ROMPETROL RAFINARE S.A.

CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2010

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

Ernst & Young Assurance Services SRL
Premium Plaza Building, 3rd Floor
63-69 Dr. Iacob Felix Street, Sector 1
011033 Bucharest, Romania
Tel: +40 (0)21 402 4000
Fax: +40 (0)21 310 7193
www.ey.com

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 balance sheet as at 31 December 2010, the consolidated income statement, 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.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 present fairly, in all material respects, the financial position of the Group as of 31 December 2010 and of its financial performance for the year then ended and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

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

7 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 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 2010.

On behalf of

Ernst & Young Assurance Services SRL

Registered with the Chamber of Financial Auditors in Romania
Nr. 77/15 August 2001

Camera Auditorilor Financiari din Romania
Hadjidamianou
Andreas
Nr.3357

Name of signing person: Andreas Hadjidamianou
Registered with the Chamber of Financial Auditors in Romania
Nr. 3357/11 January 2011

Bucharest,
Romania
14 April 2011

CONTENTS

ROMPETROL RAFINARE S.A.
Consolidated Statement of Financial Position
as at December 31, 2010
(All amounts in US dollars and RON as presentation currency)

	Notes	December 31, 2010 USD	December 31, 2009 USD	December 31, 2010 RON	December 31, 2009 RON
Intangible assets	3	29,244,456	44,958,147	93,713,858	144,068,382
Goodwill	4	82,871,706	100,355,787	265,562,382	321,590,119
Property, plant and equipment	5	1,022,541,570	939,880,630	3,276,734,461	3,011,847,479
Available for sale investments	6	285,321	945,568	914,312	3,030,070
Long-term receivable		3,104,684	1,206,010	9,948,958	3,864,659
Deferred tax asset	14	-	223,444	-	716,026
Total non current assets		**1,138,047,737**	**1,087,569,586**	**3,646,873,971**	**3,485,116,735**
Inventories, net	7	357,368,919	290,325,030	1,145,188,701	930,346,559
Receivables and prepayments, net	8	324,492,795	314,185,381	1,039,837,162	1,006,807,053
Cash and cash equivalents	9	53,177,253	45,565,498	170,406,507	146,014,638
Total current assets		**735,038,967**	**650,075,909**	**2,355,432,370**	**2,083,168,250**
TOTAL ASSETS		**1,873,086,704**	**1,737,645,495**	**6,002,306,341**	**5,568,284,985**
Share capital	10	1,463,323,897	735,554,456	4,689,221,428	2,357,084,254
Share premium		74,050,518	-	237,294,885	-
Revaluation reserve		153,630,525	153,630,525	492,309,018	492,309,018
Other reserves		-	175,929,529	-	563,766,176
Effect of transfers with equity holders		(596,832,659)	-	(1,912,550,256)	-
Accumulated losses		(929,165,655)	(746,550,544)	(2,977,511,342)	(2,392,321,218)
Current year result		(195,748,972)	(174,281,605)	(627,277,581)	(558,485,403)
Equity attributable to equity holders of the parent		**(30,742,346)**	**144,282,361**	**(98,513,848)**	**462,352,827**
Minority interest		13,566,513	17,021,847	43,473,891	54,546,509
Total equity		**(17,175,833)**	**161,304,208**	**(55,039,957)**	**516,899,336**
Long-term borrowings from banks	12	1,907,918	5,208,938	6,113,923	16,692,042
Net obligations under finance leases	13	4,630,249	11,176,218	14,837,633	35,814,191
Deferred tax liabilities	14	1,258,541	849,394	4,032,996	2,721,883
Provisions	17	20,870,651	11,849,492	66,880,001	37,971,697
Other non-current liabilities		5,073,298	7,571,427	16,257,382	24,262,638
Total non-current liabilities		**33,740,657**	**36,655,469**	**108,121,935**	**117,462,451**
Trade and other payables	15	709,940,734	530,207,451	2,275,005,081	1,699,049,771
Net obligations under finance leases	13	5,690,016	8,194,110	18,233,656	26,258,025
Short-term borrowings from shareholders	16	1,076,683,163	949,162,815	3,450,231,196	3,041,592,241
Short-term borrowings from banks	16	64,207,967	29,519,878	205,754,430	94,596,449
Hybrid instruments - current portion	11	-	22,601,564	-	72,426,712
Total current liabilities		**1,856,521,880**	**1,539,685,818**	**5,949,224,363**	**4,933,923,198**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**1,873,086,704**	**1,737,645,495**	**6,002,306,341**	**5,568,284,985**

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

ROMPETROL RAFINARE S.A.
Consolidated Statement of Income
as at December 31, 2010
(All amounts in US dollars and RON as presentation currency)

Continuing operations	Notes	2010 USD	2009 USD	2010 RON	2009 RON
Revenues	18	2,782,957,387	2,480,440,002	8,917,986,947	7,948,569,986
Cost of sales	19	(2,571,847,316)	(2,283,545,985)	(8,241,484,724)	(7,317,623,109)
Gross profit		**211,110,071**	**196,894,017**	**676,502,223**	**630,946,877**
Selling, general and administrative expenses, including logistic costs	20	(305,779,609)	(298,070,317)	(979,870,757)	(955,166,331)
Other operating income/(expenses), net	21	(18,243,431)	4,057,936	(58,461,075)	13,003,656
Operating loss		**(112,912,969)**	**(97,118,364)**	**(361,829,609)**	**(311,215,798)**
Financial expenses, net	22	(78,946,215)	(84,228,263)	(252,983,145)	(269,909,469)
Net foreign exchange gains / (losses)	22	(6,552,761)	7,982,062	(20,998,323)	25,578,518
Loss before income tax		**(198,411,945)**	**(173,364,565)**	**(635,811,077)**	**(555,546,749)**
Income tax credit / (expense)	23	(792,361)	(356,434)	(2,539,121)	(1,142,193)
Loss for the year		**(199,204,306)**	**(173,720,999)**	**(638,350,198)**	**(556,688,942)**
Attributable to:					
Equity holders of the parent		(195,748,972)	(174,281,605)	(627,277,581)	(558,485,403)
Minority interests		(3,455,334)	560,606	(11,072,617)	1,796,461
Earnings per share *(US cents/share)*					
Basic	26	(0.877)	(0.826)	(2.810)	(2.647)

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

ROMPETROL RAFINARE S.A.
Consolidated Statement of Comprehensive Income
as at December 31, 2010
(All amounts in US dollars and RON as presentation currency)

	2010 USD	2009 USD	2010 RON	2009 RON
Net Loss	**(199,204,306)**	**(173,720,999)**	**(638,350,198)**	**(556,688,942)**
Other comprehensive income				
Retirement benefit	(1,327,754)	-	(4,254,788)	-
Other comprehensive income for the year, net of tax	**(1,327,754)**	**-**	**(4,254,788)**	**-**
Total comprehensive income for the year, net of tax	**(200,532,060)**	**(173,720,999)**	**(642,604,986)**	**(556,688,942)**
Attributable to:				
Equity holders of the parent	(197,076,726)	(174,281,605)	(631,532,369)	(558,485,403)
Minority interests	(3,455,334)	560,606	(11,072,617)	1,796,461
Total comprehensive income for the year, net of tax	**(200,532,060)**	**(173,720,999)**	**(642,604,986)**	**(556,688,942)**

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

ROMPETROL RAFINARE S.A.
Consolidated Statement of Cash Flows
as at December 31, 2010
(All amounts in US dollars and RON as presentation currency)

	2010 USD	2009 USD	2010 RON	2009 RON
Net result before income tax	**(198,411,945)**	**(173,364,565)**	**(635,811,077)**	**(555,546,749)**
Adjustments for:				
Depreciation and amortization	104,716,735	104,086,804	335,564,778	333,546,163
Provisions for receivables and inventories	(328,496)	(7,300,688)	(1,052,666)	(23,395,055)
Impairment & provisions for property, plant and equipment	7,241,566	3,566,098	23,205,599	11,427,561
Provision for environmental liabilities	6,393,956	(118,630)	20,489,432	(380,150)
Restructuring provision for retirement benefit	1,299,651	(318,801)	4,164,732	(1,021,598)
Late payment interest	10,895,943	11,715,645	34,916,049	37,542,784
Unwinding of discount on hybrid instruments	1,084,943	(15,546,188)	3,476,700	(49,817,759)
Interest expense and bank charges, net	57,879,535	59,165,825	185,474,970	189,596,887
(Gain)/Loss on sale or disposal of property, plant and equipment	13,068	(364,666)	41,877	(1,168,572)
Unrealized foreign exchange (gain)/loss on hybrid instruments and other monetary items	(5,549,715)	1,913,269	(17,784,062)	6,131,071
Cash generated from operations before working capital changes	**(14,764,759)**	**(16,565,897)**	**(47,313,668)**	**(53,085,417)**
Net working capital changes in:				
Receivables and prepayments	2,429,811	38,180,231	7,786,330	122,348,550
Inventories	(63,747,074)	(57,004,041)	(204,277,499)	(182,669,449)
Trade and other payables, excluding payables for capital expenditures	173,588,072	(192,294,894)	556,262,976	(616,208,988)
Change in working capital	**112,270,809**	**(211,118,704)**	**359,771,807**	**(676,529,887)**
Income tax paid	**(136,514)**	**(442,857)**	**(437,459)**	**(1,419,135)**
Net cash provided by/(used in) operating activities	**97,369,536**	**(228,127,458)**	**312,020,680**	**(731,034,439)**
Cash flows from investing activities				
Purchase of property, plant and equipment	(191,319,643)	(161,555,901)	(613,083,797)	(517,705,885)
Changes in payables for capital expenditures	(4,773,988)	(17,882,047)	(15,298,245)	(57,303,020)
Purchase of intangible assets	(182,123)	(20,193,671)	(583,613)	(64,710,619)
Proceeds from sale of property, plant and equipment	-	617,435	-	1,978,570
Sale of investments	10,478,329	-	33,577,805	-
Loans granted / repaid	-	-	-	-
Net cash used in investing activities	**(185,797,425)**	**(199,014,184)**	**(595,387,850)**	**(637,740,954)**
Cash flows from financing activities				
Share capital increase	100,222,477	-	321,162,928	-
Coupon paid on hybrid instruments (Note 11)	(22,497,615)	(22,885,609)	(72,093,607)	(73,336,934)
Hybrid redemption (Note 11)	(71,164,908)	-	(228,047,948)	-
Loans received from shareholders	127,520,348	885,259,010	408,638,955	2,836,812,498
Loans (repaid to)/drawn from banks, net	28,888,940	(395,229,242)	92,574,608	(1,266,512,106)
Lease repayments	(9,050,063)	(2,236,788)	(29,000,927)	(7,167,787)
Interest and bank charges paid, net	(57,879,535)	(59,165,825)	(185,474,970)	(189,596,887)
Net cash from financing activities	**96,039,644**	**405,741,546**	**307,759,039**	**1,300,198,784**
Increase / (Decrease) in cash and cash equivalents	**7,611,755**	**(21,400,096)**	**24,391,869**	**(68,576,609)**
Cash and cash equivalents at the beginning of period	**45,565,498**	**66,965,594**	**146,014,638**	**214,591,247**
Cash and cash equivalents at the end of the period	**53,177,253**	**45,565,498**	**170,406,507**	**146,014,638**

Non-cash Transactions:

The most significant non-cash transaction during the year is related to the conversion of the hybrid instruments liabilities into the share capital of the Company. For details please refer to notes 10 and 11.

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

ROMPETROL RAFINARE S.A.
Consolidated Statements of Changes in Equity
for the year ended December 31, 2010
(All amounts in US dollars and RON as presentation currency)

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	Minority interest	Total equity
December 31, 2008	**735,554,456**	**-**	**(746,550,544)**	**153,630,525**	**-**	**175,929,529**	**318,563,966**	**16,373,178**	**334,937,144**
Net loss for 2009	-	-	(174,281,605)	-	-	-	**(174,281,605)**	560,606	**(173,720,999)**
Dividends paid to Non-controlling interests	-	-	-	-	-	-	-	-	-
Revaluation decrease	-	-	-	-	-	-	-		-
Changes in Group structure	-	-	-	-	-	-	-	88,063	**88,063**
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)**
Retirement benefit	-	-	(1,327,754)	-	-	-	**(1,327,754)**		**(1,327,754)**
Sale of Treasury shares	-	-	(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)**

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

ROMPETROL RAFINARE S.A.
Consolidated Statements of Changes in Equity
for the year ended December 31, 2010
(All amounts in US dollars and RON as presentation currency)

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	Minority interest	Total equity
December 31, 2008	**2,357,084,254**	**-**	**(2,392,321,218)**	**492,309,018**		**563,766,176**	**1,020,838,230**	**52,467,850**	**1,073,306,080**
Net loss for 2009	-	-	(558,485,403)	-	-	-	**(558,485,403)**	1,796,461	**(556,688,942)**
Dividends paid to Non-controlling interests	-	-	-	-	-	-	**-**	-	**-**
Revaluation decrease	-	-	-	-	-	-	**-**	-	**-**
Changes in Group structure	-	-	-	-	-	-	**-**	282,198	**282,198**
December 31, 2009	**2,357,084,254**	**-**	**(2,950,806,621)**	**492,309,018**	**-**	**563,766,176**	**462,352,827**	**54,546,509**	**516,899,336**
Net loss for 2010	-	-	(627,277,581)	-	-	-	**(627,277,581)**	(11,072,618)	**(638,350,199)**
Share capital increase (Note 10)	321,162,928	-	-	-	-	-	**321,162,928**	-	**321,162,928**
Hybrid conversion into share capital and share premium (Note 10)	2,010,974,246	237,294,885	-	-	(1,912,550,256)	(563,766,176)	**(228,047,301)**	-	**(228,047,301)**
Retirement benefit	-	-	(4,254,788)	-	-	-	**(4,254,788)**		**(4,254,788)**
Sale of Treasury shares	-	-	(22,449,933)	-	-	-	**(22,449,933)**	-	**(22,449,933)**
December 31, 2010	**4,689,221,428**	**237,294,885**	**(3,604,788,923)**	**492,309,018**	**(1,912,550,256)**	**-**	**(98,513,848)**	**43,473,891**	**(55,039,957)**

The consolidated financial statements on pages 3 to 70 were approved by the Board of Administrators and submitted for approval by the General Assembly of shareholders on April 29, 2011 by:

YERZHAN ORYNBASSAROV
PRESIDENT of the BOARD of DIRECTORS

ARMAN KAIRDENOV
CHIEF EXECUTIVE OFFICER

GABRIEL MANOLE
CHIEF FINANCIAL OFFICER

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.

