S.C. OMV PETROM S.A.

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2012

Prepared in accordance with Order of the Ministry of Public Finance no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards

TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of S.C. OMV Petrom S.A.

1. We have audited the accompanying financial statements of OMV Petrom S.A. ("the Company"), which comprise the statement of financial position as at 31 December 2012, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

3. Our responsibility is to express an opinion on these 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 auditor's 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 financial statements give a true and fair view of the financial position of OMV Petrom S.A. as of 31 December 2012 and of its financial performance and cashflows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications.

Report on other legal and regulatory requirements

In accordance with the Order of the Minister of Public Finance no. 1286/2012, article no. 16 point c) from Chapter II, we have read the Directors' Report. The Directors' Report is not a part of the financial statements. In the Directors' 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 2012.

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 România
Ion
Bogdan
Nr. 1565

Name of signing person: Bogdan Ion

Registered with the Chamber of Financial Auditors in Romania
Nr. 1565/ 29 July 2004

Bucharest, Romania
21 March 2013

Camera Auditorilor Financiari din România
Cora
Anamaria
Nr.1593

Name of signing person: Anamaria Cora

Registered with the Chamber of Financial Auditors in Romania
Nr. 1593/ 16 August 2005

Bucharest, Romania
21 March 2013

S.C. OMV PETROM S.A.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011
ASSETS				
Intangible assets	**5**	896.33	1,045.18	1,126.30
Property, plant and equipment	**6**	24,881.75	22,368.28	19,867.59
Investments	**7**	1,914.13	1,954.66	2,078.54
Other financial assets	**8**	4,109.61	4,296.78	4,668.57
Other assets	**9**	11.73	25.80	25.34
Deferred tax assets	**17**	905.50	822.15	733.79
Non-current assets		**32,719.05**	**30,512.85**	**28,500.13**
Inventories	**10**	1,725.31	1,707.86	1,841.86
Trade receivables	**9**	1,711.71	1,930.26	1,594.58
Other financial assets	**8**	511.46	748.81	158.96
Other assets	**9**	113.51	81.56	348.88
Cash and cash equivalents		557.25	567.01	1,415.93
Assets held for sale	**11**	72.57	76.44	77.29
Current assets		**4,691.81**	**5,111.94**	**5,437.50**
Total assets		**37,410.86**	**35,624.79**	**33,937.63**
EQUITY AND LIABILITIES				
Share capital	**12**	5,664.41	5,664.41	5,664.41
Adjustments of share capital		13,318.96	13,318.96	13,318.96
Adjusted share capital	**12**	**18,983.37**	**18,983.37**	**18,983.37**
Reserves		3,928.08	1,713.76	(893.75)
Equity		**22,911.45**	**20,697.13**	**18,089.62**
Provisions for pensions and similar obligations	**13**	232.86	185.39	280.26
Interest-bearing debts	**14**	1,717.05	2,173.30	3,465.51
Provisions for decommissioning and restoration obligations	**13**	5,751.91	5,779.37	5,702.80
Other provisions	**13**	628.11	848.12	811.96
Other financial liabilities	**15**	129.02	57.97	21.93
Non-current liabilities		**8,458.95**	**9,044.15**	**10,282.46**

S.C. OMV PETROM S.A.
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2012	December 31, 2011	January 1, 2011
Trade payables	**15**	2,268.52	2,323.99	2,852.56
Interest-bearing debts	**14**	1,493.88	1,295.51	1,222.47
Current income tax payable		237.38	250.51	177.84
Other provisions and decommissioning	**13**	1,192.64	1,153.22	715.08
Other financial liabilities	**15**	329.64	431.08	282.32
Other liabilities	**16**	518.40	429.20	315.28
Current liabilities		**6,040.46**	**5,883.51**	**5,565.55**
Total equity and liabilities		**37,410.86**	**35,624.79**	**33,937.63**

These financial statements were approved on March 21, 2013.

Mrs. Mariana Gheorghe
Chief Executive Officer

Mr. Andreas Matje
Chief Financial Officer

Mr. Johann Pleininger
E.B. Member E&P

Mr. Cristian Secosan
E.B. Member Gas, Power & Chemicals

Mr. Neil Morgan
E.B. Member Refining & Marketing

Mrs. Alina Popa
Director Finance Department

Mr. Eduard Petrescu
Head of Financial Reporting

S.C. OMV PETROM S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2012	December 31, 2011
Sales revenues		19,122.51	16,183.68
Direct selling expenses		(21.56)	(13.28)
Production costs of sales		(12,653.50)	(10,012.60)
Gross profit		**6,447.45**	**6,157.80**
Other operating income	**18**	144.07	374.70
Selling expenses		(318.02)	(304.72)
Administrative expenses		(112.79)	(107.15)
Exploration expenses		(329.53)	(308.49)
Other operating expenses	**19**	(763.36)	(1,152.32)
Earnings before interest and taxes (EBIT)		**5,067.82**	**4,659.82**
Income from investments	**21**	287.11	303.22
Net interest expense	**22**	(674.35)	(278.05)
Other financial income and expenses	**23**	(97.11)	(218.64)
Net financial result		**(484.35)**	**(193.47)**
Profit from ordinary activities		**4,583.47**	**4,466.35**
Taxes on income	**24**	(732.86)	(736.57)
Net income for the year		**3,850.61**	**3,729.78**

S.C. OMV PETROM S.A.
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	December 31, 2012	December 31, 2011
Net income for the year	**3,850.61**	**3,729.78**
Unrealized gains/ (losses) on hedges	(250.62)	(544.00)
Realized (gains)/ losses on hedges recycled to income statement	393.08	401.54
Income tax relating to components of other comprehensive income	(22.79)	22.79
Other comprehensive income for the year, net of tax	**119.67**	**(119.67)**
Total comprehensive income for the year	**3,970.28**	**3,610.11**

These financial statements were approved on March 21, 2013.

Mrs. Mariana Gheorghe
Chief Executive Officer

Mr. Andreas Matje
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Mrs. Alina Popa
Director Finance Department

Mr. Eduard Petrescu
Head of Financial Reporting

The notes on pages 10 to 73 form part of these financial statements.

S.C. OMV PETROM S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Share capital	Adjustments of share capital	Adjusted share capital	Retained earnings	Reserves	Cash flow hedging reserve	Treasury shares	Stockholders' equity
Balance at January 1, 2012	**5,664.41**	**13,318.96**	**18,983.37**	**(4,264.09)**	**6,097.54**	**(119.67)**	**(0.02)**	**20,697.13**
Net income for the year	-	-	-	3,850.61	-	-	-	3,850.61
Other comprehensive income for the year	-	-	-	-	-	119.67	-	119.67
Total comprehensive income for the year	**-**	**-**	**-**	**3,850.61**	**-**	**119.67**	**-**	**3,970.28**
Dividends distribution *)	-	-	-	(1,755.96)	-	-	-	(1,755.96)
Allocation to legal reserve	-	-	-	(213.55)	213.55	-	-	-
Balance at December 31, 2012	**5,664.41**	**13,318.96**	**18,983.37**	**(2,382.99)**	**6,311.09**	**-**	**(0.02)**	**22,911.45**

Notes:
For details on reserves, see Note 12.
*) Dividends distribution for the year ended December 31, 2011 has been done based on financial statements prepared in accordance with MOF 3055/2009. Please refer to Note 2 for equity reconciliation between MOF 3055/2009 and IFRS (MOF 1286/2012).

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2011
(all amounts are expressed in million RON, unless otherwise specified)

	Share capital stock	Adjustments of share capital	Adjusted share capital	Retained earnings	Reserves	Cash flow hedging reserve	Treasury shares	Stockholders' equity
Balance at January 1, 2011	**5,664.41**	**13,318.96**	**18,983.37**	**(6,781.87)**	**5,888.14**	**-**	**(0.02)**	**18,089.62**
Net income for the year	-	-	-	3,729.78	-	-	-	3,729.78
Other comprehensive income for the year	-	-	-	-	-	(119.67)	-	(119.67)
Total comprehensive income for the year	**-**	**-**	**-**	**3,729.78**	**-**	**(119.67)**	**-**	**3,610.11**
Dividends distribution *)	-	-	-	(1,002.60)	-	-	-	(1,002.60)
Allocation to legal reserve	-	-	-	(209.40)	209.40	-	-	-
Balance at December 31, 2011	**5,664.41**	**13,318.96**	**18,983.37**	**(4,264.09)**	**6,097.54**	**(119.67)**	**(0.02)**	**20,697.13**

Notes:
For details on reserves, see Note 12.
*) Dividends distribution for the year ended December 31, 2010 has been done based on financial statements prepared in accordance with MOF 3055/2009. Please refer to Note 2 for equity reconciliation between MOF 3055/2009 and IFRS (MOF 1286/ 2012).

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2012	December 31, 2011
Cash flow from operating activities			
Profit before taxation		**4,583.47**	**4,466.35**
Adjustments for:			
Interest expenses and other financing costs	**22, 23**	400.90	161.60
Interest income	**22**	(161.77)	(140.52)
Dividend income	**21**	(287.11)	(303.22)
Net movement in provisions for:			
- Financial assets		(81.30)	214.54
- Inventories		28.27	57.87
- Receivables		86.13	(10.26)
- Pensions and similar liabilities		47.47	(94.87)
- Decommissioning and restoration obligations		111.47	2.22
- Other provisions for risk and charges		(510.10)	148.47
Discounting/ Write-off of receivables and other similar items		215.69	87.97
Cash flow hedge - non-cash impact in income statement		83.94	95.49
(Gain)/Loss on disposals of fixed assets	**18, 19**	63.91	(14.18)
(Gain)/Loss on disposals of financial assets		141.87	7.20
Depreciation, amortization and impairment expense	**5, 6, 20**	2,304.29	2,231.14
Other non-cash items		(6.19)	(95.91)
Cash generated from operating activities before working capital movements		**7,020.94**	**6,813.89**
(Increase)/Decrease in inventories		(86.43)	50.11
(Increase)/Decrease in receivables and other assets		207.94	(298.56)
Increase/(Decrease) in liabilities		86.39	(170.64)
Interest received		158.33	146.61
Interest paid		(146.96)	(177.88)
Dividends received		277.90	302.23
Tax on profit paid		(853.16)	(729.65)
Net cash generated from operating activities		**6,664.95**	**5,936.11**
Cash flow from investment activities			
Purchase of tangible and intangible assets		(4,791.28)	(4,658.64)
Proceeds from sale of fixed assets		59.10	107.84
Proceeds from sale of financial assets	**28**	9.92	52.06
Investments in subsidiaries		(29.00)	(180.03)
Loans reimbursed by subsidiaries		155.80	81.66
Net cash used from investment activities		**(4,595.46)**	**(4,597.11)**
Cash flow from financing activities			
Increase in/ (Repayment of) loans taken from subsidiaries		134.95	(2.76)
Net increase in/ (Net Repayment of) other loans	**28**	(475.01)	(1,200.11)
Dividends paid		(1,741.38)	(993.24)
Net cash provided used for financial activities		**(2,081.44)**	**(2,196.11)**
Effect of foreign exchange rate changes on cash and cash equivalents		2.19	8.19
Total cash flows		**(9.76)**	**(848.92)**
Cash and cash equivalents at the beginning of the year		**567.01**	**1,415.93**
Cash and cash equivalents at the end of the year		**557.25**	**567.01**

The notes on pages 10 to 73 form part of these financial statements.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), has activities in Exploration and Production (E&P), Gas and Power (G&P), Refining and Marketing (R&M) segments and is listed on Bucharest Stock Exchange under "SNP" code.

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

	Percent
OMV Aktiengesellschaft	51.01%
Ministry of Economy	20.64%
Property Fund S.A.	20.11%
European Bank for Reconstruction and Development	1.62%
Legal entities and individuals	6.62%
Total	**100.00%**

On November 28, 2012, the European Bank for Reconstruction and Development (EBRD) sold 229,554,012 shares in OMV Petrom S.A. ("the Company") on the Bucharest Stock Exchange. The sale represented 0.41% of OMV Petrom S.A.'s total shares. Thus, the EBRD stake in OMV Petrom S.A. diminished from 2.03% at the end of 2011 to 1.62% at the end of 2012, while the free float increased to 6.62%.

