	49,870,208	78,936,494	-	-	128,806,702
Other non-current liabilities	-	-	-	-	131,665	131,665
	408,923,043	**482,118,961**	**1,269,481,360**	**15,769,206**	**131,665**	**2,176,424,235**

Year ended December 31, 2010	Less than 1 month or on call	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term debt	-	-	-	2,297,277	-	2,297,277
Trade and other payables	309,299,661	354,986,849	24,332,111	21,322,113	-	709,940,734
Net obligations under finance lease	174,177	431,575	5,274,456	4,781,317	-	10,661,525
Short-term borrowings from shareholders	7,676,705	11,500,002	1,094,794,581	-	-	1,113,971,288
Short-term debt	-	942,208	65,123,600	-	-	66,065,808
Other non-current liabilities	-	-	-	-	5,073,298	5,073,298
	317,150,543	**367,860,634**	**1,189,524,748**	**28,400,707**	**5,073,298**	**1,908,009,930**

30.11. 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 the hedge of commodities held by Rompetrol Rafinare.

According to the hedge policy, on the commodity side, the flat price risk for priced inventories above a certain threshold (called base operating stock) is hedged using future contracts traded on ICE Exchange and some OTC instruments for the basis risks. The base operating stock is the equivalent of priced stocks that are held at any moment in time in the Group, hence price fluctuations will not affect the cash-flow.

Trading activities are separated into physical (purchase from third parties other than KazmunayGas Group, and sales to third parties or Intercompany) and paper trades (for economic hedging purposes). Each physical transaction is covered through a related futures position according to the exposure parameters set by management (i.e. based on physical quantities sold or purchased). The Group sells or buys the equivalent number of future contracts. This paper trade is done only to hedge the risk of the Physical Trade and not to gain from the trading of these instruments. As of 2011, the net trading position taking into consideration the realized and unrealized gains and losses on derivatives and physical trades was a net gain of USD 8.566 million.

30.12 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 Vector Energy AG represent 28% of the Group revenues. The requirement for impairment is analyzed on regular basis on 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.

31. SUBSEQUENT EVENTS

At the beginning of 2012 the procedures for the registration of a new company Rompetrol Vega S.R.L. were started. Following set-up, assets from Vega working point will be transferred into the new company. The shareholders included in the registration documentation are: The Rompetrol Group N.V. 99.9% and Ecomaster Servicii Ecologice S.A. 0.1%.

As mentioned in Note 28 "Legal Matters", at the beginning of 2012, Rompetrol Downstream S.R.L. received a decision from the Romanian Competition Council imposing fines and penalties in amount of RON 159,553,612 (equivalent of USD 46.83 million). Bucharest Court of Appeal dismissed on March 22, 2012 Group's petition 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. The Group appealed in relation to the payment deferral.

During January 2012, the maturity date for Bancpost loan granted to Rompetrol Rafinare S.A. was prolonged until April 29, 2012.

The maturity of the short-term loans contracted by Rompetrol Rafinare S.A. from Rompetrol Well Services was prolonged until May 2012.

Fiscal authorities have completed tax inspection on 29 March 2012 for the period 1 January 2007 to 31 December 2010. See note 27 for details.