1. GENERAL

Rompetrol Rafinare S.A. (hereinafter referred to as "the Parent Company" or "The Group") is a company incorporated under Romanian law. The Parent Company operates Petromidia – 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, downstream, transportation and have all the production facilities located in Romania (see also Note 24). The number of employees of the Group at the end of 2010 and 2009 was 4,949 and 5,474 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, 2010, as endorsed by the EU.

The consolidated financial statements are prepared under the historical cost convention. An exception is for Rompetrol Rafinare S.A and Rompetrol Petrochemicals, where property, plant and equipment are stated at revalued amounts being the fair value as at 31 December 2003 and 31 December 31, 2005, 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, 2010 and 2009 the Group reported net assets/(net liabilities), including non-controlling interest, of USD (17) million and USD 161 million respectively. For the years ended December 31, 2010 and 2009 the Group reported losses of USD 196 million and USD 174 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 95% of diesel production and 35% 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 1.5/tones incurred in 2010); completed launch of new petrochemical products and improved petrochemical operations efficiency; and increased market share in Romania.

In 2009 and 2010 results were significantly affected by the most volatile crude oil and consequently petroleum products market in the last 30 years – with crude oil lowest quotation on February 2009 at 39.67 USD/bbl and highest quotation of USD 94/bbl on December 29, 2010.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

In 2010 the Group achieved significant performances:

- Successful finalization of 6 weeks planned general overhaul (the next overhaul is scheduled for 2014), with a 3 days saving than planned;
- increased production of gasoline and diesel with bio-components for domestic market, according to EU requirements;
- continue the Capex investments as part of increasing the processing capacity as of 5 million tones/year;
- higher utilization rate of own loading facilities in Midia Harbour;
- Alignment to European Standards regarding EURO 5 fuels.

In 2010 Rompetrol Petrochemicals successfully completed the automation of plants and the integration of operations into the Command and Control Centre of the Petromidia platform (CCR). The integration of the automated control of petrochemical plants into the Command Centre supports the company's objective to become one of the main polymer suppliers and producers in the region and also represents a natural continuation of the investments amounting to over USD 107 million made since 2002 and until present in order to increase the specific activities, the production capacities, the quality and the range of products provided. The new centre allows full tracking of operations – the control and protection of technological flows, the collection and online transmission of process data and, implicitly, the reduction of production costs, which is a first for Romania, as well as for the South-Eastern part of Europe.

In December 2008 the company completed the construction of a new off-shore oil terminal in the Black Sea, some 11 km away from Petromidia Refinery Crude Oil Tank Farm and in January 2009 was opened for business. At the opening moment, the terminal allowed achieving oil supply cost reductions of approx. USD 4-5/tone, by eliminating the third party handling/storage/transfer costs and commercial/technological losses, and offered the necessary framework for developing the Rompetrol Group trading activities in the region. During 2010, the operating costs decreased by an additional USD 1.5/tone.

Despite prolonged negative effect of the financial crisis and the planned general overhaul carried on at Petromidia Refinery for 6 weeks during September and October 2010, the Group was able to increase the volumes of petroleum products sold by Retail Business Unit within Romanian market by 2 % as compared to 2009. This increase was encountered against the market negative expectations for an estimated decrease between 4-6%.

As of 31 December 2010 the Group's current liabilities exceed its current assets by USD 1,121 million in comparison with 2009 when its current liabilities exceeded current assets by USD 889 million

The management of the Group has prepared a detailed five year business plan (up to December 2015), indicating that the business will start generating after tax profits and positive cash flows in the near future (after the Group begins to operate at full capacity following completion of all current projects). Management believes that the budgeted profits and cash flows are achievable, after considering that upon completion of all projects, the Company will have the most modern and efficient refining and petrochemical operations in Romania and will have enhanced integration of refining, production, retail and trading operations in all its major markets.

For 2011 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.

For 2011 onward management consider that should the need arise for additional funding to what is available from third party sources, KMG Group will support such funding needs.

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.

c) Changes in accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except as noted below.

- **IFRIC 17 Distributions of Non-cash Assets to Owners**
- **IAS 39 Financial Instruments: Recognition and Measurement (Amended) – eligible hedged items**
- **IFRS 2 Group Cash-settled Share-based Payment Transactions (Amended)**
- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**
- **Improvements to IFRSs (May 2008)** All amendments issued are effective as at 31 December 2009, apart from the following: IFRS 5 Non-current Assets Held for Sale and Discontinued Operations: clarifies when a subsidiary is classified as held for sale, all its assets and liabilities are classified as held for sale, even when the entity remains a non-controlling interest after the sale transaction. The amendment is applied prospectively.
- **Improvements to IFRSs (April 2009)**

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:

- **IFRS 3 Business Combinations (Revised) and IAS 27 Consolidated and Separate Financial Statements (Amended)**
  The revised IFRS 3 introduces a number of changes in the accounting for business combinations which will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs, and future reported results. Such changes include the expensing of acquisition-related costs and recognizing subsequent changes in fair value of contingent consideration in the profit or loss (rather than by adjusting goodwill). The amended IAS 27 requires that a change in ownership interest of a subsidiary is accounted for as an equity transaction. Therefore such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The Group has adopted this standard, prior to this change the Group applied parent entity extension method for minority interest acquisition and consequently difference between the consideration paid and net assets acquired was accounted for as goodwill. Whereas, starting 1 January 2010 such transactions are considered as between the equity holders and no good will is accounted for.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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:

Monetary assets and liabilities

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

Non-monetary assets and liabilities

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

Consolidated statements of income

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

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

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

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

Amounts in RON were included only for information purposes, obtained by multiplying the values in USD with the closing exchange rate of 3.2045 RON for 1 USD for year 2010 and 2009.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 assets

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

- Provision for environmental liability

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

Further details on provision for environmental liability are provided in Note 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 assets are provided in Notes 14 and 23.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Retirement benefits costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state - managed retirement benefit schemes are dealt with as defined contribution plans where the Group's obligations under the scheme are equivalent to those arising in a defined contribution retirement benefit plan.

According to 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 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

- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
  The interpretation is effective for annual periods beginning on or after 1 July 2010. This interpretation addresses the accounting treatment when there is a renegotiation between the entity and the creditor regarding the terms of a financial liability and the creditor agrees to accept the entity's equity instruments to settle the financial liability fully or partially. IFRIC 19 clarifies such equity instruments are "consideration paid" in accordance with paragraph 41 of IAS 39. As a result, the financial liability is derecognized and the equity instruments issued are treated as consideration paid to extinguish that financial liability. 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 transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRIC 14 Prepayments of a Minimum Funding Requirement (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2011. The purpose of this amendment was to permit entities to recognize as an asset some voluntary prepayments for minimum funding contributions. This Earlier application permitted and must be applied retrospectively. 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 transaction.
- **IFRS 9 Financial Instruments – Phase 1 financial assets, classification and measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. Phase 1 of this new IFRS introduces new requirements for classifying and measuring financial assets. 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.

- **IAS 32 Classification on Rights Issues (Amended)**
  The amendment is effective for annual periods beginning on or after 1 February 2010. This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is to be applied retrospectively The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

- **IAS 24 Related Party Disclosures (Revised)**
  The revision is effective for annual periods beginning on or after 1 January 2011.This revision relates to the judgment which is required so as to assess whether a government and entities known to the reporting entity to be under the control of that government are considered a single customer. In assessing this, the reporting entity shall consider the extent of economic integration between those entities. Early application is permitted and adoption shall be applied retrospectively. One of the Group's subsidiaries has significant shareholding from i.e. 44% from Ministry of Finance and therefore, the Group is in the process of assessing the impact of this change on the Group financial statements.

- **In May 2010 the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The effective dates of the improvements are various and the earliest is for the financial year beginning 1 July 2010. Early application is permitted in all cases.**

  - **IFRS 1 First-time adoption**, effective for annual periods beginning on or after 1 January 2011.
    This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopter; to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities. The Group is not a first time adopter, therefore, this change does not have an impact on the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 3 Business Combinations,** effective for annual periods beginning on or after 1 July 2010
  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).
  Moreover, this improvement limits the scope of the measurement choices (fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets) only to the components of non-controlling interest that are present ownership interests that entitle their holders to a proportionate share of the entity's net assets.
  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. The Group does not have such transactions.

- **IFRS 7 Financial Instruments: Disclosures,** effective for annual periods beginning on or after 1 January 2011
  This improvement gives clarifications of disclosures required by IFRS 7 and emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

- **IAS 1 Presentation of Financial Statements,** effective for annual periods beginning on or after 1 January 2011
  This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements.

- **IAS 27 Consolidated and Separate Financial Statements,** effective for annual periods beginning on or after 1 July 2010
  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.

- **IAS 34 Interim Financial Reporting,** effective for annual periods beginning on or after 1 January 2011
  This improvement provides guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements.

- **IFRIC 13 Customer Loyalty Programmes,** effective for annual periods beginning on or after 1 January 2011
  This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- **IFRS 7 Financial Instruments: Disclosures as part of its comprehensive review of off balance sheet activities (Amended)**
  The amendment is effective for annual periods beginning on or after 1 July 2011. The purpose of this amendment is to allow users of financial statements to improve their understanding of transfer transactions of financial assets (e.g. securitisations), including understanding the possible effects of any risks that may remain with the entity which transferred the assets. The amendment also requires additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendments broadly align the relevant disclosure requirements of IFRSs and US GAAP. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group, however additional disclosures may be required.

- **IAS 12 Deferred tax: Recovery of Underlying Assets (Amended)**
  The amendment is effective for annual periods beginning on or after 1 January 2012. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes — Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) 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 and b) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis. This amendment has not yet been endorsed by the EU. The Group does not expect that this amendment will have an impact on the financial position or performance of the Group.

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 2010.

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.
The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Businesses acquired or disposed during the year are included in the consolidated financial statements from the date of acquisition or to date of disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

h) Business combinations and goodwill

Basis of combination from 1 January 2010

Acquisitions of businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets acquired, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination.

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 instruments. Financial liabilities include finance lease obligations, interest-bearing bank loans and overdrafts 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Buildings and other constructions	10 to 60 years
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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Goodwill

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

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

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. During the year the total expenses on account of these contributions amounted to USD 22 million out of which a sum of USD 22 million has been paid during the year.

According to 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 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.

w) Taxes

- *Current income tax*

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

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

- *Deferred tax*

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- 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.

- *Sales tax*

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable
- Receivables and payables that are stated with the amount of sales tax included.

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

x) Dividends

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

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.

(All amounts in US dollars and RON as presentation currency)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The RON currency is used only as presentation currency, in accordance with International Financial Reporting Standards. All information in RON was obtained by multiplying the values in USD with the USD/RON exchange rate =3.2045 as at December 31, 2010.

aa) 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 and licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2009	**12,703,873**	**18,372,348**	**15,595,947**	**46,672,168**
Additions	1,135,397	2,346,139	16,747,251	20,228,787
Disposals	(35,116)	-	-	(35,116)
Transfers*	12,014,677	8,686,274	(20,700,951)	-
Closing balance as of December 31, 2009	**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**
Accumulated amortization				
Opening balance as of January 1, 2009	**(8,265,651)**	**(4,672,231)**	-	(12,937,882)
Charge for the year	(4,692,226)	(4,277,584)	-	(8,969,810)
Accumulated amortization of disposals	-	-	-	-
Closing balance as of December 31, 2009	**(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)**
Net book value				
As of December 31, 2009	12,860,954	20,454,946	11,642,247	44,958,147
As of December 31, 2010	10,056,307	16,491,176	2,696,973	29,244,456

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

(All amounts in US dollars and RON as presentation currency)

3. INTANGIBLE ASSETS (continued)

Amounts in RON

	Software and licenses	Other	Intangibles in progress	Total
Cost				
Opening balance as of January 1, 2009	**40,709,561**	**58,874,189**	**49,977,212**	**149,560,962**
Additions	3,638,380	7,518,200	53,666,568	64,823,148
Disposals	(112,529)	-	-	(112,529)
Transfers*	38,501,032	27,835,165	(66,336,197)	-
Closing balance as of December 31, 2009	**82,736,444**	**94,227,554**	**37,307,583**	**214,271,581**
Additions	49,910	533,703	-	583,613
Disposals	(2,247,079)	-	(188,806)	(2,435,885)
Transfers	11,473,100	10,022,295	(28,476,325)	(6,980,930)
Closing balance as of December 31, 2010	**92,012,375**	**104,783,552**	**8,642,452**	**205,438,379**
Accumulated amortization				
Opening balance as of January 1, 2009	**(26,487,279)**	**(14,972,164)**	**-**	**(41,459,443)**
Charge for the year	(15,036,238)	(13,707,518)	-	(28,743,756)
Accumulated amortization of disposals	-	-	-	-
Closing balance as of December 31, 2009	**(41,523,517)**	**(28,679,682)**	**-**	**(70,203,199)**
Charge for the year	(18,975,809)	(23,257,899)	-	(42,233,708)
Accumulated amortization of disposals	712,386	-	-	712,386
Closing balance as of December 31, 2010	**(59,786,940)**	**(51,937,581)**	**-**	**(111,724,521)**
Net book value				
As of December 31, 2009	**41,212,927**	**65,547,872**	**37,307,583**	**144,068,382**
As of December 31, 2010	**32,225,435**	**52,845,971**	**8,642,452**	**93,713,858**

Included in the total additions of USD 20.2 million during 2009 (RON 64.8 million), are the licenses and software of Rompetrol Downstream S.R.L, amounting to USD 17 million (RON 54.48 million), which relate mostly to two major projects that aim for a complete customer view, a better control for Sales Management and a better monitoring, and security of the processing gas stations.