Statement of compliance

The separate financial statements of the Company have been prepared in accordance with the provisions of Order of the Minister of Public Finance no. 1286/2012 approving the accounting regulations compliant with the International Financial Reporting Standards applicable to companies whose securities are admitted to trading on a regulated market, with all subsequent modifications and clarifications. These provisions are aligned with the requirements of the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU), with the exception of the provisions of IAS 21 The Effects of Changes in Foreign Exchange Rates regarding the functional currency. For the purposes of the preparation of these financial statements, in accordance to Romanian legislative requirements, the functional currency of the Company is deemed to be the Romanian Leu (RON).

For all periods up to and including the year ended December 31, 2011, OMV Petrom S.A. prepared its separate financial statements in accordance with local generally accepted accounting principles (Local GAAP), represented by MOF 3055/2009 for the years 2011 and 2010. These are the Company's first set of separate financial statements prepared under IFRS as adopted by the EU.

Refer to Note 2 for information on how the Company adopted IFRS.

The Company also prepares consolidated financial statements in accordance with IFRS as endorsed by the EU, which are available on the Company's website www.petrom.com/portal/01/petromcom/petromcom/Petrom/Relatia_cu_investitorii.

Basis of preparation

The financial statements of OMV Petrom S.A. are presented in RON ("Romanian Lei"), using going concern principles. All values are presented in millions, rounded to the nearest 2 decimals. The financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

Standards and Interpretations issued by IASB but not yet effective and not early adopted

At the date of authorization of these financial statements the following standards, revisions and interpretations were issued by IASB, but are not yet effective and were not early adopted by the Company:

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**
  The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

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

- **IAS 27 Separate Financial Statements (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Early application is permitted.

- **IAS 28 Investments in Associates and Joint Ventures (Revised)**
  The Standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2014.These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**
  The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

- **IFRS 9 Financial Instruments - Classification and Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. Early application is permitted. This standard has not yet been endorsed by the EU.

- **IFRS 10 Consolidated Financial Statements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

- **IFRS 11 Joint Arrangements**
  The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

- **IFRS 12 Disclosures of Interests in Other Entities**
  The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity’s interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- **IFRS 13 Fair Value Measurement**
  The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted.

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**
  The interpretation is effective for annual periods beginning on or after 1 January 2013.This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

- **Annual improvements to IFRSs** – effective for annual periods beginning on or after 1 January 2013, not yet endorsed by EU. Earlier application is permitted in all cases, provided that fact is disclosed. This set of amendments published as part of the annual improvements process includes specific changes to IAS 1, IAS 16, IAS 32 and IAS 34.

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**
The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU.

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**
The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualifies as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. This amendment has not yet been endorsed by the EU.

Early application of the above standards and interpretations is not foreseen by the Company. Potential effects in the respective years of initial application are currently being evaluated by management.

Significant accounting judgments, estimates and assumptions

Preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets, liabilities and recognized contingent liabilities at the end of the reporting period and amounts of revenues and expenses recognized during the reporting period, as well as the amounts disclosed in the notes. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in actual outcomes that may differ from these estimates and may require a material adjustment to the carrying amount of the assets or liabilities in future periods. The management believes that any deviations from these estimates will not have a material influence on the Company's financial statements in the near-term.

Estimates and assumptions need to be made particularly with respect to the following:

a) Mineral reserves (oil and gas reserves) are estimated by the Company's own engineers. The estimates are audited externally every two years. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

The oil and gas development and production properties are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas development and production assets at December 31, 2012 is shown in Note 6.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Company's development and production assets has been impaired.

b) Decommissioning costs will be incurred by the Company at the end of the operating life of some of the Company's facilities and properties.

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports of Petrom engineers as well as on past experience. Provisions for restoration costs require estimates of discount rates and inflation rates. These estimates have a material effect on the amount of the provisions (see Note 13).

The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future results.

c) In accordance with IAS 36, intangible assets as well as property, plant and equipment are reviewed at balance sheet date for any indications of impairment. If indicators that an impairment loss may have occurred are present, the Company makes a formal estimate of the recoverable amount of the cash generating unit or asset. The recoverable value is the higher of value in use and fair value less costs to sell. In most cases the Company formally estimates the value in use. The computation of value in use is based on budgets and forecasts and requires the use of a wide range of estimates and assumptions, such as future product prices and/or gross margins, growth rates, inflation rates, foreign exchange rates, discount rates etc.

For the computation of value in use as of December 31, 2012 the post-tax discount rates used (that reflect current market assessments of the time value of money and the risks specific to the asset/ cash generating unit) are specific for each segment, as follows: 7.3% for E&P (2011: 7.4%), 6.0% for G&P (2011: 5.9%) and 6.2% for R&M (2011: 6.2%).

In addition, management exercises judgment in determining the appropriate level of grouping E&P assets into CGUs, in particular with respect to the E&P assets which share significant common infrastructure and are consequently grouped into the same CGU.

d) The application of the Company's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is probable that future economic benefits are likely either from future operation or sale or where activities have not reached a stage which permits a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in profit or loss in the period when the new information becomes available.

e) By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.

2. RECONCILIATION BETWEEN IFRS AND PREVIOUS LOCAL GAAP

These financial statements, for the year ended December 31, 2012, are the first separate financial statements that the Company has prepared in accordance with IFRS as endorsed by the EU, in accordance with the provisions of MOF 1286/2012. For periods up to and including the year ended 31 December 2011, the Company prepared its financial statements in accordance with local generally accepted accounting principles (Local GAAP, being the Ministry of Finance Order 3055/2009 for the years 2011 and 2010).

Accordingly, the Company has prepared financial statements which comply with IFRS as endorsed by the EU applicable for annual periods ending on or after December 31, 2012, together with the comparative period data as at and for the year ended December 31, 2011. In preparing these financial statements, the Company's opening financial position was prepared as at January 1, 2011 (date of transition).

This note explains the reconciliation of the equity reported in accordance with previous GAAP to equity in accordance with IFRS for both the date of transition to IFRS (January 1, 2011) and the end of the latest period presented in the entity's most recent annual financial statements in accordance with previous GAAP (December 31, 2011) as well as a reconciliation to its total comprehensive income in accordance with IFRS for the latest period in the entity's most recent annual financial statements (for the year 2011).

(all amounts are expressed in million RON, unless otherwise specified)

2. RECONCILIATION BETWEEN IFRS AND PREVIOUS LOCAL GAAP (continued)

		Equity as of December 31, 2011							
	Total equity as of January 1, 2011	**Share capital**	**Retained earnings (including net profit)**	**Reserves**	**Cash flow hedge reserve**	**Treasury shares**	**Total equity as of December 31, 2011**	**Net profit for year 2011**	**Other comprehensive income for year 2011**
MOF 3055/2009	16,195.07	5,664.41	7,130.72	6,095.78	-	(0.02)	**18,890.89**	3,685.61	-
Fixed assets (A)	1,158.67	-	1,167.04	-	-	-	**1,167.04**	8.25	-
Investments (B)	28.96	-	0.05	-	-	-	**0.05**	(28.91)	-
Inventories (C)	13.18	-	12.06	-	-	-	**12.06**	(1.12)	-
Deferred tax (D)	734.17	-	799.92	-	22.79	-	**822.71**	65.75	22.79
Share capital (E)	-	13,318.96	(13,318.96)	-	-	-	**-**	-	-
Reserves (F)	(40.86)	-	(53.79)	-	-	-	**(53.79)**	-	-
Cash flow hedge (G)	-	-	(0.17)	-	(142.46)	-	**(142.63)**	(0.17)	(142.46)
Other	0.43	-	(0.96)	1.76	-	-	**0.80**	0.37	-
MOF 1286/2012	**18,089.62**	**18,983.37**	**(4,264.09)**	**6,097.54**	**(119.67)**	**(0.02)**	**20,697.13**	**3,729.78**	**(119.67)**

2. RECONCILIATION BETWEEN IFRS AND PREVIOUS LOCAL GAAP (continued)

A. At the date of first time adoption of IFRS in its consolidated financial statements (date of transition being 1 January 2005), the Company adopted the fair value of tangible and intangible assets as deemed cost. In accordance with paragraph D17 of the Appendix D of IFRS 1, if a parent becomes a first-time adopter for its separate financial statements later than for its consolidated financial statements, it shall measure its assets and liabilities at the same amounts in both financial statements, except for consolidation adjustments.

   Under Local GAAP the foreign currency advances paid for acquisition of tangible and intangible assets had to be revalued at the end of the reporting period. As per IAS 21 Effect of changes in foreign exchange rates, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; therefore, an adjustment for reversal of revaluations of advances was booked against retained earnings.

   In the past periods, the Company designated cash flow hedge relationships for acquisition of certain items of plant, property and equipment. Under Local GAAP hedge accounting was not permitted; as per IAS 39, an adjustment to increase the value of property, plant and equipment was booked against retained earnings.

   As per Local GAAP rules, items written off should be derecognized from accounting books. As mentioned in the accounting policies, as per IFRS industry practice, under the successful efforts method, individual mineral interests and other assets are combined to cost centers (fields, blocks, areas), which are the basis for amortization and impairment testing. If single wells or other assets from a pooled amortization base with proved reserves are abandoned or otherwise disposed of, the accumulated depreciation for the single asset might be not directly identifiable. In general, irrespective if book values of abandoned assets are identifiable, no loss is recognized from the partial disposal of assets from a pooled amortization base as long as the remainder of the group of assets continues to produce oil or gas. It is assumed that the abandoned or retired asset is fully amortized. The capitalized costs for the asset are charged to the accumulated amortization base of the cost center. An adjustment to increase the value of assets derecognized as per Local GAAP requirements was booked against retained earnings.

B. Under Local GAAP, the long term investments (shares and other financial investments) are kept at historical cost, adjusted for depreciation if the case. As until January 1st 2004 Romania was a hyperinflationary economy, provisions of IAS 29 Financial Reporting in Hyperinflationary Economies were applied in accounting of investments acquired before December 31, 2003. In accordance with IAS 29, non-monetary assets and liabilities are restated and the restated cost, or cost less depreciation, of each item is determined by applying to its historical cost and accumulated depreciation the change in a general price index from the date of acquisition to the end of the reporting period. An adjustment increasing the value of investments was booked against retained earnings.

C. The production cost of inventories should include the direct related depreciation and amortization cost. As the value of productive assets under IFRS was different than the value under Local GAAP, also the direct depreciation included in the value of inventories differs. A restatement adjustment related to the production cost value was accordingly booked.

D. Under Local GAAP the deferred tax concept was not recognized. As per IAS 12 Income Taxes taxable temporary differences, which are temporary differences that will result in taxable amounts in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled and deductible temporary differences, which are temporary differences that will result in amounts that are deductible in determining taxable profit (tax loss) of future periods when the carrying amount of the asset or liability is recovered or settled should generate deferred tax liabilities or deferred tax assets. An adjustment for recognition of deferred tax assets was booked against retained earnings.

E. Under Local GAAP, share capital is kept at historical cost. As until January 1, 2004 Romania was an hyperinflationary economy, provisions of IAS 29 Financial Reporting in Hyperinflationary Economies were applied in accounting of share capital as of December 31, 2003. In accordance with IAS 29, the restated value is determined by applying the change in a general price index. An adjustment increasing the value of share capital was booked against retained earnings.

2. RECONCILIATION BETWEEN IFRS AND PREVIOUS LOCAL GAAP (continued)

F. A reclassification from reserves to other financial liabilities was performed in relation with the value of land obtained by the Company from the Romanian State, which shall be used to increase share capital. Under Local GAAP, these plots of land obtained from the State were booked against reserves; under IFRS this transaction meets the criteria for recognition as liability.

G. The Company entered into various contracts for protection of cash flows from sale of products, against risks of decrease in prices. Under Local GAAP hedge accounting was not permitted and the hedge results were recognized when realized, under financial result.

As per IAS 39, the effective part of fair valuation of the cash flow hedge instruments is recognized initially in equity and furthermore recycled into P&L in the same period or periods during which the hedged forecast cash flows affect profit or loss. Additionally, the inefficient part of the cash flow hedge is recognized directly in income statement.

3. ACCOUNTING AND VALUATION PRINCIPLES

a) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

b) Licence and property acquisition costs

Exploration licence and property acquisition costs are capitalized in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Licence and property acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence and property acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas properties.

c) Exploration and appraisal costs

Exploration and appraisal costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as unproved mineral properties and related assets pending determination of the commercial viability of the relevant oil and gas properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon commencement of the production. The status of such prospects and related costs are reviewed regularly by technical, commercial and executive management including review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

d) Development and production costs

Development costs including costs incurred to gain access to proved reserves and to prepare development wells locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as proved mineral properties and related assets.

Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

e) Intangible assets and property, plant and equipment

Intangible assets acquired by the Company are stated at cost less accumulated amortization and impairment losses.

Property, plant and equipment are recognized at cost of acquisition or construction and are presented net of accumulated depreciation and impairment losses.

(all amounts are expressed in million RON, unless otherwise specified)

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

The cost of purchased tangible assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use. The cost of self-constructed assets includes cost of direct materials, labour, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

Capitalized exploration and appraisal activities are generally not depreciated as long as they are related to unproved reserves, but tested for impairment. Once the reserves are proved and commercial viability is established, the related assets are reclassified into tangible assets and once production starts depreciation commences. Capitalized exploration and development costs and support equipment are generally depreciated based on proved developed reserves or total proved reserves by applying the unit-of-production method; only capitalized exploration rights and acquired reserves are amortized on the basis of total proved reserves.

In accordance with IAS 36, intangible assets as well as property, plant and equipment are reviewed at balance sheet date for any indications of impairment. For intangible assets with undetermined useful lives, impairment tests are carried out annually. This applies even if there are no indications of impairment.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, an impairment loss is recognized to reduce the asset to its lower recoverable amount. The asset's value is written back up to its depreciated cost if the reasons for recognition of an impairment loss disappear in subsequent periods. The difference is disclosed under other operating income.

Scheduled depreciation and amortization calculated on a straight line basis is largely based on the following useful lives:

Intangible assets	**Useful life (years)**
Software	3 - 5
Concessions, licenses and other intangibles	5 - 20, or contract duration
Business-specific property, plant and equipment	
E&P Oil and gas core assets	Unit of production method
G&P Gas pipelines	20 - 30
G&P Gas power plant	8 - 30
R&M Storage tanks and refinery facilities	25 - 40
R&M Pipeline systems	20
Other property, plant and equipment	
Production and office buildings	20 - 50
Other plant and equipment	10 - 20
Fixtures and fittings	5 - 10

For the application of the unit of production method the Company has separated the areas where it operates in thirteen regions. The unit of production factor is computed at the level of each region, based on the extracted quantities and the proved reserves or developed reserves as applicable.

The amortization of intangible assets is included in the income statement according to its function (mainly under "Production cost of sales").

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Under the successful efforts method individual mineral interests and other assets are combined to cost centers (fields, blocks, areas), which are the basis for depreciation and impairment testing. If single wells or other assets from a pooled depreciation base with proved reserves are abandoned or otherwise disposed of, the accumulated depreciation for the single asset might be not directly identifiable. In general, irrespective if book values of abandoned assets are identifiable, no loss is recognized from the partial relinquishment of assets from a pooled depreciation base as long as the remainder of the group of properties continues to produce oil or gas. It is assumed that the abandoned or retired asset is fully amortized. The capitalized costs for the asset are charged to the accumulated depreciation base of the cost center.

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This classification requires that the sale must be estimated as highly probable, and that the asset must be available for immediate disposal in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.

Advances for the acquisition of tangible and intangible assets are non-monetary items presented within property, plant and equipment and respectively within intangible assets.

f) Major maintenance and repairs

The capitalized costs of regular inspections and overhauls are separate components of the related asset or asset groups. The capitalized inspection and overhaul costs are amortized on a straight line basis, or on basis of the number of service hours or produced quantities or similar, if this better reflects the time period for the inspection interval (until the next inspection date).

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Company, the expenditure is capitalized. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

Cost of major remedial activities for wells workover is also capitalized and depreciated using the unit-of-production method.

All other minor repairs and maintenance costs are expensed as incurred.

g) Leases

Property, plant and equipment contain assets being used under finance leases. Since the Company has all the risks and benefits incidental to ownership of the leased item, the assets must be capitalized at the commencement of the lease at the lower of the present value of minimum lease obligation and fair value of leased property, and then depreciated over their expected useful life or the duration of the lease, if shorter. A liability equivalent to the capitalized amount is recognized, and future lease payments are split into the finance charge and the capital repayment element.

All lease agreements not classified as finance leases are treated as operating leases and the operating lease payments then form part of the operating expenses in the income statement on a straight line basis over the lease term.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

h) Financial instruments

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the settlement date, i.e. the date on which the agreement is settled by delivery of assets that are subject of the agreement. Derivatives are recognized on trade date basis, i.e. the date that the Company commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

The Company's financial assets include trade receivables and other receivables, cash and cash equivalents and available-for-sale investments.

After initial measurement, trade and other receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

After initial measurement, available-for-sale securities are recognized at fair value. Changes in their fair value are however not recognized as income, but included directly as part of other comprehensive income. The losses arising from impairment of such investments are recognized in the profit or loss and removed from the available-for-sale reserve.

Available-for-sale securities which are not listed and for which the fair value cannot be reliable established are carried at acquisition cost less any impairment losses, and are tested yearly for impairment.

The Company's financial liabilities include trade liabilities and other liabilities, loans and borrowings, and derivative financial instruments.

Liabilities other than derivatives are carried at amortized cost using the effective interest rate method. If goods and services supplied in connection with operating activities have not yet been invoiced but both the dates and amounts of supply are already incurred, the obligations are included under liabilities rather than as provisions.

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices and are subsequently measured at fair value.

The fair value of derivative financial instruments reflects the estimated amounts that the Company would pay or receive if the positions were closed at year end date, and thus the unrealized gains and losses on open positions. Quotations from banks or appropriate pricing models have been used to estimate the fair value of financial instruments at year end date.

Unrealized gains and losses are recognized as income or expense, except where the requirements for hedge accounting are met. For hedge accounting to be applied the hedging relationship must be documented and actual hedge effectiveness must be in the range 80%–125%.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the hedged item and the hedging instrument are recognized as income or expense.

For cash flow hedges, the effective part of the changes in fair value is recognized directly in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Amounts deferred in other comprehensive income are recycled in profit or loss in the periods when the hedged item is recognized in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in profit or loss.

Derivatives embedded in other financial instruments or host contracts are treated as independent instruments if their risks and characteristics are not closely associated with the host instruments and the host instruments were not recognized at fair value, so that the related unrealized gains and losses are recognized as income or expense.

The Company 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 a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in 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.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired;
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Management believes that the carrying amount of financial assets and liabilities measured at amortized cost substantially approximates their fair value, as most of such assets are either short term or are bearing variable interest rates or are repriced regularly using the current market interest rates.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if:
- There is a currently enforceable legal right to offset the recognized amounts; and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

i) Borrowing costs

Borrowing costs incurred directly for the acquisition, construction or production of qualifying assets are capitalized until the assets are effectively ready for their intended use or for sale. Borrowing costs include interest on bank short-term and long-term loans, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other costs of borrowing are expensed in the period in which they are incurred.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

j) Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and selling expenses.

Cost of producing crude oil and gas and refining petroleum products is accounted on weighted average basis, and includes all costs incurred in the normal course of business in bringing each product to its present location and condition, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity.

Appropriate allowances are made for any obsolete or slow moving stocks based on the management's assessments.

k) Provisions

Provisions are made for all present obligations (legal or constructive) to third parties resulting from a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can reliably be estimated. Provision for individual obligations is based on the best estimate of the amount necessary to settle the obligation. 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning of oil and gas production assets describes the process of:
- plugging and abandoning wells;
- cleaning of sludge pits;
- dismantlement of wellheads and production facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

The Company's core activities regularly give rise to dismantling and removal, asset retirement and soil remediation obligations. These decommissioning and restoration obligations are mainly of material importance in the E&P segment (oil and gas wells, above-ground facilities). They are therefore disclosed as a separate item. At the time the obligation arises, it is provided for in full by recognizing as a liability the present value of future decommissioning and restoration expenses. An equivalent amount is capitalized as part of the carrying value of related property, plant and equipment. The obligation is calculated on the basis of best estimates. The capitalized asset is depreciated using the unit-of-production method for upstream activities and on straight-line basis for downstream assets.

Changes in the assumptions related to decommissioning costs are dealt with prospectively, by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment (for Petrom part) or to the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The unwinding of the decommissioning provision is included in Income Statement as a finance cost.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Based on the privatization agreement of the Company, part of its decommissioning and environmental cost will be reimbursed by the Romanian State. The portion to be reimbursed by the Romanian State has been presented as receivable and reassessed in order to reflect the current best estimate of the cost at its present value, using the same discount rate as for the related provisions.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

The unwinding on the receivables from the Romanian State related to decommissioning and environmental provisions (including any changes in the estimated timing of recovery) is included in the financial result.

Provisions for pensions and severance payments are calculated using the projected-unit-credit method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Actuarial gains/losses are recognized fully through the income statement.

Provisions for voluntary and involuntary separations under restructuring programs are recognized if a detailed plan has been approved by management prior to balance sheet date, and an irrevocable commitment is thereby established. Voluntary amendments to employees' remuneration arrangements are recognized if the respective employees have accepted the Company's offer. Provisions for obligations under individual separation agreements are recognized at the present value of the obligation where the amounts and dates of payment are fixed and known.

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO_2 emissions, and provisions are recognized only for shortfalls. The provision for a shortfall is initially measured at the best estimation of expenditure required to settle the obligation, which is the market price of the emission rights at the closing date. The related expense is recognized as emission costs, which are part of cost of sales. If subsequently to the recognition of a provision emission rights are purchased an asset is only recognized for the excess of the emission rights over the CO_2 emissions. Any price difference between the provision and the quantity of offsetting emission rights is expensed as emission cost.

l) Taxes on income including deferred taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, in the countries where the Company operates and generates taxable income.

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. 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 income 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; and
- 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.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future 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 income 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, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income 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 future 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 profit 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 to 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 directly in equity is recognized in equity and not in the income statement.

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

Production taxes

Royalties are based on the value of oil and gas production and are included in the income statement under production cost of sales.

m) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other incentives.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:
- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder’s right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset’s net carrying amount.

n) Components of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid investments with maturities of less than three months.

o) Interest in joint ventures

IFRS defines joint control as contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activity require the unanimous consent of the parties sharing the control (the venturers).

The Company has interests in jointly controlled assets.

A jointly controlled asset (JCA) involves joint control and often joint ownership by the Company and other venturers of the assets contributed to, or acquired for the purpose of, the joint venture, without the formation of a corporation, partnership or other entity.

Where the Company’s activities are conducted through JCAs, it recognizes its share of the jointly controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture’s output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture and a share of production. The Company combines its share of the jointly controlled assets and liabilities, income and expenses of the JCA with similar items, line by line, in its financial statements.

p) Investments in subsidiaries and associates

The investments in subsidiaries and associates are accounted for at cost less impairment losses.

(all amounts are expressed in million RON, unless otherwise specified)

4. FOREIGN CURRENCY TRANSACTIONS

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date, communicated by the National Bank of Romania:

Exchange rates	**December 31, 2012**	**December 31, 2011**	**December 31, 2010**
Euro (EUR)	4.4287	4.3197	4.2848
US dollar (USD)	3.3575	3.3393	3.2045

All differences resulting from foreign currency amounts settlements are recognized in profit and loss account in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in profit and loss account for the year.

The functional currency of the Company, assessed in accordance with IAS 21, is the RON.

(all amounts are expressed in million RON, unless otherwise specified)

5. INTANGIBLE ASSETS

	Concessions, licenses and other intangible assets	Oil and gas assets with unproved reserves	Total
COST			
Balance as at January 1, 2012	**1,689.57**	**760.34**	**2,449.91**
Additions	27.24	251.10	278.34
Transfers to tangible assets (Note 6)	(6.76)	(189.16)	(195.92)
Disposals *)	(2.31)	(26.58)	(28.89)
Balance as at December 31, 2012	**1,707.74**	**795.70**	**2,503.44**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2012	**1,055.72**	**349.01**	**1,404.73**
Amortization	178.73	-	178.73
Impairment	1.36	51.38	52.74
Disposals	(2.31)	(26.10)	(28.41)
Write-ups	(0.65)	(0.03)	(0.68)
Balance as at December 31, 2012	**1,232.85**	**374.26**	**1,607.11**
CARRYING AMOUNT			
As at January 1, 2012	**633.85**	**411.33**	**1,045.18**
As at December 31, 2012	**474.89**	**421.44**	**896.33**

*) Includes the amount of RON 0.48 million representing decrease from the reassessment of decommissioning asset for exploration wells (under category “Oil and gas assets with unproved reserves”).