Transfers of USD 2.1 million (RON 6.9 million) represent transfers from construction in progress, transfer to property, plant and equipment, reclassifications between categories and other adjustments

(All amounts in US dollars and RON as presentation currency)

4. GOODWILL

As of December 31, 2003, the Group received as contribution in kind to Rompetrol Rafinare 100% of Romoil. Computation of goodwill arising from business combination is presented below. Valuation of the contribution has been made by a professional valuation company.

As of December 31, 2004, the Group received as contribution in kind 100% of Rompetrol Downstream. Computation of goodwill arising from business combination is presented below. Valuation of the acquisition has been made by a professional valuation company.

	Goodwill value		Goodwill value	
	USD	**USD**	**RON**	**RON**
Rom Oil acquisition at December 31, 2003	-	46,483,142	-	148,955,229
Purchase consideration	**48,333,487**	-	**154,884,659**	-
being				
Contribution in kind to Share Capital from Rompetrol SA and Rompetrol Downstream SA	48,333,487	-	154,884,659	-
100% interest in Fair Value of Net Assets	**1,850,345**	-	**5,929,431**	-
out of which				
Non-current assets	22,163,584	-	71,023,205	-
Current assets, other than Cash and cash equivalents	13,890,164	-	44,511,031	-
Cash and cash equivalents	987,637	-	3,164,883	-
Non-current liabilities	(4,680,257)	-	(14,997,884)	-
Current liabilities	(30,510,783)	-	(97,771,804)	-
Subsequent sale of Rom Oil 3.4% effective interest in June 2004	-	(1,580,427)	-	(5,064,478)
Rompetrol Downstream acquisition at December 31, 2004	-	53,692,479	-	172,057,548
Purchase consideration	**112,644,986**	-	**360,970,858**	-
being				
Debt conversion due to Rompetrol Financial Group	112,644,986	-	360,970,858	-
100% interest in Fair Value of Net Assets	**58,952,507**	-	**188,913,309**	-
out of which				
Non-current assets	123,431,774	-	395,537,120	-
Current assets, other than Cash and cash equivalents	37,682,313	-	120,752,972	-
Cash and cash equivalents	1,642,562	-	5,263,590	-
Non-current liabilities	(18,080,005)	-	(57,937,376)	-
Current liabilities	(85,724,137)	-	(274,702,997)	-
Consolidated goodwill as of December 31, 2004		**98,595,194**		**315,948,299**
Subsequent purchase of Rom Oil 2.39% effective interest		1,760,593		5,641,820
Consolidated goodwill as of December 31, 2009		**100,355,787**		**321,590,11**
Sale of shares owned by Rompetrol Downstream in Rompetrol Rafinare		(17,484,081)		(56,027,737)
Consolidated goodwill as of December 31, 2010		**82,871,706**		**265,562,382**

In 2010, Rompetrol Downstream sold the shares it held in the parent company, Rompetrol Rafinare, this resulting in a decrease of goodwill in amount of USD 17 million.

The impairment test has been performed by the Group for the carrying value of goodwill as of 31 December 2010. Based on the impairment test no impairment has been identified.

(All amounts in US dollars and RON as presentation currency)

4. GOODWILL (continued)

Downstream Romania

Retail

The Retail Romania CGU comprises the retail operations of Rompetrol Downstream SRL. Rompetrol Logistics SRL, whose activity consisted in the last years of integrated logistic services rendered to downstream business was outsourced.

The recoverable amount of Downstream Romania unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 10.5% 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 9%.

Wholesale

The wholesale activity is supported by the storage depots owned by Rom Oil SA. The Wholesale Romania CGU comprises the wholesale operations of Downstream Romania.

The recoverable amount of Downstream Romania unit has been determined based on the fair value less costs to sell using financial budgets approved by senior management covering a five-year period and same assumptions as for Refining unit. The discount rate applied to cash flow projections is 10.5% 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 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 to extrapolate cash flows beyond the budget period.

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

	2011	2012	2013	2014	2015
Downstream Romania					
Retail	1%	2%	2%	2%	2%
Wholesale	-0.4%	0.3%	0.4%	0.4%	0.5%

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:

(All amounts in US dollars and RON as presentation currency)

4. GOODWILL (continued)

Downstream Romania

The break-even point for the current model is achieved under a decrease of Operating profit of 72% for retail and a decrease of 69% for wholesale reaching the following Operating profit margins:

Retail	2011	2012	2013	2014	2015
Operating profit margin	1%	1%	1%	1%	1%

Wholesale	2011	2012	2013	2014	2015
Operating profit margin	-0.3%	0.2%	0.2%	0.2%	0.2%

5. PROPERTY, PLANT AND EQUIPMENT

Amounts in USD

	Land and Buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Gross carrying value					
As of January 1, 2009	**734,411,515**	**503,352,459**	**96,236,347**	**159,665,787**	**1,493,666,108**
Additions	3,513,237	0	2,130,611	162,829,425	168,473,273
Disposals	(240,337)	(588,718)	(1,972,859)	273,641	(2,528,273)
Transfers	52,215,965	68,692,585	29,066,370	(149,974,920)	-
As of December 31, 2009	**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**
Accumulated depreciation					
As of January 1, 2009	**(281,624,206)**	**(287,230,256)**	**(48,818,058)**	**(5,650,370)**	**(623,322,890)**
Charge for the year	(28,726,904)	(44,931,335)	(21,458,755)	-	(95,116,994)
Accumulated depreciation of disposals	182,362	537,119	1,556,023	-	2,275,504
Impairment	(807,546)	(1,880,034)	(224,386)	(654,132)	(3,566,098)
As of December 31, 2009	**(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)	-	(91,537,235)
Accumulated depreciation of disposals	2,039,629	690,866	9,633,558	-	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)**
Net book value as of December 31, 2009	**478,924,086**	**237,951,820**	**56,515,293**	**166,489,431**	**939,880,630**
Net book value as of December 31, 2010	**473,403,282**	**284,585,777**	**40,289,442**	**224,263,069**	**1,022,541,570**

(All amounts in US dollars and RON as presentation currency)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

Amounts in RON

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Gross carrying value					
As of January 1, 2009	**2,353,421,700**	**1,612,992,955**	**308,389,374**	**511,649,014**	**4,786,453,043**
Additions	11,258,168	-	6,827,543	521,786,891	539,872,602
Disposals	(770,160)	(1,886,547)	(6,322,027)	876,883	(8,101,851)
Transfers	167,326,060	220,125,389	93,143,183	(480,594,631)	-
As of December 31, 2009	**2,531,235,768**	**1,831,231,797**	**402,038,073**	**553,718,157**	**5,318,223,795**
Additions	1,658,572	2,582,494	3,124,707	605,718,024	613,083,797
Disposals	(19,328,474)	(3,535,865)	(55,927,055)	(587,366)	(79,378,760)
Transfers*	79,635,129	301,394,755	38,260,910	(411,192,788)	8,098,006
As of December 31, 2010	**2,593,200,995**	**2,131,673,181**	**387,496,635**	**747,656,027**	**5,860,026,838**
Accumulated depreciation					
As of January 1, 2009	**(902,464,768)**	**(920,429,355)**	**(156,437,467)**	**(18,106,611)**	**(1,997,438,201)**
Charge for the year	(92,055,364)	(143,982,463)	(68,764,580)	-	(304,802,407)
Accumulated depreciation of disposals	584,379	1,721,198	4,986,276	-	7,291,853
Impairment	(2,587,781)	(6,024,569)	(719,045)	(2,096,166)	(11,427,561)
As of December 31, 2009	**(996,523,534)**	**(1,068,715,189)**	**(220,934,816)**	**(20,202,777)**	**(2,306,376,316)**
Charge for the year	(85,255,777)	(139,000,504)	(69,074,789)	-	(293,331,070)
Accumulated depreciation of disposals	6,535,991	2,213,880	30,870,737	-	39,620,608
Impairment	(936,858)	(14,216,245)	749,750	(8,802,246)	(23,205,599)
As of December 31, 2010	**(1,076,180,178)**	**(1,219,718,058)**	**(258,389,118)**	**(29,005,023)**	**(2,583,292,377)**
Net book value as of December 31, 2009	**1,534,712,234**	**762,516,608**	**181,103,257**	**533,515,380**	**3,011,847,479**
Net book value as of December 31, 2010	**1,517,020,817**	**911,955,123**	**129,107,517**	**718,651,004**	**3,276,734,461**

Transfers of USD 2.5 million (RON 8.1 million) represent transfers from construction in progress, 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 depreciated replacement cost.

(All amounts in US dollars and RON as presentation currency)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

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

	Land and buildings	Plant and equipment	Vehicles and others	Construction in progress	Total
Rompetrol Rafinare S.A.	171,724,529	164,442,922	6,704,661	173,947,740	**516,819,852**
Rompetrol Petrochemicals S.R.L.	60,431,871	61,716,048	2,902,779	17,582,602	**142,633,300**
Net book value at 31 December 2010	**232,156,400**	**226,158,970**	**9,607,440**	**191,530,342**	**659,453,152**
Rompetrol Rafinare S.A.	160,047,768	111,798,432	6,964,161	104,823,913	**383,634,274**
Rompetrol Petrochemicals S.R.L.	63,765,813	58,056,885	3,511,852	19,318,329	**144,652,879**
Net book value at 31 December 2009	**223,813,581**	**169,855,317**	**10,476,013**	**124,142,242**	**528,287,153**

- 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 621.44 million instead of current reported net book value of USD 659.45 million (2009: USD 549.71 million instead of USD 528.28 million).*Construction in progress*

The Group has significant assets under construction. A major part of these assets are expected to be completed by the end of 2011 and beginning of 2012.

- *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. These mainly consist of costs incurred in relation to Petromidia Refinery Expansion Package and include the hydrocracking plant and the new hydrogen factory. In 2010, the coke briquetting plant was also started up. Also, there were significant revamping works undertaken.

The amount of capitalized cost during the year ended 31 December 2010 was USD 4.2 million (2009: USD 6.9 million).

Disposals through sales of subsidiaries

During 2010 and 2009 there were no disposals of subsidiaries.

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 cracking production line is used by Rompetrol Petrochemical S.R.L. for PP production. Related to the assets currently not in use is an impairment provision of USD 36.0 million (2009: 30.3 million) included in the balance of "Accumulated depreciation and impairment" as at December 31, 2010 and as at December 31, 2009 respectively. The Group has been considering for the past periods if it will undertake the significant investment required to put the steam cracker production line into use. The decision has been delayed with the change in ownership of the Group since 2007 and with full ownership transferring to the new owners in 2009 and the finalization of the medium to long term strategy for the Group. The matter has been discussed by the representatives of the ultimate parent for approval of further expenditure.

As of December 31, 2010, the Board of Directors of The Rompetrol Group has decided to continue to analyze the opportunity of restarting the steam cracker and hence no further impairment to the carrying values of assets related to the steam cracker, to that currently provided for specific items (as mentioned above), is considered to be required.

Following is an analysis of the net book value of steam cracker production line as of December 31, 2010:

Description	2010 USD '000	2009 USD '000
Value of plant and equipment not used	55,294	55,294
Impairment provision	(36,064)	(30,291)
	19,230	**25,003**
Construction in progress	13,937	13,937
Total carrying value for steam cracker production line (not in use)	**33,167**	**38,940**

- *Impairment*

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

In addition to impairment test performed on Rompetrol Downstream S.R.L. (Retail & Wholesale) for which details are available in note 4 above, the Group also tested Rompetrol Rafinare S,A, and Rompetrol Petrochemicals S.R.L. for impairment. Based on 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 Petromidia Refinery, Vega Refinery and Rominserv SA. 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 10.5% 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 9%.

Petrochemicals

Petrochemicals CGU includes Rompetrol Petrochemicals involved in the production and distribution of olefins in Romania.

(All amounts in US dollars and RON as presentation currency)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

The recoverable amount of Rompetrol 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 10.5% 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 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 to extrapolate cash flows beyond the budget period.

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

	2011	2012	2013	2014	2015
Rompetrol Refinery	0%	3%	5%	5%	6%
Petrochemicals	2%	5%	6%	6%	6%
Downstream Romania					
Retail	1%	2%	2%	2%	2%
Wholesale	-0.4%	0.3%	0.4%	0.4%	0.5%

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 Refinery

The break-even point for the current model is achieved under a decrease of 72% of Operating profit, reaching the following Operating profit margins:

	2011	2012	2013	2014	2015
Operating profit margin	-0.1%	1%	1%	2%	2%

Rompetrol Petrochemicals

The break-even point for the current model is achieved under a decrease of 39% of Operating profit, reaching the following Operating profit margins:

	2011	2012	2013	2014	2015
Operating profit margin	2%	3%	4%	3%	3%

In 2010, the provision for impairment increased by USD 7.2 million, of which USD 5.8 million in Rompetrol Petrochemicals for the steamcracker line, reversal of impairment amounting to USD 0.7 million in Petrochemicals and additional USD 2.1 million impairment related to Construction in Progress in Rompetrol Downstream S.R.L.

(All amounts in US dollars and RON as presentation currency)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

In 2009, the provision for impairment increased by USD 3.5 million, as follows: USD 2.5 million at Rompetrol Petrochemicals for damage from a fire during the year and impairment on assets held in Rompetrol Downstream, Rompetrol Logistics and Vega.

- *Held under finance leases*

The carrying amount of the Group's vehicles includes an amount of approximately USD 12.3 million (RON 39.4 million) as at December 31, 2010 and USD 19.9 million (RON 63.77 million) as at December 31, 2009, in respect of assets held under finance leases.

- *Pledged property, plant and equipment*

The Group has pledged property, plant and equipment of approximately USD 156.5 million (RON 501.5 million) as at December 31, 2010 and USD 104.1 million (RON 333.59 million) as at December 31, 2009, to secure banking facilities granted to the Group.

6. INVESTMENTS

a) Investments in Consolidated Subsidiaries

Details of the Group consolidated subsidiaries at December 31, 2010 and 2009 are as follows:

Company name	Range of activity	Effective ownership December 31, 2010	Control December 31, 2010	Effective ownership December 31, 2009	Control December 31, 2009
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

	2010	2009	2010	2009
	USD	USD	RON	RON
Bursa Maritima de Marfuri	257,312	257,312	824,557	824,556
IM Moldintergaz SRL	-	653,569	-	2,094,360
Other	28,009	34,687	89,755	111,154
Total	**285,321**	**945,568**	**914,312**	**3,030,070**

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

(All amounts in US dollars and RON as presentation currency)

7. INVENTORIES, NET

	2010 USD	2009 USD	2010 RON	2009 RON
Crude oil and other feedstock materials	186,101,361	140,324,169	596,361,811	449,668,801
Petroleum and petrochemical products	110,850,390	98,188,398	355,220,075	314,644,721
Work in progress	55,401,473	44,218,286	177,534,020	141,697,497
Spare parts	6,124,974	7,507,311	19,627,479	24,057,178
Consumables and other raw materials	11,804,832	9,736,871	37,828,584	31,201,803
Merchandises	8,097,470	13,029,925	25,948,343	41,754,395
Other inventories	2,716,069	4,344,535	8,703,643	13,922,062
Inventories provision	(23,727,650)	(27,024,465)	(76,035,254)	(86,599,898)
	357,368,919	290,325,030	1,145,188,701	930,346,559

Finished goods mainly comprise petroleum and petrochemical products. Movement in above provision is disclosed below and in Note 21. No inventories are pledged to obtain credit facilities.

The inventories provision movement in 2010 and 2009 is provided below:

	2010 USD	2009 USD	2010 RON	2009 RON
Reserve as of January 1	**(27,024,465)**	**(47,053,848)**	**(86,599,898)**	**(150,784,056)**
Accrued provision	(12,338,751)	(8,410,332)	(39,539,528)	(26,950,909)
Reversal provision inventories reserve	15,635,566	28,439,715	50,104,172	91,135,067
Reserve as of December 31	**(23,727,650)**	**(27,024,465)**	**(76,035,254)**	**(86,599,898)**

The inventories provisions mainly represent provisions for Net Realizable Value. The provision has decreased at the end of December 31, 2010 compared with 2009, due to the oil and gas market conditions as the selling prices have evolved favourably.

8. RECEIVABLES AND PREPAYMENTS, NET

	2010 USD	2009 USD	2010 RON	2009 RON
Trade receivables	283,743,510	268,542,015	909,256,078	860,542,886
Advances to suppliers	32,506,915	68,863,818	104,168,409	220,674,105
Sundry debtors	19,301,659	10,622,346	61,852,166	34,039,308
VAT to be recovered	2,963,596	3,439,714	9,496,843	11,022,564
Other receivables	39,694,182	17,486,543	127,200,007	56,035,627
Provision for bad and doubtful debts	(53,717,067)	(54,769,055)	(172,136,341)	(175,507,437)
	324,492,795	314,185,381	1,039,837,162	1,006,807,053

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 78.1 million (RON 250.3 million) as at December 31, 2010 and USD 107.4 million (RON 344.16 million) as at December 31, 2009 are pledged to obtain credit facilities (see Notes 12 and 16).

(All amounts in US dollars and RON as presentation currency)

8. RECEIVABLES AND PREPAYMENTS, NET (continued)

Other receivables comprises USD 5.6 million, representing an amount paid by the Company in response to a fiscal control undertaken by the Fiscal Authorities for excise duties for the period 1 January 2007 to 31 December 2008. Based on the findings of the control, the fiscal authorities imposed additional excise and penalties. The Company contested the findings with ANAF, however, this contestation was rejected. On rejection of the contestation, the Company paid the amounts and filed an appeal with the court of law. Based on the facts of the case, evidence available as well as keeping in view the underlying law, the management believes that the case will be decided in favor of the Company and has therefore, recognized the amount paid as receivable.

The movement in provision for doubtful debts is as follows:

	2010	2009	2010	2009
	USD	USD	RON	RON
Balance at the beginning of the year	**(54,769,055)**	**(42,134,389)**	**(175,507,437)**	**(135,019,650)**
Impairment losses recognized on receivables	(8,690,195)	(12,878,063)	(27,847,730)	(41,267,753)
Impairment losses reversed	5,721,876	149,368	18,335,752	478,650
Exchange rate differences	4,020,307	94,029	12,883,074	301,316
Balance at the end of the year	**(53,717,067)**	**(54,769,055)**	**(172,136,341)**	**(175,507,437)**

The major amounts included in the impairment losses recognized relate to specific items and collective impairment made in relation to retail and wholesale sales of petroleum products.

USD			Past due but not impaired				
	Total	Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	121 -180 days
2010	231,854,424	51,795,514	113,095,609	13,253,754	19,115,421	5,843,298	28,750,828
2009	215,600,940	53,089,610	128,152,809	13,441,831	9,114,977	5,738,069	6,063,644

RON			Past due but not impaired				
	Total	Neither past due not impaired	1-30 days	30-60 days	60-90 days	90-120 days	121 -180 days
2010	742,977,502	165,978,725	362,414,879	42,471,655	61,255,367	18,724,848	92,132,028
2009	690,893,211	170,125,655	410,665,676	43,074,347	29,208,944	18,387,642	19,430,947

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

As at 31 December 2010, trade receivables at initial value of USD 51.89 million. (2009: USD 52.94 million) were impaired and fully provided for. See below for the movements in the provision for impairment of receivables.

	Individually impaired	Collectively impaired	Total
	USD	USD	USD
At 1 January 2009	2,906,757	37,658,033	40,564,790
Charge for the year	1,293,932	11,326,495	12,620,427
Utilized	(149,368)		(149,368)
Exchange rate differences	9,742	(104,516)	(94,774)
At 31 December 2009	**4,061,063**	**48,880,012**	**52,941,075**
Charge for the year	30,001	8,660,194	8,690,195
Utilized	-	(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**

(All amounts in US dollars and RON as presentation currency)

8. RECEIVABLES AND PREPAYMENTS, NET (continued)

	Individually impaired	Collectively impaired	Total
	RON	RON	RON
At 1 January 2009	9,314,703	120,675,167	129,989,870
Charge for the year	4,146,405	36,295,753	40,442,158
Utilized	(478,650)	-	(478,650)
Exchange rate differences	31,220	(334,923)	(303,703)
At 31 December 2009	**13,013,678**	**156,635,997**	**169,649,675**
Charge for the year	96,138	27,751,591	27,847,729
Utilized	-	(15,742,792)	(15,742,792)
Unused amounts reversed	(85,579)	(2,507,383)	(2,592,962)
Exchange rate differences	(347,877)	(12,535,197)	(12,883,074)
At 31 December 2010	**12,676,360**	**153,602,216**	**166,278,576**

9. CASH AND CASH EQUIVALENTS

	2010	2009	2010	2009
	USD	USD	RON	RON
Cash at bank	48,984,164	42,714,205	156,969,753	136,877,670
Cash on hand	1,617,873	1,888,462	5,184,474	6,051,576
Cash equivalents	2,575,216	962,831	8,252,280	3,085,392
	53,177,253	**45,565,498**	**170,406,507**	**146,014,638**

Included in cash at bank is an amount of approximately USD 8.2 million (RON 26.3 million) as at December 31, 2010 and USD 2.3 million (RON 7.37 million) as at December 31, 2009 representing cash collateral for certain bank facilities (see Notes 12 and 16). Cash equivalents represent mainly cheques in the course of being cashed.

At 31 December 2009 and 2010, the Group did not have any amounts available of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

10. SHARE CAPITAL

As of December 31, 2010 and 2009 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, 2010 is as follows:

Shareholders	Ownership	Amount per statutory documents	Amount under IFRS	Amount under IFRS
		RON	USD	RON
The Rompetrol Group NV	79.09%	1,929,404,013	661,041,050	2,118,306,045
Rompetrol Financial Group S.R.L.	11.70%	285,408,308	97,785,901	313,354,920
Rompetrol S.A.	7.91%	192,846,630	66,068,167	211,715,441
Rompetrol Well Services S.A.	0.09%	2,198,030	752,199	2,410,422
Others	1.21%	29,562,686	10,129,616	32,460,354
Total recorded with Trade Registry	100%	2,439,419,667	835,776,933	2,678,247,182
Unrecorded with Trade Registry		1,971,500,905	627,546,964	2,010,974,246
Total		**4,410,920,572**	**1,463,323,897**	**4,689,221,428**

(All amounts in US dollars and RON as presentation currency)

10. SHARE CAPITAL (continued)

Shareholders' structure as at December 31, 2009 was as follows:

Shareholders	Ownership	Amount per statutory documents	Amount under IFRS	Amount under IFRS
		RON	USD	RON
The Rompetrol Group NV	50.59%	1,067,463,648	372,116,999	1,192,448,923
Rompetrol Financial Group S.R.L.	13.53%	285,408,308	99,520,518	318,913,500
Rompetrol S.A.	9.14%	192,846,630	67,229,677	215,437,500
Rompetrol Downstream S.R.L	2.62%	55,180,217	19,271,527	61,755,608
Rompetrol Well Services S.A.	0.10%	2,198,030	735,554	2,357,083
Others	24.02%	506,830,767	176,680,181	566,171,640
Total	100%	2,109,927,600	735,554,456	2,357,084,254

Movement in share capital:

Description	Number of shares	Amount (USD)
Contribution in cash by The Rompetrol Group N.V. following the decision of Extraordinary General Meeting held on 30 June 2010	3,294,914,165	100,222,279
Contribution in cash by minority shareholders following the decision of Extraordinary General Meeting held on 30 June 2010	6,506	198
Conversion of Hybrid instruments into to share capital	19,715,009,053	627,546,964
Total	23,009,929,724	727,769,441

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 45% shares in the Company. However, given the fact that the Ministry of Finance has challenged the decision of converting the bonds into share capital, the increase in share capital has not been registered as of year end with the Trade Registry. Had this conversion been registered at the Trade Registry the shareholding pattern would have been:

Shareholders	2009	2010
The Rompetrol Group NV	50.59%	43.74%
The Ministry of Finance	0.00%	44.70%
Rompetrol Financial Group S.R.L.	13.53%	6.47%
Rompetrol S.A.	9.14%	4.37%
Rompetrol Downstream SRL	2.62%	
Rompetrol Well Services S.A.	0.10%	0.05%
Others (not State)	24.02%	0.67%
Total	100.00%	100.00%

Other Reserves

As of December 31, 2009, other reserves comprise the equity component of the Hybrid instruments in amount of USD 175, 929, 529.

(All amounts in US dollars and RON as presentation currency)

10. SHARE CAPITAL (continued)

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.

11. HYBRID INSTRUMENTS

	USD	EUR	RON
Nominal value of Hybrid Instruments Issues	**719,408,676**	**570,302,441**	**2,305,345,102**
Less:			
Equity component	175,929,538	139,465,994	563,766,205
Fair value of extinguishment of debt	415,525,081	329,402,441	1,331,550,122
Liability component at the date of issue	**127,954,057**	**101,434,006**	**410,028,775**
Interest accrued 2003	3,598,703	2,852,831	11,532,044
Balance brought forward 2004	**131,552,760**	**104,286,837**	**421,560,819**
Coupon payment 2004	(27,436,013)	(22,258,904)	(87,918,704)
Interest accrued 2004	14,553,928	11,710,162	46,638,062
Exchange rate effect 2004	9,238,434	-	29,604,562
Balance brought forward 2005	**127,909,109**	**93,738,095**	**409,884,739**
Coupon payment 2005	(26,636,411)	(21,717,117)	(85,356,379)
Interest accrued 2005	12,423,987	9,960,696	39,812,666
Exchange rate effect 2005	(16,695,968)	-	(53,502,229)
Balance carried forward 2005	**97,000,717**	**81,981,674**	**310,838,797**
Coupon payment 2006	(38,056,462)	(30,037,829)	(121,951,932)
Interest accrued 2006	24,716,896	19,490,493	79,205,293
Exchange rate effect 2006	10,425,015	-	33,406,961
Balance carried forward 2006	**94,086,166**	**71,434,338**	**301,499,119**
Coupon payment 2007	(50,990,386)	(35,963,272)	(163,398,692)
Interest accrued 2007	33,608,613	24,421,239	107,698,800
Exchange rate effect 2007	11,320,038	-	36,275,062
Balance carried forward 2007	**88,024,431**	**59,892,305**	**282,074,289**
Coupon payment 2008	(59,622,872)	(40,189,213)	(191,061,493)
Interest accrued 2008	34,174,516	22,275,103	109,512,237
Exchange rate effect 2008	(3,550,012)	-	(11,376,013)
Balance carried forward 2008	**59,026,063**	**41,978,195**	**189,149,020**
Coupon payment 2009	(22,885,609)	(15,694,723)	(73,336,934)
Interest accrued 2009	(15,546,188)	(10,588,749)	(49,817,759)
Exchange rate effect 2009	2,007,298	-	6,432,385
Balance carried forward 2009	**22,601,564**	**15,694,723**	**72,426,712**
Coupon payment 2010	(22,497,615)	(16,563,218)	(72,093,607)
Interest accrued 2010	1,084,943	868,495	3,476,700
Exchange rate effect 2010	(1,188,892)	-	(3,809,804)
Balance carried forward 2010	-	-	-

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.