(all amounts are expressed in million RON, unless otherwise specified)

5. INTANGIBLE ASSETS (continued)

	Concessions, licenses and other intangible assets	Oil and gas assets with unproved reserves	Total
COST			
Balance as at January 1, 2011	**1,671.59**	**714.91**	**2,386.50**
Additions *)	22.28	386.97	409.25
Transfers to tangible assets (Note 6)	1.62	(5.81)	(4.19)
Disposals	(5.92)	(335.73)	(341.65)
Balance as at December 31, 2011	**1,689.57**	**760.34**	**2,449.91**
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2011	**778.05**	**482.15**	**1,260.20**
Amortization	236.50	-	236.50
Impairment	46.02	202.89	248.91
Disposals	(4.85)	(335.72)	(340.57)
Write-ups	-	(0.31)	(0.31)
Balance as at December 31, 2011	**1,055.72**	**349.01**	**1,404.73**
CARRYING AMOUNT			
As at January 1, 2011	**893.54**	**232.76**	**1,126.30**
As at December 31, 2011	**633.85**	**411.33**	**1,045.18**

*) Includes the amount of RON 0.44 million representing increase from the reassessment of the decommissioning asset for exploration wells (under category “Oil and gas assets with unproved reserves”).

(all amounts are expressed in million RON, unless otherwise specified)

6. PROPERTY, PLANT AND EQUIPMENT

COST	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
Balance as at January 1, 2012	**2,166.08**	**21,063.35**	**3,315.83**	**368.24**	**1,886.41**	**1,815.60**	**30,615.51**
Additions **)	47.61	3,030.26	873.86	3.29	503.20	55.47	4,513.69
Transfers *)	189.09	142.53	2,785.49	33.94	(1,139.53)	(1,815.60)	195.92
Disposals	(91.58)	(106.12)	(44.67)	(56.72)	(100.11)	-	(399.20)
Balance as at December 31, 2012	**2,311.20**	**24,130.02**	**6,930.51**	**348.75**	**1,149.97**	**55.47**	**34,925.92**
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2012	**479.00**	**5,704.51**	**1,748.08**	**201.76**	**113.79**	**0.09**	**8,247.23**
Depreciation	124.96	1,378.21	400.66	32.00	-	-	1,935.83
Impairment	10.30	9.44	2.12	1.36	117.04	-	140.26
Transfers	(17.43)	2.76	12.24	2.91	(0.48)	-	-
Disposals	(40.75)	(46.16)	(40.42)	(49.11)	(100.12)	-	(276.56)
Write-ups	-	(0.04)	-	-	(2.55)	-	(2.59)
Balance as at December 31, 2012	**556.08**	**7,048.72**	**2,122.68**	**188.92**	**127.68**	**0.09**	**10,044.17**
CARRYING AMOUNT							
As at January 1, 2012	**1,687.08**	**15,358.84**	**1,567.75**	**166.48**	**1,772.62**	**1,815.51**	**22,368.28**
As at December 31, 2012	**1,755.12**	**17,081.30**	**4,807.83**	**159.83**	**1,022.29**	**55.38**	**24,881.75**

*) Net amount represents transfers from intangibles. See Note 5.
**) Includes the amount of RON 74.49 million representing additions in finance leasing, RON 16.53 million representing land deeds and RON 1.47 million representing increase from reassessment of the decommissioning asset (under category “Oil and gas assets”).

(all amounts are expressed in million RON, unless otherwise specified)

6. PROPERTY, PLANT AND EQUIPMENT (continued)

COST	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
Balance as at January 1, 2011	**1,927.85**	**18,795.55**	**2,476.53**	**426.73**	**1,352.67**	**1,560.84**	**26,540.17**
Additions *)	64.49	2,645.26	185.41	17.73	1,108.03	313.37	4,334.29
Transfers	231.29	(355.35)	694.39	45.26	(552.79)	(58.61)	4.19
Assets Held for Sale	0.10	-	-	-	-	-	0.10
Disposals	(57.65)	(22.11)	(40.50)	(121.48)	(21.50)	-	(263.24)
Balance as at December 31, 2011	**2,166.08**	**21,063.35**	**3,315.83**	**368.24**	**1,886.41**	**1,815.60**	**30,615.51**
4CCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2011	**387.35**	**4,534.90**	**1,456.31**	**235.51**	**58.25**	**0.26**	**6,672.58**
Depreciation	109.19	1,256.49	258.50	35.35	-	-	1,659.53
Impairment	10.76	-	7.89	1.85	66.57	-	87.07
Transfers	1.20	(76.39)	62.86	5.72	6.61	-	-
Disposals	(29.40)	(10.49)	(37.41)	(76.61)	(17.48)	-	(171.39)
Write-ups	(0.10)	-	(0.07)	(0.06)	(0.16)	(0.17)	(0.56)
Balance as at December 31, 2011	**479.00**	**5,704.51**	**1,748.08**	**201.76**	**113.79**	**0.09**	**8,247.23**
CARRYING AMOUNT							
As at January 1, 2011	**1,540.50**	**14,260.65**	**1,020.22**	**191.22**	**1,294.42**	**1,560.58**	**19,867.59**
As at December 31, 2011	**1,687.08**	**15,358.84**	**1,567.75**	**166.48**	**1,772.62**	**1,815.51**	**22,368.28**

*) Includes the amount of RON 46.32 million representing additions in finance leasing, RON 12.93 million representing land deeds and RON 155.16 million representing increase form reassessment of the decommissioning asset (under category “Oil and gas assets”).

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 123.44 million as at December 31, 2012 (2011: RON 59.21 million; 2010: RON 15.89 million).

During 2012, the Company has capitalized in the value of tangible and intangible assets borrowing costs related to current period in amount of RON 81.27 million (2011: RON 141.86 million). In addition, expenditure capitalized in the course of construction of tangible and intangible assets includes also an amount of RON 487.81 million (2011: RON 475.56 million).

For details on impairments see Note 20.

(all amounts are expressed in million RON, unless otherwise specified)

7. INVESTMENTS

As at December 31, 2012 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percentage	Cost	Write down allowance	Net book value
Subsidiaries					
OMV Petrom Marketing SRL	Fuel distribution	100.00%	1,389.86	-	1,389.86
ICS Petrom Moldova SA	Fuel distribution	100.00%	103.22	93.08	10.14
Tasbulat Oil Corporation LLP*	Oil exploration and drilling in Kazakhstan	100.00%	215.87	134.51	81.36
OMV Petrom Gas SRL	Gas distribution	99.99%	8.65	-	8.65
Petrom Distributie Gaze SRL	Gas distribution	99.99%	92.30	63.30	29.00
Petrom Aviation SA	Airport services	99.99%	54.14	16.71	37.43
OMV Petrom Wind Power SRL	Aeolian power production	99.99%	119.93	-	119.93
Petrom LPG SA	LPG distribution	99.99%	122.31	50.24	72.07
Petromed Solutions SRL	Medical services	99.99%	3.00	-	3.00
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
OMV Srbija DOO	Fuel distribution	99.90%	5.59	-	5.59
Petrom Nadlac SRL	Fuel distribution	98.51%	8.23	3.62	4.61
Kom Munai LLP	Oil exploration and drilling in Kazakhstan	95.00%	36.82	36.82	-
Petrochemicals Arges SRL	Refining petrochemicals production	95.00%	0.00	0.00	-
Trans Gas LPG Services SRL	LPG transportation related services	80.00%	4.20	3.89	0.31
Petrom Exploration & Production Limited	Exploration and production services	50.00%	0.00	-	0.00
Associates					
Franciza Petrom 2001 SA	Oil products distribution	40.00%	0.20	0.20	-
Brazi Oil & Anghelescu Prod Com SRL	Oil products distribution	37.70%	1.82	1.82	-
Fontegas Peco Mehedinti SA	Fuel distribution	37.40%	3.76	3.76	-
Congaz SA	Natural gas distribution	28.59%	14.16	-	14.16
Asociatia Romana pentru Relatia cu Investitorii	Public relations and public representation	20.00%	0.00	0.00	-
Other investments					
Bursa de Marfuri Oltenia Craiova	Other financial services	2.63%	0.00	0.00	-
Telescaun Tihuta SA	Cable transportation	1.68%	0.01	0.01	-
Agribac SA	Animals breeding	0.79%	0.11	0.11	-
Benz Oil SA	Fuel distribution	0.48%	0.22	0.22	-
Credit Bank	Other financial services	0.22%	0.32	0.32	-
Forte Asigurari - Reasigurari SA	Insurance services	0.09%	0.02	0.02	-
Total			**2,322.76**	**408.63**	**1,914.13**

*) Owned through Tasbulat Oil Corporation BVI as holding company.
Note: Nil amounts are shown as -. Where amounts are lower than RON 0.01 million, they are shown as 0.00.

(all amounts are expressed in million RON, unless otherwise specified)

7. INVESTMENTS (continued)

As at December 31, 2011 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percentage	Cost	Write down allowance	Net book value
Subsidiaries					
OMV Petrom Marketing SRL	Fuel distribution	100.00%	1,389.86	-	1,389.86
ICS Petrom Moldova SA	Fuel distribution	100.00%	103.22	42.66	60.56
Tasbulat Oil Corporation LLP *	Oil exploration and drilling in Kazakhstan	100.00%	215.87	149.53	66.34
Korned LLP	Oil exploration and drilling in Kazakhstan	100.00%	38.19	38.19	-
OMV Petrom Gas SRL	Gas distribution	99.99%	8.65	-	8.65
Petrom Distributie Gaze SRL	Gas distribution	99.99%	63.30	63.30	-
Petrom Aviation SA	Airport services	99.99%	54.14	13.85	40.29
OMV Petrom Wind Power SRL	Aeolian power production	99.99%	119.93	-	119.93
Petrom LPG SA	LPG distribution	99.99%	122.31	18.97	103.34
Petromed Solutions SRL	Medical services	99.99%	3.00	-	3.00
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
OMV Srbija DOO	Fuel distribution	99.90%	5.59	-	5.59
Petrom Nadlac SRL	Fuel distribution	98.51%	8.23	3.62	4.61
Kom Munai LLP	Oil exploration and drilling in Kazakhstan	95.00%	36.82	36.82	-
Petrochemicals Arges SRL	Refining petrochemicals production	95.00%	0.00	0.00	-
Trans Gas LPG Services SRL	LPG transportation	80.00%	4.20	3.89	0.31
Petrom Exploration & Production Limited	Exploration and production services	50.00%	0.00	-	0.00
Associates					
Franciza Petrom 2001 SA	Oil products distribution	40.00%	0.20	0.20	-
Brazi Oil & Anghelescu Prod Com SRL	Oil products distribution	37.70%	1.82	1.82	-
Fontegas Peco Mehedinti SA	Fuel distribution	37.40%	3.76	3.76	-
Congaz Sa	Natural gas distribution	28.59%	14.16	-	14.16
Asociatia Romana pentru Relatia cu Investitorii	Public relations and public representation	20.00%	0.00	0.00	-
Other investments					
Bursa De Marfuri Oltenia Craiova	Other financial services	2.63%	0.00	0.00	-
Telescaun Tihuta SA	Cable transportation	1.68%	0.01	0.01	-
Agribac SA	Animals breeding	0.79%	0.11	0.11	-
Benz Oil SA	Fuel distribution	0.48%	0.22	0.22	-
Credit Bank	Other financial services	0.22%	0.32	0.32	-
Forte Asigurari – Reasigurari SA	Insurance services	0.09%	0.02	0.02	-
MD India	Exploration and production	0.01%	0.15	0.15	-
Total			**2,332.10**	**377.44**	**1,954.66**

*) Owned through Tasbulat Oil Corporation BVI as holding company.
Note: Nil amounts are shown as -. Where amounts are lower than RON 0.01 million, they are shown as 0.00.