(All amounts in US dollars and RON as presentation currency)

12. LONG-TERM BORROWINGS FROM BANK

The long term debt is repayable as follows:

	2010 USD	2009 USD	2010 RON	2009 RON
Piraeus Bank Investment loan of EUR 8 million granted to Rompetrol Downstream SRL, interest rate EURIBOR 3M+4.5%, secured by pledge over 3 filling stations and related equipment. Bail contract with Rompetrol Rafinare SA, Rompetrol Group NV, cession over the insurance policy of the pledged stations and equipment. Maturity date is 16 February 2015.	2,515,277	3,359,087	8,060,205	10,764,194
Romanian Commercial Bank Investment loan of USD 20 million granted to Rompetrol Downstream SRL used for construction of filling stations and acquisition of related equipment. Repayment will be made in 19 quarterly installments starting in November 2006, the interest is: LIBOR 3M+ 3% . The loan is secured by mortgage over 24 filling stations and filling station financed by the loan, by a promissory note issued by the company, by a guarantee letter issued by The Rompetrol Group NV and the assignment over the current account opened at the bank. The maturity date is 15 April 2011.	2,500,000	7,000,000	8,011,250	22,431,500
Amount payable within one year principal	(3,107,359)	(5,150,149)	(9,957,532)	(16,503,652)
Total	1,907,918	5,208,938	6,113,923	16,692,042

The long term debt is repayable as follows:

	2010 USD	2009 USD	2010 RON	2009 RON
One year or less - principal	3,107,359	5,150,149	9,957,532	16,503,652
One year or less - accrued interest long-term loans	-	-	-	-
Between two and five years	1,907,918	5,208,938	6,113,923	16,692,042
Total	5,015,277	10,359,087	16,071,455	33,195,694

13. OBLIGATIONS UNDER FINANCE LEASES

	2010 USD	2009 USD	2010 RON	2009 RON
Amounts due within 1 year	5,941,894	8,730,074	19,040,799	27,975,522
Amounts due after more than 1 year but not later than 5 years	4,719,631	11,536,763	15,124,058	36,969,557
Total lease obligations	**10,661,525**	**20,266,837**	**34,164,857**	**64,945,079**
Less future finance charges on finance leases	(341,260)	(896,509)	(1,093,568)	(2,872,863)
Present value of finance lease liabilities	10,320,265	19,370,328	33,071,289	62,072,216
Analyzed as follows:				
Maturing within one year	5,690,016	8,194,110	18,233,656	26,258,025
Maturing after more than one year but not later than five years	4,630,249	11,176,218	14,837,633	35,814,191
Total	10,320,265	19,370,328	33,071,289	62,072,216

It is the Group's policy to lease certain of its vehicles under finance leases. The average lease term is two to four years. For the year ended December 31, 2010 the effective borrowing rate ranked between 4% - 9%.

13. OBLIGATIONS UNDE FINANCE LEASES (continued)

The lease obligations are denominated in USD and Euro. The fair value of the Group's lease obligations approximates to their carrying amount. The Company's obligations under finance leases are secured by the less or's charge over the leased assets.

14. DEFERRED TAX ASSETS AND LIABILITIES

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

	2010 USD	2009 USD	2010 RON	2009 RON
Deferred tax liabilities	1,258,541	849,394	4,032,996	2,721,883
Deferred tax assets	-	(223,444)	-	(716,026)
Deferred tax (asset) / liability, net	**1,258,541**	**625,950**	**4,032,996**	**2,005,857**

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

USD

2010	**Opening balance**	**Charged/(Credited) to income**	**Charged/(Credited) to equity**	**Closing balance**
Temporary differences				
Intangible assets	220,054	153,673	-	373,727
Property, plant and equipment	173,717	510,361	-	684,078
Investments	(10,124)	41,359	-	31,235
Inventories	8,417	(7,784)	-	633
Receivables and prepayments	-	65,545	-	65,545
Trade and other payables	234,496	(50,998)	-	183,498
Other	(610)	(79,565)	-	(80,175)
Deferred tax (asset)/liability recognized	**625,950**	**632,591**	**-**	**1,258,541**

RON

2010	**Opening balance**	**Charged/(Credited) to income**	**Charged/(Credited) to equity**	**Closing balance**
Temporary differences				
Intangible assets	705,163	492,446	-	1,197,609
Property, plant and equipment	556,676	1,635,452	-	2,192,128
Investments	(32,442)	132,535	-	100,093
Inventories	26,972	(24,944)	-	2,028
Receivables and prepayments	-	210,039	-	210,039
Trade and other payables	751,443	(163,423)	-	588,020
Other	(1,955)	(254,966)	-	(256,921)
Deferred tax (asset)/liability recognized	**2,005,857**	**2,027,139**	**-**	**4,032,996**

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

(All amounts in US dollars and RON as presentation currency)

15. TRADE AND OTHER PAYABLES

	2010	2009	2010	2009
	USD	USD	RON	RON
Trade payables	589,461,938	404,976,275	1,888,930,779	1,297,746,467
Advances from customers	4,350,817	5,522,909	13,942,193	17,698,162
FSPP	64,702,243	77,725,109	207,338,338	249,070,112
VAT payable	38,811,787	26,579,317	124,372,371	85,173,421
Profit tax payable	48,268	3,597	154,675	11,527
Taxes payable	343,090	973,764	1,099,432	3,120,427
Employees and social obligations	6,613,855	7,910,836	21,194,098	25,350,274
Deferred revenues	873,852	-	2,800,259	-
Other liabilities	4,734,884	6,515,644	15,172,936	20,879,381
Total	**709,940,734**	**530,207,451**	**2,275,005,081**	**1,699,049,771**

16. SHORT-TERM DEBT

	2010	2009	2010	2009
	USD	USD	RON	RON
Bancpost Rompetrol Rafinare SA: Revolving credit ceiling on short term of up to EUR 30 million granted to Rompetrol Rafinare SA, for issue of letters of credit and letters of guarantee, maturity April 29, 2011, interest rate Euribor/Libor 3M+5.9% or Robor 3M +5%; security on the present and future creditor balance account;assignment of the debts arising from commercial contract 26/2007 Rompetrol Downstream-120%,first rank mortgage on catalytic cracking plant and gas station, in amount of EUR 33,744,636;pledge on equipments and plants; promissory note issued by Rompetrol Rafinare; personal and irrevocable TRG guarantee	20,791,425	12,828,107	66,626,121	41,107,669
Royal Bank of Scotland Rompetrol Downstream SRL: Overdraft facility for EUR 9.5 million granted to Rompetrol Downstream SRL, interest rate formula EURIBOR 6M + 4.15% p.a. Secured by pledge over 6 filling stations and related equipment and pledge over the current account and assignment of receivables. The facility was prolonged until March 30, 2011	12,702,637	-	40,705,600	-
Royal Bank of Scotland Rompetrol Downstream SRL: Overdraft facility for EUR 20 million granted to Rompetrol Downstream SRL, interest rate formula EURIBOR 1M + 3.25% p.a. Secured by pledge over 6 filling stations and related equipment and pledge over the current account and assignment of receivables. The facility was prolonged until December 31, 2010.	12,034,077	-	38,563,200	-
Piraeus Bank Romoil SA: Short term credit for working capital needs, in amount of EUR 8 million, granted to Romoil SA, maturity date: June 30, 2011; interest rate: EURIBOR 3M+1.5%; guarantees: mortgage on land and constructions from Vatra Dornei and Zarnesti warehouses; mortgage on land and constructions located in Ploiesti, Valeni 146 str owned by Rompetrol Logistics SA; Security guaranteed by Rompetrol Rafinare SA and The Rompetrol Group N.V..	10,696,957	11,520,589	34,278,399	36,917,727
Bancpost Rompetrol Petrochemicals SRL: Non-revolving working capital facility agreement, up to 4,712,129 USD, granted to Rompetrol Petrochemicals, interest rate LIBOR 3M+5.9%, maturity date April 7, 2011. Pledge on the accounts held by the company with the bank, corporate guarantee issued by TRG, the assignment in guarantee of all present and future receivables, consisting in sale-purchase contracts concluded by the company with third parties (130%)	4,712,129	-	15,100,017	-
Accrued interest	163,383	21,033	523,561	67,401
Current portion of long-term debt (Note 12)	3,107,359	5,150,149	9,957,532	16,503,652
	64,207,967	**29,519,878**	**205,754,430**	**94,596,449**

(All amounts in US dollars and RON as presentation currency)

16. SHORT TERM-DEBT (continued)

Borrowings from shareholders	2010 USD	2009 USD	2010 RON	2009 RON
The Rompetrol Group 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 2011, interest rate 1M LIBOR+4% p.a.;add 1 to assignment of receivables on loan agreement 443/14.08.2009, signed with Rompetrol Petrochemicals, in amount of USD 43,285,940.69; add 1 to assignment of receivables on contract 511/12.12.2003 with Rompetrol Petrochemicals, in amount of RON 25.170.165; add 1 to assignment of receivables on contract with Rompetrol Downstream, in amount of RON 525,343,138; add 1 to assignment of receivables on contract 38/10.09.2008 with Rompetrol Gaskin amount of RON 46,509,417 and USD 2,303,308.62;real movable security interest over movable assets; real movable security interest over the participations over Rompetrol Logistics, Rompetrol Petrochemicals, Rompetrol Downstream, Romoil in amount of RON 2,021 million, ;real movable security interest over the bank accounts	969,154,469	149,200,000	3,105,655,496	478,111,400
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to RON 63.9 million granted to Rompetrol Downstream SRL, maturity date - 2 October 2011 interest rate 3M ROBOR+3 % p.a.	19,940,708	20,500,000	63,899,999	65,692,250
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to RON 46.7 million granted to Rompetrol Downstream SRL, maturity date - 18 May 2011 interest rate 3M ROBOR +4% p.a.	12,700,889	-	40,699,999	-
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to USD 10 million granted to Rompetrol Downstream SRL, maturity date - 18 May 2011 interest rate 3M LIBOR +4% p.a.	7,140,000	-	22,880,130	-
The Rompetrol Group N.V. Rompetrol Gas SRL: Short-term facility for working capital needs in amount of USD 6 million granted to Rompetrol Gas, maturity date - December 2011, interest rate Libor 1M +4%.	5,021,141	6,000,000	16,090,246	19,227,000
Rompetrol Well Services Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 13 million granted to Rompetrol Rafinare SA, maturity date - 9 January 2011, interest rate 15%. The loan is secured with a promissory note covering the debt.	4,056,795	3,269,643	13,000,000	10,477,571
The Rompetrol Group N.V. Rompetrol Gas SRL: Short-term facility for working capital needs in amount of USD 4.2 million granted to Rompetrol Gas SRL, maturity date - April 2011, interest rate Libor 1M +4%.	3,030,000	-	9,709,635	-
Rompetrol Well Services Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 7 million granted to Rompetrol Rafinare SA, maturity date - 13 January 2011, interest rate 15%. The loan is secured with a promissory note covering the debt.	2,184,428	2,384,115	7,000,000	7,639,897
Rompetrol Well Services Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 3 million granted to Rompetrol Rafinare SA, maturity date - 3 January 2011, interest rate 15%. The loan is secured with a promissory note covering the debt.	967,390	1,055,823	3,100,001	3,383,385
Rompetrol Well Services Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to RON 1,5 million granted to Rompetrol Rafinare SA, maturity date - 27 January 2011, interest rate 15%. The loan is secured with a promissory note covering the debt.	468,092	-	1,500,001	-
The Rompetrol Group Rompetrol Rafinare SA: Short-term facility for working capital needs in amount of up to USD 700 million granted to Rompetrol Rafinare SA, maturity date - 12 August 2010, interest rate 1M LIBOR+4% p.a.	-	670,670,000	-	2,149,162,015
The Rompetrol Group N.V. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to USD 48.75 million granted to Rompetrol Downstream SRL, maturity date - 2 December 2010 interest rate 1M LIBOR+4% p.a.	-	48,750,000	-	156,219,375

(All amounts in US dollars and RON as presentation currency)

	2010 USD	2009 USD	2010 RON	2009 RON
Rompetrol S.A. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to USD 25 million granted to Rompetrol Downstream SRL, maturity date - 18 May 2010 interest rate 3M LIBOR+4.0% p.a.	-	25,000,000	-	80,112,500
The Rompetrol Group N.V. Rompetrol Downstream SRL: Short-term facility for working capital needs in amount of up to USD 7.9 million granted to Rompetrol Downstream SRL, maturity date - 9 June 2010 interest rate 1M LIBOR+3.5% p.a.	-	7,900,000	-	25,315,550
Accrued interest	52,019,251	14,433,234	166,695,689	46,251,298
	1,076,683,163	949,162,815	3,450,231,196	3,041,592,241

(All amounts in US dollars and RON as presentation currency)

17. PROVISIONS

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

USD

	At 1 January 2010	Charged to equity	Arising during the year	Utilized	Unused amounts reversed	Discount rate adjustment	Exchange rate impact	At 31 December 2010
Provision for retirement benefit	2,158,255	1,327,753	520,206	-	(220,505)	-	6,953	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	1,327,753	7,906,958	-	(220,505)	-	6,953	20,870,651

RON

	At 1 January 2010	Charged to equity	Arising during the year	Utilized	Unused amounts reversed	Discount rate adjustment	Exchange rate impact	At 31 December 2010
Provision for retirement benefit	6,916,128	4,254,784	1,667,000	-	(706,608)	-	22,281	12,153,585
Provision for restructuring	-	-	3,181,415	-	-	-	-	3,181,415
Environmental and other provisions	31,055,569	-	20,489,432	-	-	-	-	51,545,001
Total	37,971,697	4,254,784	25,337,847	-	(706,608)	-	22,281	66,880,001

USD

	At 1 January 2009	Charged to equity	Arising during the year	Utilized	Unused amounts reversed	Discount rate adjustment	Exchange rate impact	At 31 December 2009
Provision for retirement benefit	2,477,056	-	334,098	-	(652,899)	-	-	2,158,255
Provision for restructuring	-	-	-	-	-	-	-	-
Environmental and other provisions	9,809,867	-	70,205	(188,835)	-	-	-	9,691,237
Total	12,286,923	-	404,303	(188,835)	(652,899)	-	-	11,849,492

RON	At 1 January 2009	Charged to equity	Arising during the year	Utilized	Unused amounts reversed	Discount rate adjustment	Exchange rate impact	At 31 December 2009
Provision for retirement benefit	7,937,726	-	1,070,617	-	(2,092,215)	-	-	6,916,128
Provision for restructuring	-	-	-	-	-	-	-	-
Environmental and other provisions	31,435,719	-	224,972	(605,122)	-	-	-	31,055,569
Total	39,373,445	-	1,295,589	(605,122)	(2,092,215)	-	-	37,971,697

(All amounts in US dollars and RON as presentation currency)

17. PROVISIONS (continued)

An environmental provision of USD 9.6 million has been recognized as of Dec 31, 2009 for Rompetrol Rafinare S.A. (Vega refinery) for cleaning of the oil sludge pools and restoration of contaminated land. The reassessed value for environmental liability as of December 31, 2010 is USD 16 million. The discount rate used for calculation of the expected cost was 11% (2009: 12%).

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 level of benefits provided in the agreement, 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 and the related service cost is charged to the income statement.

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 7.2% (2009: 11.25), with an expected rate of long-term salary increase of 3% (2009: 4.5%)).

Taking into consideration the provisions of IAS 19, the Group decided to change prospectively the accounting policy regarding recognition of actuarial gains and losses. Effective 2010, actuarial gains and losses are fully recognized in other comprehensive income, compared to full recognition in income statement up to 2009. Since the net impact of pre 1 January 2010 changes is not significant, therefore, the management has not restated the comparatives. The change was due to the significant variation of the long term state bonds interest rates, used by the Group as discount rates. It is management belief that recognition of actuarial gains and losses in other comprehensive income leads to a faithful representation of Group's financial statements.

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

	2010 USD	2009 USD	2010 RON	2009 RON
Initial recognition of obligations	270,934	-	868,208	-
Interest on obligation	93,145	191,972	298,483	615,174
Service cost	156,127	142,126	500,309	455,443
Curtailment due to restructuration	(213,552)	-	(684,327)	-
Change in assumptions (tax rate, salary increase, turnover)	-	(652,899)	-	(2,092,215)
Total	306,654	(318,801)	982,673	(1,021,598)

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

	2010 USD	2009 USD	2010 RON	2009 RON
Opening balance	**2,158,255**	**2,477,056**	**6,916,128**	**7,937,726**
Initial recognition of obligations	270,934	-	868,208	-
Interest on obligation	93,145	191,972	298,483	615,174
Service cost	156,127	142,126	500,309	455,443
Curtailment due to restructuration	(213,552)	-	(684,327)	-
Change in assumptions (tax rate, salary increase, turnover)	1,327,753	(652,899)	4,254,784	(2,092,215)
Closing balance	**3,792,662**	**2,158,255**	**12,153,585**	**6,916,128**

The charge for the year is included in the salaries expenses in the income statement for 2010.

It is considered that there are no significant liabilities relating to the provisions that will arise in the twelve months to 31 December 2011.

(All amounts in US dollars and RON as presentation currency)

18. REVENUES

	2010 USD	2009 USD	2010 RON	2009 RON
Gross revenues from petroleum products production	2,931,537,521	2,866,661,380	9,394,111,986	9,186,216,392
Gross revenues from petroleum products trading	279,480,563	-	895,595,464	-
Revenues from petrochemicals production	232,187,028	217,761,219	744,043,331	697,815,826
Revenues from petrochemicals trading	29,893,130	20,224,193	95,792,535	64,808,426
Revenues from merchandise sales	53,448,978	50,765,839	171,277,250	162,679,131
Revenues from utilities sold	3,352,747	3,166,791	10,743,878	10,147,982
Revenues from transportation fees	6,803,240	5,281,402	21,800,983	16,924,253
Revenues from rents and other services	17,456,334	20,934,127	55,938,822	67,083,410
Gross Revenues	**3,554,159,541**	**3,184,794,951**	**11,389,304,249**	**10,205,675,420**
Less sales taxes	(708,540,890)	(644,029,571)	(2,270,519,282)	(2,063,792,760)
Less commercial discounts	(62,661,264)	(60,325,378)	(200,798,020)	(193,312,674)
Total	2,782,957,387	2,480,440,002	8,917,986,947	7,948,569,986

19. COST OF SALES

	2010 USD	2009 USD	2010 RON	2009 RON
Crude oil and other raw materials	2,127,876,055	1,951,399,055	6,818,778,817	6,253,258,272
Consumables and other materials	16,115,178	20,298,037	51,641,088	65,045,060
Utilities	79,069,690	89,539,387	253,378,822	286,928,966
Staff costs	30,494,812	31,263,298	97,720,625	100,183,238
Transportation	3,932,172	4,605,476	12,600,645	14,758,248
Maintenance	22,690,386	27,768,031	72,711,342	88,982,655
Insurance	1,324,560	2,267,226	4,244,553	7,265,326
Environmental expenses	2,954,995	3,657,384	9,469,281	11,720,087
Other	8,002,143	9,895,350	25,642,867	31,709,649
Cash production cost	**2,292,459,991**	**2,140,693,244**	**7,346,188,040**	**6,859,851,501**
Depreciation and amortization	42,091,213	53,950,873	134,881,293	172,885,572
Production costs	**2,334,551,204**	**2,194,644,117**	**7,481,069,333**	**7,032,737,073**
Less: Change in inventories	(87,135,947)	27,136,415	(279,227,142)	86,958,642
Less: Own production of PPE	(553,819)	(1,256,576)	(1,774,713)	(4,026,698)
Cost of petroleum products trading	251,784,291	-	806,842,761	-
Cost of petrochemicals trading	29,834,960	20,373,236	95,606,129	65,286,035
Cost of merchandise sold	40,460,439	40,122,679	129,655,477	128,573,125
Cost of utilities resold	2,906,188	2,526,114	9,312,879	8,094,932
Total	2,571,847,316	2,283,545,985	8,241,484,724	7,317,623,109

(All amounts in US dollars and RON as presentation currency)

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

	2010 USD	2009 USD	2010 RON	2009 RON
Staff costs	69,118,122	68,529,491	221,489,022	219,602,753
Utilities	7,087,423	6,235,165	22,711,647	19,980,586
Transportation	53,498,912	31,889,585	171,437,264	102,190,175
Professional and consulting fees	34,431,440	32,975,534	110,335,549	105,670,099
Royalties and rents	12,794,685	12,970,923	41,000,568	41,565,323
Consumables	7,134,463	5,892,210	22,862,387	18,881,587
Marketing	3,719,804	10,861,429	11,920,112	34,805,449
Taxes	4,983,763	4,997,040	15,970,469	16,013,015
Communications	2,785,944	3,788,917	8,927,558	12,141,585
Insurance	2,354,959	3,183,790	7,546,466	10,202,455
Computer related expenses	13,231,288	14,562,551	42,399,662	46,665,695
Environmental expenses	1,578,783	6,236,461	5,059,210	19,984,739
Maintenance	11,869,418	18,977,123	38,035,550	60,812,191
Other expenses	18,565,083	26,834,167	59,491,808	85,990,088
Costs before depreciation	**243,154,087**	**247,934,386**	**779,187,272**	**794,505,740**
Depreciation and amortization	62,625,522	50,135,931	200,683,485	160,660,591
Total	**305,779,609**	**298,070,317**	**979,870,757**	**955,166,331**

21. OTHER EXPENSES, NET

	2010 USD	2009 USD	2010 RON	2009 RON
Net book value of non-current assets disposals	(12,936,732)	(252,769)	(41,455,758)	(809,998)
Proceeds on disposals of non-current assets	12,923,664	617,435	41,413,881	1,978,570
Provision for impairment of tangible assets, net	(7,241,566)	(3,566,098)	(23,205,599)	(11,427,561)
Provision for receivables, net	(2,968,319)	(12,728,695)	(9,511,978)	(40,789,103)
Provision for inventories, net	3,296,815	20,029,383	10,564,644	64,184,158
Net result from sale of Group investments	-	-	-	-
Net book value of financial investments disposals	-	-	-	-
Proceeds on disposals of financial investments	-	-	-	-
Commercial discounts expenses	-	-	-	-
Inventories write-off	(566,750)	(878,814)	(1,816,150)	(2,816,159)
Other provisions	(7,184,384)	(24,717)	(23,022,359)	(79,206)
Other, net	(3,566,159)	862,211	(11,427,756)	2,762,955
Total	**(18,243,431)**	**4,057,936**	**(58,461,075)**	**13,003,656**

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

Amounts in USD

	Opening balance	Increase	Decrease	Exchange rate impact	Closing balance
Provision for impairment of tangible assets	47,360,020	8,519,544	(1,277,978)	-	54,601,586
Provision for receivables	54,769,055	8,690,195	(5,721,876)	(4,020,307)	53,717,067
Provision for inventories	27,024,465	12,338,751	(15,635,566)	-	23,727,650
Total	**129,153,540**	**29,548,490**	**(22,635,420)**	**(4,020,307)**	**132,046,303**

(All amounts in US dollars and RON as presentation currency)

21. OTHER EXPENSES, NET (continued)

Amounts in RON

RON	Opening balance	Increase	Decrease	Exchange rate impact	Closing balance
Provision for impairment of tangible assets	151,765,184	27,300,879	(4,095,281)	-	174,970,782
Provision for receivables	175,507,437	27,847,730	(18,335,752)	(12,883,074)	172,136,341
Provision for inventories	86,599,898	39,539,528	(50,104,171)	-	76,035,254
Total	**413,872,519**	**94,688,137**	**(72,535,204)**	**(12,883,074)**	**423,142,377**

The movement in provision for inventories, net for 2010 includes an amount of USD 4.1 million as the difference between cost and net realizable value on crude oil and petroleum products held as of 31 December 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.

Other provisions include the increase of environmental provision in relation to Vega of USD 6.4 million.

22. FINANCIAL COST, FINANCE INCOME AND FOREIGN EXCHANGE

	2010 USD	2009 USD	2010 RON	2009 RON
Finance cost				
Late payment interest	(10,895,943)	(17,633,093)	(34,916,047)	(56,505,247)
Interest expense	(6,092,263)	(14,803,938)	(19,522,657)	(47,439,219)
Interest expense shareholders	(38,040,322)	(8,540,372)	(121,900,212)	(27,367,622)
Unwinding of discount on hybrid	(1,084,943)	15,546,188	(3,476,700)	49,817,759
Commission and other bank charges	(15,497,925)	(38,975,601)	(49,663,101)	(124,897,313)
Collection discounts expenses	(9,085,794)	(22,975,533)	(29,115,427)	(73,625,095)
	(80,697,190)	**(87,382,349)**	**(258,594,144)**	**(280,016,737)**
Finance income				
Interest income	1,235,620	2,123,669	3,959,544	6,805,297
Other financial income	515,355	1,030,417	1,651,455	3,301,971
	1,750,975	**3,154,086**	**5,610,999**	**10,107,268**
Finance income/(cost) net	**(78,946,215)**	**(84,228,263)**	**(252,983,145)**	**(269,909,469)**
Unrealized net foreign exchange (losses)/gains	2,744,171	19,894,310	8,793,696	63,751,317
Realized net foreign exchange (losses)/gains	(9,296,932)	(11,912,248)	(29,792,019)	(38,172,799)
Foreign exchange gain/(loss), net	**(6,552,761)**	**7,982,062**	**(20,998,323)**	**25,578,518**
Total	**(85,498,976)**	**(76,246,201)**	**(273,981,468)**	**(244,330,951)**

23. INCOME TAX

a) The current income tax rate in 2010 was 16%, the same as in 2009.

	2010 USD	2009 USD	2010 RON	2009 RON
Tax expense comprises:				
Current tax expense	159,770	467,325	511,983	1,497,543
Deferred tax expense relating to the origination and reversal of temporary differences	632,591	(110,891)	2,027,138	(355,350)
Total tax expense	**792,361**	**356,434**	**2,539,121**	**1,142,193**

23. INCOME TAX (continued)

As of December 31, 2010, the Group had the following unused fiscal losses:

Entity	Taxable loss 2010	Taxable loss 2010	Carry forward tax losses 2010	Carry forward tax losses 2010
	USD million	RON million	USD million	RON million
Rompetrol Rafinare SA	439.30	1,407.74	253.40	812.02
Rompetrol Petrochemicals SRL	85.58	274.24	82.56	264.56
Rompetrol Downstream SRL	56.58	181.31	4.30	13.78
Rom Oil SA	11.09	35.54	7.85	25.16
As at December 31 2010	**592.55**	**1,898.83**	**348.11**	**1,115.52**

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	8.8	28.20	2011
2007	44.6	142.92	2012
2008	93.6	299.94	2013
2009	106.4	340.96	2016
2010	185.9	595.72	2017
	439.30	**1,407.74**	
Rompetrol Petrochemicals SRL			
2007	11.69	37.46	2012
2008	50.73	162.56	2013
2009	20.14	64.54	2016
2010	3.02	9.68	2017
	85.58	**274.24**	
Rom Oil SA			
2008	3.43	10.99	2013
2009	4.42	14.16	2016
2010	3.24	10.39	2017
	11.09	**35.54**	
Rompetrol Downstream SRL			
2008	26.37	84.50	2013
2009	9.25	29.64	2016
2010	20.96	67.17	2017
	56.58	**181.31**	

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.

The fiscal authorities have undertaken audit for profit tax, VAT, excises, withholding tax on non-residents, personal income tax, social tax and tax on dividends for the period 01-January 2007 until 31-December-2010. The observations of the fiscal authorities have not been discussed with the Company as of the date of balance sheet sign off. The management is not aware of any observations of the fiscal authorities which may require an adjustment to the financial statements. The management believes that it has fully complied with the fiscal regulations and that all the required taxes have been correctly and fully recognized in the relevant periods.

(All amounts in US dollars and RON as presentation currency)

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 :

	2010 USD	2009 USD	2010 RON	2009 RON
Profit/(loss) from operations	(198,411,945)	(173,364,565)	(635,811,077)	(555,546,749)
Tax at prevailing tax rate	(31,745,911)	(27,738,330)	(101,729,772)	(88,887,478)
Effect of statutory items non deductible / (not taxable) for tax purposes	31,905,681	28,205,655	102,241,755	90,385,021
Effect of temporary differences	632,591	(110,891)	2,027,138	(355,350)
Income tax expense recognized in profit or loss	**792,361**	**356,434**	**2,539,121**	**1,142,193**

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.