(all amounts are expressed in million RON, unless otherwise specified)

7. INVESTMENTS (continued)

As at January 1, 2011 the Company had investments in the following companies:

Company Name	Field of activity	Share interest percentage	Cost	Write down allowance	Net book value
Subsidiaries					
OMV Petrom Marketing SRL	Fuel distribution	100.00%	1,389.86	-	1,389.86
ICS Petrom Moldova SA	Fuel distribution	100.00%	103.22	-	103.22
Tasbulat Oil Corporation LLP*	Oil exploration and drilling in Kazakhstan	100.00%	35.84	-	35.84
Korned LLP	Oil exploration and drilling in Kazakhstan	100.00%	38.19	-	38.19
OMV Petrom Gas SRL	Gas distribution	99.99%	8.65	-	8.65
Petrom Distributie Gaze SRL	Gas distribution	99.99%	63.30	63.30	-
Petrom Aviation SA	Airport services	99.99%	54.14	-	54.14
OMV Petrom Wind Power SRL	Aeolian power production	99.99%	119.93	-	119.93
Petrom LPG SA	LPG distribution	99.99%	122.31	-	122.31
Petromed Solutions SRL	Medical services	99.99%	3.00	-	3.00
OMV Bulgaria OOD	Fuel distribution	99.90%	138.02	-	138.02
OMV Srbija DOO	Fuel distribution	99.90%	5.59	-	5.59
Petrom Nadlac SRL	Fuel distribution	98.51%	8.23	3.62	4.61
Kom Munai LLP	Oil exploration and drilling in Kazakhstan	95.00%	36.82	-	36.82
Petrochemicals Arges SRL	Refining petrochemicals production	95.00%	-	-	-
Trans Gas LPG Services SRL	LPG transportation related services	80.00%	4.20	-	4.20
Petrom Exploration & Production Limited	Exploration and production services	50.00%	0.00	-	0.00
Associates					
Franciza Petrom 2001 SA	Oil products distribution	40.00%	0.20	0.20	-
Brazi Oil & Anghelescu Prod Com SRL	Oil products distribution	37.70%	1.82	1.82	-
Fontegas Peco Mehedinti SA	Fuel distribution	37.40%	3.76	3.76	-
Congaz SA	Natural gas distribution	28.59%	14.16	-	14.16
Asociatia Romana pentru Relatia cu Investitorii	Public relations and public representation	20.00%	0.00	0.00	-
Other investments					
Bursa de Marfuri Oltenia Craiova	Other financial services	2.63%	0.00	0.00	-
Air Total Romania SA	Kerosene distribution	1.83%	11.53	11.53	-
Telescaun Tihuta SA	Cable transportation	1.68%	0.01	0.01	-
Agribac SA	Animals breeding	0.79%	0.11	0.11	-
Benz Oil SA	Fuel distribution	0.48%	0.22	0.22	-
Credit Bank	Other financial services	0.22%	0.32	0.32	-
Forte Asigurari – Reasigurari SA	Insurance services	0.16%	0.02	0.02	-
Oficiul Patronal Judetean Mures	Economic and Union activities development	0.01%	0.00	0.00	-
MD India	Exploration and production	0.01%	0.15	0.15	-
Total			**2,163.60**	**85.06**	**2,078.54**

*) Owned through Tasbulat Oil Corporation BVI as holding company.
Note: Nil amounts are shown as -. Where amounts are lower than RON 0.01 million, they are shown as 0.00.

(all amounts are expressed in million RON, unless otherwise specified)

8. OTHER FINANCIAL ASSETS

		Liquidity term	
	December 31, 2012	**less than 1 year**	**over 1 year**
Loans to subsidiaries (Note 27)	2,196.15	419.36	1,776.79
Expenditure recoverable from Romanian State	2,288.33	-	2,288.33
Other financial assets	136.59	92.10	44.49
Total	**4,621.07**	**511.46**	**4,109.61**

		Liquidity term	
	December 31, 2011	**less than 1 year**	**over 1 year**
Loans to subsidiaries (Note 27)	2,296.19	649.17	1,647.02
Expenditure recoverable from Romanian State	2,633.70	-	2,633.70
Other financial assets	115.70	99.64	16.06
Total	**5,045.59**	**748.81**	**4,296.78**

		Liquidity term	
	January 1, 2011	**less than 1 year**	**over 1 year**
Loans to subsidiaries (Note 27)	2,221.58	26.61	2,194.97
Expenditure recoverable from Romanian State	2,458.95	-	2,458.95
Other financial assets	147.00	132.35	14.65
Total	**4,827.53**	**158.96**	**4,668.57**

Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the Romanian State as these pertain to E&P activities prior to its privatization in 2004. Consequently, OMV Petrom S.A. has recorded the estimated decommissioning expenditures against receivable from the Romanian State with a net present value of RON 1,956.22 million as at December 31, 2012 (2011: RON 2,163.08 million; 2010: RON 1,992.84 million). The Company also recorded receivable from the Romanian State related to environmental liabilities in E&P, R&M and Doljchim with net present value of RON 332.11 million (2011: RON 470.62 million; 2010: RON 466.11 million) as these were existing prior to privatization of OMV Petrom S.A.

As of December 31, 2012, OMV Petrom filed claims for reimbursement of environmental cleanup costs in the amount of RON 95.94 million. Up to the date of these financial statements the Romanian State has not paid the claimed amounts.

(all amounts are expressed in million RON, unless otherwise specified)

8. OTHER FINANCIAL ASSETS (continued)

The movements of impairment allowances for loans to subsidiaries were as follows:

	Year 2012	Year 2011
January 1	**680.12**	**769.48**
Additions/ (releases)	1.18	114.26
Disposals	(114.26)	-
Write-ups	(10.26)	(203.62)
December 31	**556.78**	**680.12**

The aging of other financial receivables which were past due but not impaired was as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Up to 60 days overdue	0.21	-	-
61 to 120 days overdue	-	-	-
More than 120 days overdue	-	-	3.67
Total	**0.21**	**-**	**3.67**

9. RECEIVABLES AND OTHER ASSETS

a) Trade receivables are amounting to RON 1,711.71 million as at December 31, 2012 (2011: RON 1,930.26 million; 2010: RON 1,594.58 million). They are presented net of impairment allowances, which are detailed in 9 c) below.

b) Other assets (net of allowances)

	December 31, 2012	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	51.18	39.45	11.73
Rental and lease prepayments	24.14	24.14	-
Other receivables	49.92	49.92	-
Total	**125.24**	**113.51**	**11.73**

	December 31, 2011	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	64.34	38.54	25.80
Rental and lease prepayments	20.77	20.77	-
Other receivables	22.25	22.25	-
Total	**107.36**	**81.56**	**25.80**

(all amounts are expressed in million RON, unless otherwise specified)

9. RECEIVABLES AND OTHER ASSETS (continued)

	January 1, 2011	Liquidity term less than 1 year	Liquidity term over 1 year
Prepaid expenses and deferred charges	54.02	28.68	25.34
Rental and lease prepayments	20.19	20.19	-
Other receivables	300.01	300.01	-
Total	**374.22**	**348.88**	**25.34**

c) Valuation allowances for trade receivables and other assets

The movements of valuation allowances for trade and other assets were as follows:

	Trade receivables	Other assets	Total
January 1, 2012	**105.22**	**331.58**	**436.80**
Additions/ (releases)	(16.20)	105.99	89.79
Used-up	(0.19)	(3.47)	(3.66)
December 31, 2012	**88.83**	**434.10**	**522.93**

	Trade receivables	Other assets	Total
January 1, 2011	**117.11**	**329.94**	**447.05**
Additions/ (releases)	(11.69)	1.64	(10.05)
Used-up	(0.20)	-	(0.20)
December 31, 2011	**105.22**	**331.58**	**436.80**

The gross value of the impaired receivables as at December 31, 2012 is of RON 89.05 million for trade receivables (2011: RON 107.24 million; 2010: RON 118.76 million) and of RON 473.68 million for other assets (2011: RON 336.48 million; 2010: RON 333.63 million).

d) The aging of trade receivables which were past due but not impaired was as follows:

	December 31, 2012	December 31, 2011	January 1, 2011
Up to 60 days overdue	27.87	70.81	43.63
61 to 120 days overdue	-	0.82	-
More than 120 days overdue	-	-	-
Total	**27.87**	**71.63**	**43.63**

(all amounts are expressed in million RON, unless otherwise specified)

10. INVENTORIES

	December 31, 2012	December 31, 2011	January 1, 2011
Crude oil	355.49	356.38	395.47
Natural gas	92.93	76.21	57.12
Other raw materials	349.82	387.26	458.89
Work in progress	135.58	115.31	127.35
Finished products	791.08	769.64	746.61
Advances paid for inventories	0.41	3.06	56.42
Total	**1,725.31**	**1,707.86**	**1,841.86**

11. ASSETS HELD FOR SALE

	December 31, 2012	December 31, 2011	January 1, 2011
Land and buildings	70.85	75.77	76.79
Plant and equipment	0.13	0.11	0.12
Deferred tax asset (see Note 17)	1.59	0.56	0.38
Total	**72.57**	**76.44**	**77.29**

Assets held for sale relate mainly to plots of land located in Straulesti, Bucharest, committed for sale by OMV Petrom S.A. based on a contract concluded with Raiffeisen Evolution. These plots of land have a cost of RON 69.52 million as at December 31, 2012 RON (2011: RON 74.04 million; 2010: RON 74.06 million) and are presented in Corporate & Other business segment.

12. STOCKHOLDERS' EQUITY

Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2012 (December 31, 2011 and 2010: same number) with a total nominal value of RON 5,664.41 million. The balance up to RON 18,983.37 million represents inflation adjustment, as Romania was a hyperinflationary economy until January 2004.

Cash flow hedging reserve

In order to protect the Company's cash flows in 2012, OMV Petrom S.A. entered in September 2011 into oil price swaps, locking in a Brent price of approximately USD 101/bbl for a volume of 30,000 bbl/d. The oil price swaps were accounted as cash flow hedge. The liability from hedge contracts was valued at the market value as at December 31, 2011 in amount of RON 142.63 million (see Note 32). The effective part of the changes in fair value was recognized in other comprehensive income amounting to RON (119.67) million, net of deferred tax asset, while the ineffective part was recognized in the income statement in amount of RON (0.17) million for the year ended December 31, 2011. (Please refer also to Notes 15 and 32).

During the year 2012 the oil price hedge was realized, resulting in an expense of RON 394.08 million. There are no equity related balances for this hedge as of December 31, 2012.

(all amounts are expressed in million RON, unless otherwise specified)

12. STOCKHOLDERS' EQUITY (continued)

Revenue reserves

Revenue reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves, other reserves from fiscal facilities).

Geological quota included in revenue reserves is amounting to RON 5,062.84 million (2011 and 2010: same amount). Until December 31, 2006 OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

Legal reserves included in revenue reserves are amounting to RON 1,039.65 million (2011: RON 826.10 million, 2010: RON 616.70 million). OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

Other non-distributable reserves from fiscal facilities are amounting to RON 208.60 million (2011 and 2010: same amount).

13. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2012	**185.39**	**6,102.32**	**1,678.39**	**7,966.10**
Used	(14.90)	(162.58)	(648.86)	(826.34)
Allocations/ (releases)	62.37	170.01	433.38	665.76
December 31, 2012	**232.86**	**6,109.75**	**1,462.91**	**7,805.52**
thereof short-term	-	357.84	834.80	1,192.64
thereof long-term	232.86	5,751.91	628.11	6,612.88

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2011	**280.26**	**5,702.80**	**1,527.04**	**7,510.10**
thereof short-term	-	-	715.08	715.08
thereof long-term	280.26	5,702.80	811.96	6,795.02
Used	(13.73)	(230.11)	(378.66)	(622.50)
Allocations/ (releases)	(81.14)	629.63	530.01	1,078.50
December 31, 2011	**185.39**	**6,102.32**	**1,678.39**	**7,966.10**
thereof short-term	-	322.95	830.27	1,153.22
thereof long-term	185.39	5,779.37	848.12	6,812.88

(all amounts are expressed in million RON, unless otherwise specified)

13. PROVISIONS (continued)

Provisions for defined benefit obligations

Employees of the Company are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 6.48% (2011: 7.35%; 2010: 4.75%), an inflation rate of 3.15% (2011: 3.52%; 2010: 3.00%) and an average salary increase of 6.00% (2011: 6.02%; 2010: 7.00%).

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Decommissioning and restoration provision for the year ended December 31, 2012 was calculated using a time profile spread up to 35 years by using a discount rate of 6.48% (2011: 7.35%, 2010: 6.25%) and an inflation rate of 3.15% (2011: 3.52%, 2010: 2.73%).

Revisions in estimates for decommissioning and restoration provisions arise from re-assessing each year the cost of workings, the number of wells and other applicable items, as well as the expected timing of the decommissioning and restoration.