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)	(2,478,573)	(2,618,811)	(10,355,291)	(18,243,431)
Operating margin	**(72,707,218)**	**(351,034)**	**(21,377,277)**	**(18,477,440)**	**(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)**	**(4,935,321)**	**(36,417,908)**	**(13,940,395)**	**(198,411,945)**
Income tax	(9,967)	(9,967)	(772,427)	-	(792,361)
Net Profit	**(143,128,288)**	**(4,945,288)**	**(37,190,335)**	**(13,940,395)**	**(199,204,306)**
Minority interest	-	-	-	3,455,334	3,455,334
Net Profit Group	**(143,128,288)**	**(4,945,288)**	**(37,190,335)**	**(10,485,061)**	**(195,748,972)**
EBITDA	(28,541,307)	14,025,240	31,544,508	(11,127,221)	5,901,220

(All amounts in US dollars and RON as presentation currency)

24. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	7,090,731,816	851,453,028	4,619,930,101	(3,644,127,998)	**8,917,986,947**
Cost of sales	(7,124,048,374)	(793,351,819)	(4,142,245,268)	3,818,160,737	**(8,241,484,724)**
Gross margin	**(33,316,558)**	**58,101,209**	**477,684,833**	**174,032,739**	**676,502,223**
Selling, general and administrative expenses	(190,730,744)	(51,283,511)	(537,796,337)	(200,060,165)	**(979,870,757)**
Other operating expenses, net	(8,942,978)	(7,942,587)	(8,391,980)	(33,183,530)	**(58,461,075)**
Operating margin	**(232,990,280)**	**(1,124,889)**	**(68,503,484)**	**(59,210,956)**	**(361,829,609)**
Financial expenses, net	(204,183,607)	(8,497,674)	(54,840,826)	14,538,962	**(252,983,145)**
Net foreign exchange result	(21,448,773)	(6,192,674)	6,643,124	-	**(20,998,323)**
Profit before income tax	**(458,622,660)**	**(15,815,237)**	**(116,701,186)**	**(44,671,994)**	**(635,811,077)**
Income tax	(31,939)	(31,939)	(2,475,243)	-	**(2,539,121)**
Net Profit	**(458,654,599)**	**(15,847,176)**	**(119,176,429)**	**(44,671,994)**	**(638,350,198)**
Minority interest	-	-	-	11,072,617	**11,072,617**
Net Profit Group	**(458,654,599)**	**(15,847,176)**	**(119,176,429)**	**(33,599,377)**	**(627,277,581)**
EBITDA	(91,460,618)	44,943,882	101,084,376	(35,657,180)	**18,910,460**

Balance sheet information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,301,928,613	147,054,729	309,511,310	(620,446,915)	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**	**215,724,106**	**630,314,998**	**(875,454,571)**	**1,873,086,704**
Total equity	246,883,149	119,524,373	200,873,914	(584,457,269)	(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**	**215,724,106**	**630,314,998**	**(875,454,571)**	**1,873,086,704**
Capital expenditure	169,023,297	15,294,527	7,183,942	-	**191,501,766**
Depreciation and amortization	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)**

(All amounts in US dollars and RON as presentation currency)

24. OPERATING SEGMENT INFORMATION (continued)

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	4,172,030,240	471,236,879	991,828,993	(1,988,222,141)	**3,646,873,971**
Total current assets	1,924,537,967	220,051,019	1,028,015,418	(817,172,034)	**2,355,432,370**
TOTAL ASSETS	**6,096,568,207**	**691,287,898**	**2,019,844,411**	**(2,805,394,175)**	**6,002,306,341**
Total equity	791,137,051	383,015,853	643,700,458	(1,872,893,319)	**(55,039,957)**
Total non-current liabilities	57,569,531	353	44,630,264	5,921,786	**108,121,935**
Total current liabilities	5,247,861,625	308,271,692	1,331,513,689	(938,422,642)	**5,949,224,363**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**6,096,568,207**	**691,287,898**	**2,019,844,411**	**(2,805,394,175)**	**6,002,306,341**
Capital expenditure	541,635,155	49,011,312	23,020,943	-	**613,667,410**
Depreciation and amortization	133,997,722	39,023,206	151,543,955	10,999,895	**335,564,778**
Impairment losses	1,053,076	(3,623,394)	(8,081,397)	(12,553,884)	**(23,205,599)**

2009 Income Statement Information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	2,038,188,994	240,151,382	1,257,350,026	(1,055,250,400)	2,480,440,002
Cost of sales	(2,054,056,108)	(249,627,971)	(1,075,094,797)	1,095,232,891	(2,283,545,985)
Gross margin	**(15,867,114)**	**(9,476,589)**	**182,255,229**	**39,982,491**	**196,894,017**
Selling, general and administrative expenses	(70,222,049)	(15,227,716)	(174,712,708)	(37,907,844)	(298,070,317)
Other operating expenses, net	3,734,686	12,657,921	(12,772,320)	437,649	4,057,936
Operating margin	**(82,354,477)**	**(12,046,384)**	**(5,229,799)**	**2,512,296**	**(97,118,364)**
Financial expenses, net	(57,285,897)	(2,628,341)	(28,337,413)	4,023,388	(84,228,263)
Net foreign exchange result	(3,979,703)	6,393,395	5,605,129	(36,759)	7,982,062
Profit before income tax	**(143,620,077)**	**(8,281,330)**	**(27,962,083)**	**6,498,925**	**(173,364,565)**
Income tax	(9,789)	(9,789)	(336,856)	-	(356,434)
Net Profit	**(143,629,866)**	**(8,291,119)**	**(28,298,939)**	**6,498,925**	**(173,720,999)**
Minority interest	-	-	-	(560,606)	(560,606)
Net Profit Group	**(143,629,866)**	**(8,291,119)**	**(28,298,939)**	**5,938,319**	**(174,281,605)**
EBITDA	(36,289,500)	(13,665,459)	47,273,465	5,940,061	3,258,567

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Net revenues	6,531,376,631	769,565,104	4,029,178,158	(3,381,549,907)	**7,948,569,986**
Cost of sales	(6,582,222,798)	(799,932,833)	(3,445,141,277)	3,509,673,799	**(7,317,623,109)**
Gross margin	**(50,846,167)**	**(30,367,729)**	**584,036,881**	**128,123,892**	**630,946,877**
Selling, general and administrative expenses	(225,026,556)	(48,797,216)	(559,866,873)	(121,475,686)	**(955,166,331)**
Other operating expenses, net	11,967,801	40,562,308	(40,928,899)	1,402,446	**13,003,656**
Operating margin	**(263,904,922)**	**(38,602,637)**	**(16,758,891)**	**8,050,652**	**(311,215,798)**
Financial expenses, net	(183,572,657)	(8,422,519)	(90,807,240)	12,892,947	**(269,909,469)**
Net foreign exchange result	(12,752,958)	20,487,634	17,961,636	(117,794)	**25,578,518**
Profit before income tax	**(460,230,537)**	**(26,537,522)**	**(89,604,495)**	**20,825,805**	**(555,546,749)**
Income tax	(31,369)	(31,369)	(1,079,455)	-	**(1,142,193)**
Net Profit	**(460,261,906)**	**(26,568,891)**	**(90,683,950)**	**20,825,805**	**(556,688,942)**
Minority interest	-	-	-	(1,796,461)	**(1,796,461)**
Net Profit Group	**(460,261,906)**	**(26,568,891)**	**(90,683,950)**	**19,029,344**	**(558,485,403)**
EBITDA	(116,289,703)	(43,790,963)	151,487,819	19,034,925	**10,442,078**

(All amounts in US dollars and RON as presentation currency)

24. OPERATING SEGMENT INFORMATION (continued)

Balance sheet information

USD	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	1,120,695,325	145,421,724	377,822,684	(556,370,147)	1,087,569,586
Total current assets	530,903,950	63,763,274	277,830,543	(222,421,858)	650,075,909
TOTAL ASSETS	**1,651,599,275**	**209,184,998**	**655,653,227**	**(778,792,005)**	**1,737,645,495**
Total equity	360,953,666	114,027,080	244,763,304	(558,439,842)	161,304,208
Total non-current liabilities	11,695,722	42,614	24,917,133	-	36,655,469
Total current liabilities	1,278,949,887	95,115,304	385,972,790	(220,352,163)	1,539,685,818
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,651,599,275**	**209,184,998**	**655,653,227**	**(778,792,005)**	**1,737,645,495**
Capital expenditure	100,079,512	14,414,692	67,255,368	6,917,372	**188,666,944**
Depreciation and amortization	50,354,526	11,057,110	39,247,403	3,427,765	**104,086,804**
Impairment losses	(329,051)	(2,541,315)	(695,732)	-	**(3,566,098)**

RON	Refining	Petrochemicals	Marketing	Consolidation adjustments	Consolidated
Total non current assets	3,591,268,169	466,003,915	1,210,732,792	(1,782,888,141)	**3,485,116,735**
Total current assets	1,701,281,708	204,329,412	890,307,975	(712,750,845)	**2,083,168,250**
TOTAL ASSETS	**5,292,549,877**	**670,333,327**	**2,101,040,767**	**(2,495,638,986)**	**5,568,284,985**
Total equity	1,156,676,023	365,399,778	784,344,008	(1,789,520,474)	**516,899,336**
Total non-current liabilities	37,478,941	136,557	79,846,953	-	**117,462,451**
Total current liabilities	4,098,394,913	304,796,992	1,236,849,806	(706,118,512)	**4,933,923,198**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**5,292,549,877**	**670,333,327**	**2,101,040,767**	**(2,495,638,986)**	**5,568,284,985**
Capital expenditure	320,704,796	46,191,881	215,519,823	22,166,721	**604,583,221**
Depreciation and amortization	161,361,079	35,432,509	125,768,303	10,984,272	**333,546,163**
Impairment losses	(1,054,444)	(8,143,644)	(2,229,473)	-	**(11,427,561)**

- 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:

	2010 USD	2009 USD	2010 RON	2009 RON
Romania	**1,858,864,400**	**1,583,019,886**	**5,956,730,970**	**5,072,787,225**
Export	**924,092,987**	**897,420,116**	**2,961,255,977**	**2,875,782,761**
out of which				
Petroleum products	780,323,657	754,437,517	2,500,547,159	2,417,595,023
Petrochemical products	143,769,330	142,982,599	460,708,818	458,187,738
Total	**2,782,957,387**	**2,480,440,002**	**8,917,986,947**	**7,948,569,986**

(All amounts in US dollars and RON as presentation currency)

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 ICS	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
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 Rompetrol Rafinare Group is involved in a significant number of transactions with its affiliates (the parent company and its subsidiaries). The management reviews the underlying commercial terms and conditions of these transactions on a regular basis and ensures that such transactions are carried out at terms and conditions that are similar to terms and conditions that we would have accepted with third parties. As of December 31, 2010 and 2009 the balances with related parties are as follows:

Receivables

Name of related party	31-Dec-10	31-Dec-09	31-Dec-10	31-Dec-09
	USD	USD	RON	RON
Vector Energy AG	4,779,387	2,661,169	15,315,546	8,527,716
Rominserv S.A.	41,840,125	61,950,517	134,076,681	198,520,432
The Rompetrol Group N.V.	612,715	4,278,042	1,963,445	13,708,986
The Rompetrol Group Corporate Center S.R.L	-	-	-	-
Rompetrol S.A.	158,769	229,661	508,775	735,949
Ecomaster Servicii Ecologice S.R.L	184,899	617,066	592,509	1,977,388
Rompetrol Well Services S.A.	243,800	236,248	781,257	757,057
Rominservices Therm S.R.L.	3,532,743	3,612,274	11,320,675	11,575,532
Palplast S.A.	2,418,187	99,555	7,749,080	319,024
Rompetrol Bulgaria	2,286,560	1,663,016	7,327,282	5,329,135
Rompetrol Moldova	-	-	-	-
Rompetrol Industrial Park S.R.L	-	84,091	-	269,470
Rompetrol Georgia	1,460,237	1,124,301	4,679,329	3,602,823
Romcalor Oil Services S.A.	-	-	-	-
Dyneff	184,226	-	590,352	-
Rompetrol Albania	13,746	-	44,049	-
Midia Marine Terminal	65,352	199,593	209,420	639,596
Rompetrol Ucraina	5,849	34,755	18,743	111,372
Uzina Termoelectrica Midia S.A.	1,448	-	4,640	-
Odyssey Communication SRL	-	-	-	-
Global Security Services	311,621	194,683	998,589	623,862
Total	58,099,664	76,984,971	186,180,372	246,698,342

(All amounts in US dollars and RON as presentation currency)

25. RELATED PARTIES (continued)

Liabilities

Name of related party	31-Dec-10 USD	31-Dec-09 USD	31-Dec-10 RON	31-Dec-09 RON
Vector Energy AG	416,325,141	243,787,743	1,334,113,914	781,217,822
Rominserv S.A.	37,569,206	10,530,464	120,390,521	33,744,872
The Rompetrol Group N.V.	1,033,003,925	906,600,814	3,310,261,078	2,905,202,308
The Rompetrol Group Corporate Center S.R.L	1,639,090	-	5,252,464	-
Rompetrol S.A.	43,979,485	48,938,141	140,932,260	156,822,273
Ecomaster Servicii Ecologice S.R.L	867,569	5,088,628	2,780,125	16,306,508
Rompetrol Well Services S.A.	7,782,776	7,003,455	24,939,906	22,442,572
Rominservices Therm S.R.L.	6,837	-	21,909	-
Palplast S.A.	2,349	-	7,527	-
Rompetrol Bulgaria	839,918	86,705	2,691,517	277,846
Rompetrol Moldova	347,760	128,296	1,114,397	411,125
Rompetrol Industrial Park S.R.L	-	-	-	-
Rompetrol Georgia	-	-	-	-
Romcalor Oil Services S.A.	-	1,611	-	5,162
Dyneff	-	-	-	-
Rompetrol Albania	-	-	-	-
Midia Marine Terminal	6,402,436	831,647	20,516,606	2,665,013
Rompetrol Ucraina	-	-	-	-
Uzina Termoelectrica Midia S.A.	618,197	3,931,187	1,981,012	12,597,489
Odyssey Communication SRL	205,662	23,748	659,044	76,100
Global Security Services	880,293	406,469	2,820,899	1,302,530
Total	**1,550,470,644**	**1,227,358,908**	**4,968,483,179**	**3,933,071,620**