In relation to the Company's decommissioning and restoration obligations, there is a corresponding claim against the Romanian State, as presented in Note 8.

Details on the Decommissioning and restoration obligations are as follows:

	December 31, 2012	December 31, 2011
Balance as at January 1	**6,102.32**	**5,702.80**
Revisions in estimates	(257.25)	261.69
Unwinding effect	427.26	367.94
Settlements current year	(162.58)	(230.11)
Balance as at December 31	**6,109.75**	**6,102.32**

The unwinding effect is included in the Income Statement under the net interest expense line. The revisions in estimates impact either the assets subject to decommissioning (as presented in Notes 5 and 6) or the related receivable from State.

Other provisions were as follows:

December 31, 2012	**Total**	**less than 1 year**	**over 1 year**
Environmental provision	232.12	117.47	114.65
Other personnel provisions	132.40	132.40	-
Provisions for litigations	492.87	95.26	397.61
Other	605.52	489.67	115.85
Total	**1,462.91**	**834.80**	**628.11**

(all amounts are expressed in million RON, unless otherwise specified)

13. PROVISIONS (continued)

December 31, 2011	**Total**	**less than 1 year**	**over 1 year**
Environmental provision	486.10	200.44	285.66
Other personnel provisions	131.97	131.97	-
Provisions for litigations	558.37	116.08	442.29
Other	501.95	381.78	120.17
Total	**1,678.39**	**830.27**	**848.12**

January 1, 2011	**Total**	**less than 1 year**	**over 1 year**
Environmental provision	637.12	281.66	355.46
Other personnel provisions	211.59	211.59	-
Provisions for litigations	672.61	216.11	456.50
Other	5.72	5.72	-
Total	**1,527.04**	**715.08**	**811.96**

Environmental provisions

The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. Petrom experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2012. The same discount rates and inflation rates as for the decommissioning and restoration provisions are used to compute the environmental provisions.

The Company recorded environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim, as these obligations existed prior to privatization.

Other personnel provisions

Included in other personnel provisions is mainly the restructuring provision recorded by the Company further to approved restructuring plan that has been communicated to those affected by it.

Provisions for litigations

The Company monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and outside legal advisors. The Company has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

Other provisions

As at December 31, 2012 short-term provisions included under this line are related mainly to provisions for taxes to be paid to Romanian State amounting to RON 235.71 million and also provisions for late payment interest following receipt of the preliminary results of the fiscal review of OMV Petrom SA for the years 2009 and 2010 in amount of RON 209.03 million (see Note 22).

As at December 31, 2011 the main short-term provision was in amount of RON 366.53 million, representing the fine imposed to the Company by the Romanian Competition Council as a result of the antitrust investigation. The provision was entirely used in 2012, as the fine was paid by the Company.

Under other long-term provisions it is included the amount of RON 115.85 million (2011: RON 120.17 million) representing estimated costs in relation to Arpechim refinery permanent closure announced in March 2011.

(all amounts are expressed in million RON, unless otherwise specified)

13. PROVISIONS (continued)

Emissions certificates

Directive 2003/87/EC of the European Parliament and of the European Council established a greenhouse gas emissions trading scheme, requiring member states to draw up national plans to allocate emissions certificates. Romania was admitted to the scheme in January 2007, when it joined the EU.

Under this scheme OMV Petrom S.A. received a total of 4,287,525 free emissions certificates for the year 2012 (2011: 4,444,349, 2010: 4,650,862).

During 2012 the Company did not sell emissions certificates (2011: sales of 1,165,000 certificates, 2010 sale of: 2,650,000 certificates).

As at December 31, 2012, the Company had no shortfall in EU allowances allocated compared to the CO_2 emissions of installations subject to the EU Emission Trading Scheme.

14. INTEREST-BEARING DEBTS

As at December 31, 2012, December 31, 2011 and January 1, 2011 OMV Petrom S.A. had the following loans:

Interest-bearing debts short-term

Lender	December 31, 2012	December 31, 2011	January 1, 2011
European Bank for Reconstruction and Development (a)	411.20	401.19	336.64
Black Sea Trade and Development Bank (b)	22.14	21.60	21.42
European Investment Bank (c)	84.36	26.74	-
Raiffeisen Bank SA (d)	0.02	0.01	-
Cash pooling (e)	964.90	828.43	828.28
Accrued interest	17.45	23.75	36.13
Prepayments in relation with loan amounts drawn	(6.19)	(6.21)	-
Total interest-bearing debts short-term	**1,493.88**	**1,295.51**	**1,222.47**

Interest-bearing debts long-term

Lender	December 31, 2012	December 31, 2011	January 1, 2011
European Bank for Reconstruction and Development (a)	916.74	1,295.26	1,398.71
Black Sea Trade and Development Bank (b)	44.29	64.79	85.70
European Investment Bank (c)	773.97	837.20	557.02
Banks Consortium (agent: UniCredit Bank Austria AG) (f)	-	-	1,074.08
Banks Consortium (agent: UniCredit Bank Austria AG) (g)	-	-	350.00
Prepayments in relation with loan amounts drawn	(17.95)	(23.95)	-
Total interest-bearing debts long-term	**1,717.05**	**2,173.30**	**3,465.51**
Total interest-bearing debts	**3,210.93**	**3,468.81**	**4,687.98**

14. INTEREST-BEARING DEBTS (continued)

(a) During 2009, OMV Petrom S.A. concluded two loan agreements with European Bank for Reconstruction and Development:

(i) An unsecured corporate loan agreement for a maximum amount of EUR 200.00 million for the construction of the Power Plant in Brazi. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The amount due as at December 31, 2012 amounted to RON 744.90 million (equivalent of EUR 168.20 million) (2011: RON 818.15 million, equivalent of EUR 189.40 million; 2010: RON 557.03 million, equivalent of EUR 130.00 million).

(ii) An unsecured corporate loan agreement for a maximum amount of EUR 275.00 million with the purpose of funding an environmental projects program in respect of various operations (upstream, midstream and downstream), dated March 31, 2009, with final maturity date November 16, 2015 (for an amount of EUR 150.00 million) and November 15, 2013 (for the remaining EUR 125.00 million). The amount due as at December 31, 2012 was RON 583.04 million (equivalent of EUR 131.65 million) (2011: RON 878.30 million, equivalent of EUR 203.33 million; 2010: RON 1,178.32 million, equivalent of EUR 275.00 million).

(b) For the funding of the environmental program OMV Petrom S.A. concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25.00 million. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. The amount due as at December 31, 2012 amounted to RON 66.43 million (equivalent of EUR 15.00 million) (2011: RON 86.39 million, equivalent of EUR 20.00 million; 2010: RON 107.12 million, equivalent of EUR 25.00 million).

(c) For funding the construction of the Brazi Power Plant, OMV Petrom S.A. concluded also an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The amount due as at December 31, 2012 was RON 858.33 million (equivalent of EUR 193.81 million) (2011: RON 863.94 million, equivalent of EUR 200.00 million; 2010: RON 557.02 million, equivalent of EUR 130.00 million).

(d) Credit facility granted by Raiffeisen Bank S.A. up to EUR 95.00 million, with maturity date prolonged to December 31, 2013. The facility is not secured. This facility can be used as overdraft and for issuance of letters of guarantee and letters of credit in multi-currencies. Starting with September 29, 2010, the facility can be used in the same limit also by OMV Petrom Marketing S.R.L., but only for issuance of letters of guarantee and letters of credit.

(e) Cash pooling agreements with maturity on April 26, 2013, renewable each year, are signed between OMV Petrom S.A. and the following affiliates:

(i) OMV Petrom Marketing S.R.L. for an amount up to RON 1,500.00 million. The balance as at December 31, 2012 amounts to RON 777.33 million (2011: RON 542.88 million; 2010: RON 496.05 million).

(ii) OMV Petrom Gas S.R.L. for an amount up to RON 350.00 million. The balance as at December 31, 2012 amounts to RON 133.92 million (2011: RON 200.66 million; 2010: RON 168.95 million).

(iii) OMV Petrom Wind Power S.R.L. for an amount up to RON 100.00 million. The balance as at December 31, 2012 amounts to RON 6.08 million (2011: RON 5.66 million; 2010: RON 64.16 million).

(iv) Petromed Solutions S.R.L. for an amount up to RON 15.00 million. The balance as at December 31, 2012 amounts to RON 4.84 million (2011: RON 8.13 million; 2010: RON 3.62 million).

14. INTEREST-BEARING DEBTS (continued)

(v) Petrom Aviation S.A. for an amount up to RON 15.00 million. The balance as at December 31, 2012 amounts to RON 4.24 million (2011: RON 3.34 million; no balance as at December 31, 2010 because the contract was concluded on April 29, 2011).

(vi) Petrom Distributie Gaze S.R.L. for an amount up to RON 10.00 million. At December 31, 2012 and 2011 OMV Petrom S.A. had debit balances in relation with cash pooling with Petrom Distributie Gaze S.R.L.: RON 4.56 million, respectively RON 3.05 million, included in other financial assets (see Note 8). The contract was concluded on April 28, 2011.

(vii) As at December 31, 2012, a cash pooling agreement was in place with Petrom LPG S.A. for an amount up to RON 150.00 million, the amount drawn as at that date being RON 38.49 million (2011: RON 67.76 million; 2010: RON 90.22 million). The cash pooling contract with Petrom LPG S.A. was closed on January 13, 2013, following the sale of 99.99% stake in this company to Crimbo Gas International.

(viii) As at January 1, 2011, a cash pooling agreement was in place with Aviation Petroleum S.R.L., for an amount up to RON 10.00 million, the amount drawn as at that date being RON 5.28 million. During the year 2011, Aviation Petroleum S.R.L. merged with Petrom Aviation S.A.

The interest rate on these cash pooling agreements is the minimum between National Bank of Romania reference rate and 1 month ROBOR valid on the first working day of each month.

(f) On October 14, 2008 OMV Petrom SA concluded an unsecured revolving credit facility, for a maximum amount of EUR 375.00 million, with a consortium of banks that includes BRD – Groupe Société Générale S.A., Crédit Agricole Luxembourg S.A., Emporiki Bank-Romania S.A., Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG, Société Générale Bank & Trust S.A. and UniCredit Bank Austria AG. In 2009 the final maturity was prolonged to October 14, 2012; however the agreement was canceled in November 2011 when a new facility with a different Banks Consortium, was signed (see Note(h)). The amount due as of January 1, 2011, in amount of RON 964.08 million (equivalent of EUR 225.00 million) and RON 110.00 million were fully repaid during 2011.

(g) On December 21, 2009 OMV Petrom S.A. concluded a second revolving credit facility, unsecured, for a maximum amount of EUR 500.00 million, with a consortium of banks, as follows: Banca Românească S.A., BAWAG P.S.K. Bank, Caja de Ahorros y Pensiones de Barcelona, Erste Group Bank AG, Banca Comercială Română S.A., Eurobank EFG Private Bank Luxembourg AG, ING Bank N.V., Marfin Egnatia Bank S.A., Raiffeisen Bank S.A., Raiffeisen Zentralbank Österreich AG and UniCredit Tiriac Bank S.A.. The final maturity date was December 21, 2012, but the agreement was canceled in November 2011 when a new facility was signed (see Note (h)). The amount due as at January 1, 2011, in value of RON 350.00 million, was fully repaid during 2011.

(h) On November 22, 2011, OMV Petrom SA replaced the Banks Consortiums credit facilities amounting to EUR 875.00 million contracted in 2008 and 2009 with a new unsecured Banks Consortium revolving facility amounting to EUR 930.00 million with 3 years maturity and possibility of extension with another 2 years. The Banks Consortium includes Banca Comerciala Romana S.A., Banca Transilvania S.A., Barclays Bank PLC, BRD – Groupe Société Générale S.A., CaixaBank SA (Barcelona) Romania Branch, Citibank Europe plc, Fortis Bank SA/NV Bruxelles Bucharest Branch, ING Bank N.V. Amsterdam Bucharest Branch, J.P. Morgan Europe Limited, OTP Bank Romania SA, Raiffeisen Bank International AG, Raiffeisenlandesbank Niederosterreich Wien AG, Raiffeisenlandesbank Oberosterreich AG, Raiffeisen Bank SA, Bank of Tokyo Mitsubishi UFJ (Holland) N.V., Unicredit Bank Austria AG, Unicredit Tiriac Bank SA. The final maturity date was prolonged until November 22, 2015 with extension option for another year. There are no drawings from this facility as of December 31, 2012 or December 31, 2011.

(i) A Credit Offer of EUR 500.00 million was signed by OMV Petrom S.A. with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The facility was not used at December 31, 2012, December 31, 2011 or January 1, 2011. The facility is unsecured.

14. INTEREST-BEARING DEBTS (continued)

The Company has several overdraft facilities signed as at December 31, 2012 as follows:

(j) An uncommitted overdraft facility of RON 85.00 million is in place with Banca Comerciala Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 22, 2013. The facility was not used as at December 31, 2012, December 31, 2011 or January 1, 2011. The facility is not secured.

(k) An uncommitted, unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, in total amount of EUR 70.00 million (equivalent of RON 310.01 million), granted for the purpose of issuing contingent liabilities and working capital financing. The portion for contingent liabilities is of EUR 40.00 million (equivalent of RON 177.15 million) and has maturity until November 22, 2014. The portion for overdraft is of EUR 30.00 million (equivalent of RON 132.86 million) and has maturity until November 22, 2013. No drawings under the overdraft facility were made as at December 31, 2012 or as at December 31, 2011. The contract was signed on January 24, 2011.

(l) A committed credit facility contracted from BRD – Groupe Société Générale S.A. with maximum limit of EUR 53.00 million (equivalent of RON 234.72 million) that can be used in RON, with maturity date April 30, 2013. Facility was signed on May 19, 2011. The facility is taken with the purpose of financing the borrower's current activity. No drawings under the facility were made as at December 31, 2012 or as at December 31, 2011. The credit is unsecured.

OMV Petrom S.A. has signed also facilities with several banks for issuing letters of guarantee, as follows:

(m) A facility agreement was signed with Fortis Bank – Bucharest branch – for up to EUR 30.00 million (equivalent of RON 132.86 million), to be utilized only for issuance of letters of guarantee, with maturity date May 31, 2013 with yearly automatic renewal, but not later than May 31, 2017.The facility is not secured.

(n) Credit facility up to EUR 71.76 million (equivalent of RON 317.80 million) obtained from BRD – Groupe Société Générale S.A., to be utilized only for issuance of a letter of guarantee for fiscal authorities. The validity period for the credit facility is April 30, 2013. The facility is not secured.

(o) Credit facility received from Bancpost S.A., up to EUR 25.00 million (equivalent of RON 110.72 million), to be utilized only for issuance of letters of guarantee, with maturity date January 31, 2014. The facility is not secured.

(p) Credit facility up to USD 3.00 million (equivalent of RON 10.07 million) obtained from RBS Bank Romania S.A, to be utilized only for issuance of letters of guarantee, with approval to be extended until October 28, 2013 but currently with the possibility of utilization by tacit consent of the parties. The facility is not secured.

As at December 31, 2012, Petrom Group is in compliance with all financial covenants stipulated by the loan agreements.

Please refer to Note 32 for details regarding interest rates risk of interest-bearing debts.

(all amounts are expressed in million RON, unless otherwise specified)

15. OTHER FINANCIAL LIABILITIES

	December 31, 2012	less than 1 year	over 1 year
Finance lease liabilities	122.79	16.52	106.27
Other financial liabilities	335.87	313.12	22.75
Total	**458.66**	**329.64**	**129.02**

	December 31, 2011	less than 1 year	over 1 year
Liabilities from hedge contracts	142.63	142.63	-
Finance lease liabilities	56.72	9.86	46.86
Other financial liabilities	289.70	278.59	11.11
Total	**489.05**	**431.08**	**57.97**

	January 1, 2011	less than 1 year	over 1 year
Finance lease liabilities	15.19	4.27	10.92
Other financial liabilities	289.06	278.05	11.01
Total	**304.25**	**282.32**	**21.93**

Liabilities from hedge contracts

To protect the Company's cash flow in 2012, OMV Petrom S.A. entered into crude oil hedges for a volume of 30,000 bbl/d. Since the hedge contracts were realized as of December 31, 2012, their market value as of this date is nil (December 31, 2011: RON 142.63 million). Please refer also to Notes 12 and 32.

Finance lease liabilities

The Company acquired through finance lease mainly equipment for production of electricity and pipe yards facilities for tubing reconditioning in E&P.

The lease period for the pipe yards is 15 years and the total future minimum lease payments amounts to RON 62.70 million as at December 31, 2012.

(all amounts are expressed in million RON, unless otherwise specified)

15. OTHER FINANCIAL LIABILITIES (continued)

A breakdown of present value of finance lease liabilities is presented below.

	December 31, 2012	December 31, 2011	January 1, 2011
Obligations under finance leases			
Amounts due within 1 year	23.51	12.73	5.10
Amounts due after more than 1 year but not later than 5 years	88.75	51.25	10.79
Amounts due after 5 years	50.93	6.29	6.40
Total lease obligations	**163.19**	**70.27**	**22.29**
Less future finance charges on finance leases	(40.40)	(13.55)	**(7.10)**
Present value of finance lease liabilities	**122.79**	**56.72**	**15.19**
Analyzed as follows:			
Maturing within 1 year	16.52	9.86	4.27
Maturing after more than 1 year but not later than 5 years	69.94	44.81	8.87
Maturing after 5 years	36.33	2.05	2.05
Total present value of finance lease liabilities	**122.79**	**56.72**	**15.19**

In addition to above, for the Company has a commitment to lease a plant for the production of hydrogen and medium pressure steam for Petrobrazi Refinery which will be constructed during 2013 and will start operating in 2014, thus its beneficial ownership will be transferred to OMV Petrom S.A. starting 2014. Therefore the finance lease has not been recognized in the statement of financial position. Total future minimum lease commitments for the plant are amounting to RON 173.51 million as at December 31, 2012 (2011: nil).

Maturity profile of financial liabilities

The tables below summarize the maturity profile of the Company´s financial liabilities based on contractual undiscounted cash flows:

December 31, 2012	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest-bearing debts	1,547.62	1,148.05	749.27	**3,444.94**
Trade payables	2,268.52	-	-	**2,268.52**
Other financial liabilities	336.63	110.63	51.80	**499.06**
Total	**4,152.77**	**1,258.68**	**801.07**	**6,212.52**

December 31, 2011	**< 1 year**	**1-5 years**	**> 5 years**	**Total**
Interest-bearing debts	1,387.85	1,563.04	956.28	**3,907.17**
Trade payables	2,323.99	-	-	**2,323.99**
Other financial liabilities	433.95	59.92	8.73	**502.60**
Total	**4,145.79**	**1,622.96**	**965.01**	**6,733.76**

(all amounts are expressed in million RON, unless otherwise specified)

15. OTHER FINANCIAL LIABILITIES (continued)

January 1, 2011	< 1 year	1-5 years	> 5 years	Total
Interest-bearing debts	1,402.13	3,136.20	749.34	**5,287.67**
Trade payables	2,852.56	-	-	**2,852.56**
Other financial liabilities	283.15	20.86	7.34	**311.35**
Total	**4,537.84**	**3,157.06**	**756.68**	**8,451.58**

16. OTHER LIABILITIES

	December 31, 2012	less than 1 year	over 1 year
Deferred income	33.53	33.53	-
Tax liabilities	373.04	373.04	-
Social security	18.71	18.71	-
Other liabilities	93.12	93.12	-
Total	**518.40**	**518.40**	**-**

	December 31, 2011	less than 1 year	over 1 year
Deferred income	32.82	32.82	-
Tax liabilities	318.79	318.79	-
Social security	26.15	26.15	-
Other liabilities	51.44	51.44	-
Total	**429.20**	**429.20**	**-**

	January 1, 2011	less than 1 year	over 1 year
Deferred income	33.05	33.05	-
Tax liabilities	192.65	192.65	-
Social security	29.16	29.16	-
Other liabilities	60.42	60.42	-
Total	**315.28**	**315.28**	**-**

(all amounts are expressed in million RON, unless otherwise specified)

17. DEFERRED TAX

December 31, 2012	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	157.63	-	157.63	340.12
Financial assets	245.13	-	245.13	2.88
Inventories	42.92	-	42.92	-
Receivables and other assets	68.62	41.43	27.19	-
Untaxed reserves	-	-	-	14.72
Provisions for pensions and severance payments	37.26	-	37.26	-
Other provisions	752.61	-	752.61	-
Liabilities	0.48	-	0.48	-
Total	**1,304.65**	**41.43**	**1,263.22**	**357.72**
Netting (same tax jurisdiction/country)			(357.72)	(357.72)
Deferred tax, net			**905.50**	**-**
Deferred tax for assets held for sale (see Note 11)	1.59	-	1.59	-
Total deferred tax			**907.09**	**-**

December 31, 2011	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	129.22	-	129.22	353.42
Financial assets	212.59	-	212.59	4.59
Inventories	36.53	-	36.53	-
Receivables and other assets	70.07	41.64	28.43	-
Untaxed reserves	-	-	-	14.64
Provisions for pensions and severance payments	29.66	-	29.66	-
Other provisions	745.07	10.03	735.04	-
Liabilities	23.33	-	23.33	-
Total	**1,246.47**	**51.67**	**1,194.80**	**372.65**
Netting (same tax jurisdiction/country)			(372.65)	(372.65)
Deferred tax, net			**822.15**	**-**
Deferred tax for assets held for sale (see Note 11)	0.56	-	0.56	-
Total deferred tax			**822.71**	**-**

(all amounts are expressed in million RON, unless otherwise specified)

17. DEFERRED TAX (continued)

January 1, 2011	**Deferred tax assets before allowances**	**Allowances**	**Net deferred tax assets**	**Deferred tax liabilities**
Tangible and intangible assets	77.39	-	77.39	331.61
Financial assets	182.10	4.11	177.99	4.59
Inventories	27.29	-	27.29	-
Receivables and other assets	65.13	38.56	26.57	-
Untaxed reserves	-	-	-	14.08
Provisions for pensions and severance payments	44.84	-	44.84	-
Other provisions	729.37	-	729.37	-
Liabilities	0.62	-	0.62	-
Total	**1,126.74**	**42.67**	**1,084.07**	**350.28**
Netting (same tax jurisdiction/country)			(350.28)	(350.28)
Deferred tax, net			**733.79**	**-**
Deferred tax for assets held for sale (see Note 11)	0.38	-	0.38	-
Total deferred tax			**734.17**	**-**

18. OTHER OPERATING INCOME

	December 31, 2012	**December 31, 2011**
Exchange gains from operating activities	71.85	91.04
Gains from the disposal of fixed assets	36.54	34.12
Write-up tangible and intangible assets	3.27	0.87
Other operating income	32.41	248.67
Total	**144.07**	**374.70**

During 2011 other operating income included the reassessment of retirement provision amounting to RON 95.13 million following change in parameters as described in Note 13, and sales of carbon certificates amounting to RON 67.69 million, while in 2012 the reassessment of retirement provision generated an expense (see Note 19) and income from carbon certificates was significantly lower.

(all amounts are expressed in million RON, unless otherwise specified)

19. OTHER OPERATING EXPENSES

	December 31, 2012	December 31, 2011
Exchange losses from operating activities	84.79	96.60
Losses from the disposal of fixed assets	100.45	19.94
Expenses/ (Income) with provisions for litigations	(39.52)	12.12
Other operating expenses	617.64	1,023.66
Total	**763.36**	**1,152.32**

Other operating expenses include an amount of RON 67.22 million (2011: RON 8.03 million) representing restructuring expenses and RON 46.08 million representing reassessment of retirement provision (2011: see Note 18), as well as impairment provisions of RON 110.25 million in relation to uncollected receivables.

Other operating expenses for the year ended December 31, 2011 include an amount of RON 366.53 million representing the provision for the fine received from Romanian Competition Council and RON 120.17 million representing estimated costs in relation to Arpechim refinery permanent closure.

20. COST INFORMATION

For the years ended December 31, 2012 and December 31, 2011 the income statement includes the following personnel expenses:

	December 31, 2012	December 31, 2011
Wages and salaries	1,808.33	1,591.28
Other personnel expenses	229.50	98.99
Total personnel expenses	**2,037.83**	**1,690.27**

Included in the above personnel expenses is the amount of RON 293.88 million, representing Company’s contribution to state pension plan for the year ended December 31, 2012 (2011: RON 292.66 million).