During 2010 and 2009, Rompetrol Rafinare Group entered into the following transactions with related parties:

Sales

Name of related party	31-Dec-10 USD	31-Dec-09 USD	31-Dec-10 RON	31-Dec-09 RON
Vector Energy AG	735,484,971	726,018,776	2,356,861,590	2,326,527,168
Rominserv S.A.	14,017,584	35,576,558	44,919,348	114,005,080
Rominservices Therm S.R.L.	4,532,271	-	14,523,662	-
The Rompetrol Group N.V.	-	-	-	-
The Rompetrol Group Corporate Center S.R.L	-	-	-	-
Rompetrol S.A.	224,874	298,108	720,609	955,287
Ecomaster Servicii Ecologice S.R.L	1,321,476	2,161,598	4,234,670	6,926,841
Rompetrol Well Services S.A.	2,141,661	1,931,879	6,862,953	6,190,706
Palplast S.A.	1,366,989	40	4,380,516	128
Rompetrol Bulgaria	8,163,932	6,298,473	26,161,320	20,183,457
Rompetrol Moldova	37,750,649	22,260,450	120,971,955	71,333,612
Rompetrol Industrial Park S.R.L	-	-	-	-
Rompetrol Georgia	467,999	649,334	1,499,703	2,080,791
Romcalor Oil Services S.A.	-	610	-	1,955
Midia Marine Terminal	540,460	526,328	1,731,904	1,686,618
Dyneff	125,565	-	402,373	-
Uzina Termoelectrica Midia S.A.	15,135,571	19,624,253	48,501,937	62,885,919
Global Security Service	45,918	8,592	147,144	27,533
Kazmotransflot	353,822	-	1,133,823	-
	821,673,742	**815,354,999**	**2,633,053,507**	**2,612,805,095**

(All amounts in US dollars and RON as presentation currency)

25. RELATED PARTIES (continued)

Purchases

Name of related party	Nature of transaction	31-Dec-10 USD	31-Dec-09 USD	31-Dec-10 RON	31-Dec-09 RON
Vector Energy AG	Purchase of crude oil	2,014,574,540	1,826,928,582	6,455,704,113	5,854,392,641
Rominserv S.A.	Acquisition and maintenance of fixed assets	205,052,322	167,239,923	657,090,166	535,920,333
The Rompetrol Group N.V.	Purchase of crude oil / Management services	642,648	10,106,759	2,059,366	32,387,109
The Rompetrol Group Corporate Center S.R.L	Management services	1,529,252	-	4,900,488	-
Rompetrol S.A.	Management services	26,047,777	9,309,162	83,470,101	29,831,210
Ecomaster Servicii Ecologice S.R.L	Enrvironmental services	3,625,723	8,995,010	11,618,629	28,824,510
Rompetrol Well Services S.A.	Interest on loan	47,161	20,782	151,127	66,596
Rompetrol Bulgaria	Sales intermediary services	754,690	-	2,418,404	-
Midia Marine Terminal	Shipping services	12,994,722	10,705,366	41,641,587	34,305,345
Uzina Termoelectrica Midia S.A.	Acquisition of utilities	16,975,159	23,741,329	54,396,897	76,079,089
Odyssey Communication SRL	Marketing services	2,658,189	7,235,762	8,518,167	23,186,999
Global Security Service	Security and protection services	5,879,002	5,268,830	18,839,262	16,883,966
Tengizchevroil LLP	Liquefied Petroleum Gas	22,018,912	8,872,908	70,559,604	28,433,234
		2,312,800,097	**2,078,424,413**	**7,411,367,911**	**6,660,311,032**

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

The amount of remuneration for key management personnel for 2010 was of USD 1.73 million (2009: USD 1.41 million), representing short term benefits and bonuses.

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:

	2010 USD	2009 USD	2010 RON	2009 RON
Earnings				
Earnings for the purpose of basic earnings per share Loss for the year attributable to ordinary equity holders of the parent entity	(195,748,972)	(174,281,605)	(627,277,581)	(558,485,403)
Number of shares				
Weighted average number of shares for the purpose of basic earnings per share (see Note 10)	22,317,945,291	21,099,276,002	22,317,945,291	21,099,276,002
Earnings per share *(US cents/share)*				
Basis	**(0.877)**	**(0.826)**	**(2.810)**	**(2.647)**

The weighted average number of shares have been computed without taking in to account the increase in shares from conversion of Hybrid Instrument but not yet registered at the Trade Registry. Had the Earnings Per Share computed taking these shares also in to account Earnings Per Share would have been USD (0.466) per share.

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 14.9 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 amounts 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.

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.

28. LEGAL MATTERS (continued)

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"). The request has been registered with ICSID and has already been subject to a preliminary analysis regarding the admissibility thereof and the competence of ICSID over the case; the decision on these topics was favorable to The Rompetrol Group N.V., which opened the stage of debates on the merits of the said request submitted by The Rompetrol Group N.V..

Litigations related to Hybrid Conversion

A) 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.

The Hybrid Instruments were issued in accordance with Emergency Ordinance ("EGO") 118/2003 approved by Law 89/2005, converting RON 2,177.7 million of state budget liabilities, including penalties, into 22,812,098 Euro-denominated long-term 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 EO no.118/2003 specifically provided that bonds not redeemed by September 30, 2010 should be convertible 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

28. LEGAL MATTERS (continued)

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 to the Trade Registry. The first court dismissed it and MFP filed an appeal which has the next hearing on March 24, 2011; meanwhile, the share capital increase was fully registered with all 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 Constanţa Tribunal having the next hearing on May 23, 2011.
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 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.

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 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.

No solution was yet issued concerning the annulment of the Letter, the next hearing in this annulment court case being on May 11, 2011.

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.

28. LEGAL MATTERS (continued)

The Rompetrol 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 in exchange of borrowed amounts 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) 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, RRC may not choose, in relation to one bond, to make a partial redemption and to concert the balance of such bond into shares, but it may freely choose what number of outstanding Bonds to redeem or to convert.

Litigations related to salary benefits

During August-September 2010, two Unions representing the interests of some employees of certain Group companies, filed before Constanta County Tribunal several claims requesting the increase of the salaries of the Union members mentioned in the lists attached to the claim courts. Part of these lawsuits were solved by the court of first instance, Constanta County Tribunal. The court admitted the Union's 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 were pronounced on 29 March 2011 and have not been communicated to the parties until the date of these financial statements. These decisions of the first instance will be subject to appeal to be solved by Constanta Court of Appeals, which may be introduced within a 10 days term from the moment the decision is communicated to the parties. The other part of the lawsuits is pending before the court of first instance, Constanta County Tribunal having the hearings on 22 and 29 April 2011 .

As of the date of these financial statements and based on the information available, the Group estimated that the maximum financial impact may be of approx. USD 1.2 million.

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 (including Vega Refinery) has environmental commitments amounting to USD 66.2 million as in accordance with the Integrated Environmental Authorization.

(All amounts in US dollars and RON as presentation currency)

29. COMMITMENTS (continued)

Other commitments

As of December 31, 2010 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 196.1 million (2009: USD 153.6 million). As of December 31, 2010, Rompetrol Petrochemicals S.R.L has contracted capital commitments amounting to USD 4.8 million (2009: USD 5.5 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 2011 is USD 3.4 million (USD 3.7 million in 2010).

Sale and purchase commitments

As of December 31, 2010 Rompetrol Rafinare S.A has non-group commitments for purchases of raw materials and utilities of USD 30.5 million and for petroleum products and utilities sales amounting to USD 183.2million. Also, as of December 31, 2010 Rompetrol Rafinare S.A has commitments for purchases of raw materials of USD 2,992 million from Vector Energy AG and for petroleum products sales amounting to USD 1,072 million to Vector Energy AG.

As of December 31, 2010 Rompetrol Petrochemicals S.R.L has non – group commitments for purchases of raw materials of USD 156.1 million and for petrochemical products sales amounting to USD 248.6 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".

30.2. GEARING RATIO

The gearing ratio at the year end was as follows:

	December 31, 2010	December 31, 2009
Debt (excluding shareholder loans - see Note 12)	76,436,150	76,700,708
Cash and cash equivalents	(53,177,253)	(45,565,498)
Net debt	**23,258,897**	**31,135,210**
Equity (including shareholder loans - see Note 12)	1,059,507,330	1,110,467,023
Net debt to equity ratio	**0.02**	**0.03**

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.

(All amounts in US dollars and RON as presentation currency)

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.4. CATEGORIES OF FINANCIAL INSTRUMENTS

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

	December 31, 2010	December 31, 2009
Financial assets		
Trade and other receivables	274,598,951	241,881,849
Cash and cash equivalents	53,177,253	45,565,498
TOTAL FINANCIAL ASSETS	**327,776,204**	**287,447,347**
Financial liabilities		
Long-term borrowings	1,907,918	5,208,938
Hybrid instruments	-	22,601,564
Net obligations under finance lease	10,320,265	19,370,328
Trade and other payables	600,810,677	419,402,755
Short-term borrowings banks	64,207,967	29,519,878
TOTAL FINANCIAL LIABILITIES	**677,246,827**	**496,103,463**

In 2010, trade and other receivables do not comprise taxes receivables and advances to suppliers. Therefore, for comparison purposes, 2009 figures were also restated.

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.

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, 2010	Level 1	Level 2	Level 3
Financial assets				
Trade and other receivables	274,598,951			274,598,951
Cash and cash equivalents	53,177,253			53,177,253
TOTAL FINANCIAL ASSETS	**327,776,204**	-	-	**327,776,204**
Financial liabilities				
Long-term borrowings	1,907,918			1,907,918
Hybrid instruments	-			-
Net obligations under finance lease	10,320,265			10,320,265
Trade and other payables	600,810,677			600,810,677
Short-term borrowings banks	64,207,967			64,207,967
TOTAL FINANCIAL LIABILITIES	**677,246,827**	-	-	**677,246,827**

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

During the reporting period ending 31 December 2010, 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 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.

30.6. 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.

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

	Liabilities		Assets	
	2010	2009	2010	2009
Currency RON	302,187,098	216,560,012	339,724,714	229,181,667
Currency EUR	81,739,317	80,375,591	19,519,137	24,788,587

30.7. 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	
	2010	2009	2010	2009
USD				
5%	1,876,881	631,083	(3,111,009)	(2,779,350)
-5%	(1,876,881)	(631,083)	3,111,009	2,779,350

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.8. 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 2010 would decrease/increase by KUSD 7.437 (2009: decrease/increase by KUSD 243).

30.9. LIQUIDITY RISK MANAGEMENT

The tables below summarizes the maturity profile of the Group's financial liabilities at 31 December 2010 and 31 December 2009 based on contractual undiscounted payments, including interest payable until the end of the contracts for finance leasing and loans.

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 borrowings from shareholders	-	-	-	-	-	-
Hybrid instruments - long-term portion	-	-	-	-	-	-
Long-term debt	-	-	-	2,297,277	-	2,297,277
Net obligations under finance lease	-	-	-	4,781,317	-	4,781,317
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	-	-	5,880,208
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
Hybrid instruments - current portion	-	-	-	-	-	-
	317,150,543	367,860,634	1,189,524,748	28,400,707	-	1,902,936,632

Year ended December 31, 2009	Less than 1 month or on call	<3 months	3-12 months	1-5 years	>5 years	Total
Long-term borrowings from shareholders	-	-	-	-	-	-
Hybrid instruments - long-term portion	-	-	-	-	-	-
Long-term debt	-	68,632	205,895	5,503,596	-	5,778,123
Net obligations under finance lease	-	-	-	11,696,193	-	11,696,193
Trade and other payables	137,082,254	360,997,017	22,435,946	9,692,234	-	530,207,451
Net obligations under finance lease	287,072	505,632	7,777,939	-	-	8,570,643
Short-term borrowings from shareholders	14,433,234	16,337,477	946,472,934	-	-	977,243,645
Short-term debt	-	13,088,831	16,819,938	-	-	29,908,769
Hybrid instruments - current portion	-	-	22,601,564	-	-	22,601,564
	151,802,560	390,997,589	1,016,314,216	26,892,023	-	1,586,006,388

30. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

30.10. COMMODITY PRICE RISK

The Group is affected by the volatility of crude oil prices. Its operating activities require ongoing purchase of crude oil to be used in its production. Due to significantly increased volatility of crude oil, the Group's Board of Directors has developed and enacted a risk management strategy regarding commodity price risk and its mitigation.

30.11. 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 26% 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

Following a notification received by Rompetrol Rafinare from the Ministry of Economy, Trade and Business Environment, starting with January 20, 2011, the Company is no longer obliged to invoice and collect from its customers on behalf of the state a special tax, called FSPP (Special Fund of Petroleum Products).

The maturity of the short-term loans contracted by Rompetrol Rafinare S.A. from Rompetrol Well Services was prolonged until April 2011.

The Board of Rompetrol Logistics approved the sales to Transpeco Logistics & Distribution S.A of the assets related to the secondary logistics activity of the company.

The due date for the Rompetrol Petrochemicals S.R.L. loan from Bancpost (see Note 16) has been extended to 7 July 2011.

On March 14, 2011 the stocks of crude oil and petroleum products in Rompetrol Rafinare S.A. have been pledged in favour of BNP Paribas SA,to secure the loans of Vector Energy AG worth USD 150 million.