Depreciation, amortization and impairment losses of intangible assets and property, plant and equipment consisted of:

	December 31, 2012	December 31, 2011
Depreciation and amortization	2,114.56	1,896.03
Impairment tangible and intangible assets	189.73	335.11
Total depreciation, amortization and impairment	**2,304.29**	**2,231.14**

Net impairment losses booked during the year ended December 31, 2012 for tangible and intangible assets were related to E&P segment amounting RON 145.45 million (including impairments for unsuccessful exploration wells and other projects), to R&M amounting RON 42.54 million and also to other segments RON 1.74 million.

Net impairment losses booked during the year ended December 31, 2011 for tangible and intangible assets were related to E&P segment amounting RON 303.38 million (mainly for impairment of unsuccessful exploration wells), to R&M amounting RON 28.76 million and also to other segments RON 2.97 million.

(all amounts are expressed in million RON, unless otherwise specified)

20. COST INFORMATION (continued)

In the income statement the impairment losses are mainly included under exploration expenses in amount of RON 51.37 million (2011: RON 202.88 million), under production cost of sales in amount of RON 135.66 million (2011: RON 122.35 million) and under selling expenses in amount of RON 5.76 million (2011: RON 10.45 million).

The impairment losses are net of write-ups amounting to RON 3.27 million (2011: RON 0.87 million) that are presented under other operating income line.

Rental expenses included in the income statement for the year ended December 31, 2012 are in amount of RON 170.01 million (2011: RON 157.97 million).

21. INCOME FROM INVESTMENTS

	December 31, 2012	December 31, 2011
Dividends from subsidiaries	283.46	300.36
Dividends from associated companies	3.65	2.86
Total	**287.11**	**303.22**

22. NET INTEREST EXPENSE

	December 31, 2012	December 31, 2011
Interest income		
Interest income from loans to subsidiaries	130.70	105.27
Interest income from receivables and other	13.95	20.99
Interest income from short term bank deposits	17.12	14.26
Unwinding income for other financial assets	21.00	3.91
Total interest income	**182.77**	**144.43**
Interest expense		
Interest expenses	(353.21)	(94.66)
Unwinding expenses for retirement benefits provision	(13.63)	(13.31)
Unwinding expenses for decommissioning provision	(276.20)	(234.28)
Unwinding and discounting for other items	(214.08)	(80.23)
Total interest expense	**(857.12)**	**(422.48)**
Net interest expense	**(674.35)**	**(278.05)**

Included into interest expense line are special charges amounting RON 209.03 million recorded for alleged late payment interest assessed by the fiscal authorities according to the preliminary results of the fiscal review for the years 2009 and 2010.

(all amounts are expressed in million RON, unless otherwise specified)

23. OTHER FINANCIAL INCOME AND EXPENSES

	December 31, 2012	**December 31, 2011**
Financial income		
Exchange gains from financing activities	102.07	158.44
Gains from investments and financial assets	25.57	196.42
Total financial income	**127.64**	**354.86**
Financial expense		
Exchange losses from financing activities	(91.33)	(83.18)
Impairment of financial assets	(85.73)	(423.38)
Other financing costs	(47.69)	(66.94)
Total financial expense	**(224.75)**	**(573.50)**
Other financial income and expenses	**(97.11)**	**(218.64)**

(all amounts are expressed in million RON, unless otherwise specified)

24. TAXES ON INCOME

	December 31, 2012	December 31, 2011
Taxes on income - current year	840.03	802.32
Deferred tax	(107.17)	(65.75)
Total taxes on income	**732.86**	**736.57**

The reconciliation of deferred taxes is as follows:

	December 31, 2012	December 31, 2011
Deferred taxes January 1	822.71	734.17
Deferred taxes December 31	907.09	822.71
Changes in deferred taxes	**84.38**	**88.54**
Deferred taxes on hedges charged directly to equity	(22.79)	22.79
Deferred taxes per income statement	**107.17**	**65.75**

Reconciliation

Profit before taxation	**4,583.47**	**4,466.35**
Income tax rate applicable	16.00%	16.00%
Profits tax based on income tax rate	**733.36**	**714.62**
Tax credit	(59.19)	(11.92)
Change in valuation allowance	(10.23)	(1.03)
Tax effect of permanent differences	68.92	34.90
Profits tax expense in Income Statement	**732.86**	**736.57**
Tax effect of other temporary differences	107.17	65.75
Profit tax to be paid for the year	**840.03**	**802.32**

Permanent differences in 2012 were generated mainly by the non-tax-deductible expenses related to the preliminary results of the fiscal audit.

Permanent differences in 2011 were generated mainly by the fine imposed by Romanian Competition Council (see Note 19).

25. SEGMENT INFORMATION

OMV Petrom S.A. is organized into four operating segments: Exploration and Production (E&P), Gas and Power and Refining and Marketing while management, financing activities and certain service functions are concentrated in the Corporate & Other segment.

Petrom's involvement in the oil and gas industry, by its nature, exposes it to certain risks. These include political stability, economic conditions, changes in legislation or fiscal regimes, as well as other operating risks inherent in the industry such as the high volatility of crude prices and the US dollar. A variety of measures are taken to manage these risks.

Apart from the integration of Petrom's upstream and downstream operations, and the policy of maintaining a balanced portfolio of assets in the E&P segment, the main instruments used are operational in nature. There is a company-wide environmental risk reporting system in operation, designed to identify existing and potential obligations and to enable timely action to be taken. Insurance and taxation are also dealt with on a company-wide basis. Regular surveys are undertaken across Petrom to identify current litigation and pending court and administrative proceedings.

Business decisions of fundamental importance are made by the Executive Board of OMV Petrom S.A. The business segments are independently managed, as each represents a strategic unit with different products and markets.

E&P activities are mainly focused on Romania and Kazakhstan. E&P products are crude oil and natural gas.

Gas business unit has the objective to focus on gas sales and on the best use of the potential and opportunities resulting from the market liberalization. Business division **Power** has been established with the purpose of diversifying the activity of OMV Petrom S.A. in the Romanian energy sector. Brazi power plant has started commercial operations in August 2012.

R&M produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division includes two Romanian refineries, Arpechim and Petrobrazi. In March 2011 OMV Petrom S.A. announced the permanent closure of the Arpechim refinery. **Marketing** division delivers products to both Retail and Wholesales customers.

(all amounts are expressed in million RON, unless otherwise specified)

25. SEGMENT INFORMATION (continued)

Operating segments:

December 31, 2012	E&P	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Total
Intersegment sales	11,646.86	412.63	468.55	448.02	**12,976.06**	**(12,976.06)**	**-**
Sales with third parties	112.54	2,583.47	16,276.42	150.08	**19,122.51**	**-**	**19,122.51**
Total sales	**11,759.40**	**2,996.10**	**16,744.97**	**598.10**	**32,098.57**	**(12,976.06)**	**19,122.51**
EBIT	**5,388.07**	**68.29**	**(64.53)**	**(116.44)**	**5,275.39**	**(207.57)**	**5,067.82**
Total assets *)	19,096.48	2,789.40	3,202.78	689.42	**25,778.08**	-	**25,778.08**
Investments in PPE/IA	3,656.08	278.39	804.73	52.83	**4,792.03**	-	**4,792.03**
Depreciation and amortization	1,624.11	69.37	331.23	89.85	**2,114.56**	-	**2,114.56**
Impairment losses	145.45	-	42.54	1.74	**189.73**	-	**189.73**

December 31, 2011	E&P	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Total
Intersegment sales	10,737.18	403.58	477.87	459.55	**12,078.18**	**(12,078.18)**	**-**
Sales with third parties	108.16	2,290.00	13,630.26	155.26	**16,183.68**	**-**	**16,183.68**
Total sales	**10,845.34**	**2,693.58**	**14,108.13**	**614.81**	**28,261.86**	**(12,078.18)**	**16,183.68**
EBIT	**5,214.71**	**4.75**	**(337.34)**	**(79.26)**	**4,802.86**	**(143.04)**	**4,659.82**
							-
Total assets *)	17,341.89	2,563.93	2,779.46	728.18	**23,413.46**	-	**23,413.46**
Investments in PPE/IA	3,419.62	397.32	875.65	50.95	**4,743.54**	-	**4,743.54**
Depreciation and amortization	1,529.07	8.55	254.03	104.38	**1,896.03**	-	**1,896.03**
Impairment losses	303.38	-	28.76	2.97	**335.11**	-	**335.11**

The key figure of operating performance for OMV Petrom S.A. is earnings before interest and tax (EBIT).
Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

*) Intangible assets (IA) and property, plant and equipment (PPE)

25. SEGMENT INFORMATION (continued)

Information about geographical areas:

For the geographical information, sales are allocated to countries/regions based on the location where the risks and benefits are transferred to the customer. In accordance to this principle, sales of the Company are attributed primarily to Romania. Also, the majority of non-current assets of OMV Petrom S.A. are located in the country of domicile.

26. AVERAGE NUMBER OF EMPLOYEES

The number of employees calculated as average headcount of 12 months number of employees is 20,508 for 2012 and 22,037 for 2011.

27. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 10 to 60 days. The balances are unsecured and will be settled in cash.

The balances with related parties comprise also loans receivable and payable, included in the Statement of financial position under “Other financial assets” (see also Note 8) and “Interest-bearing debts” respectively (see Note 14 (e)).

Dividends receivable are not included in the below balances and revenues.

Please refer to Note 30 for details on the guarantees given or paid to related parties.

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

During 2012, the Company had the following transactions with related parties (including balances as of December 31, 2012):

	Nature of transaction	Purchases	Payables
OMV Petrom S.A. subsidiaries			
OMV Petrom Gas S.R.L.	Acquisition of gas and other	110.83	10.66
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	95.14	31.23
Petrom Exploration & Production Limited	Delegation of personnel	74.74	-
OMV Petrom Wind Power SRL	Acquisition of electricity and green certificates	60.55	14.91
Petromed Solutions S.R.L.	Medical services	23.19	1.93
Petrom Aviation S.A.	Airport sales services	19.04	2.02
OMV Bulgaria OOD	Delegation of personnel and other	13.83	2.65
I.C.S. Petrom Moldova S.A.	Various services	2.77	0.05
Petrom Distributie Gaze S.R.L.	Various services	0.21	0.02
Petrom LPG S.A.	Various services	0.11	0.21
Total OMV Petrom S.A. subsidiaries		**400.41**	**63.68**
Other related parties			
OMV Supply & Trading AG	Acquisition of petroleum products	957.61	0.16
OMV Refining & Marketing GmbH	Acquisition of petroleum products	505.53	38.08
OMV Trading GmbH	Acquisition of electricity and other	87.68	24.68
OMV Exploration & Production GmbH	Delegation of personnel and other	69.35	26.05
OMV Solutions GmbH	Delegation of personnel and other	29.41	12.59
OMV Aktiengesellschaft	Delegation of personnel and other	29.85	7.00
OMV Hungária Ásványolaj Korlátolt Felelösségü Társaság	Acquisition of bitumen	18.78	-
OMV Power International GmbH	Delegation of personnel and other	4.00	3.95
OMV Gas & Power GmbH	Delegation of personnel and other	1.41	0.01
GAS Connect Austria GmbH	Delegation of personnel and other	0.07	-
OMV Austria Exploration & Production GmbH	Various services	0.07	0.06
Congaz SA	Various services	0.02	-
OMV - International Services Ges.m.b.H.	Financial services	0.01	-
Total other related parties		**1,703.79**	**112.58**
Total		**2,104.20**	**176.26**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Receivables
OMV Petrom S.A. subsidiaries			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	9,779.62	759.14
OMV Petrom Gas S.R.L.	Sales of gas	1,996.69	279.33
OMV Bulgaria OOD	Sales of petroleum products	384.67	95.65
Petrom LPG S.A.	Sales of petroleum products	363.08	15.91
I.C.S. Petrom Moldova S.A.	Sales of petroleum products	158.61	39.34
OMV Srbjia DOO	Sales of petroleum products	115.25	22.12
Kom Munai LLP	Delegation of personnel and other	8.40	23.75
Tasbulat Oil Corporation	Delegation of personnel and other	5.45	6.33
Petrom Distributie Gaze S.R.L.	Sales of gas and other	5.39	1.80
Petromed Solutions S.R.L.	Financial, IT and other services	3.93	0.91
OMV Petrom Wind Power SRL	Delegation of personnel and other	2.22	1.45
Petrom Aviation S.A.	IT and other services	0.66	0.07
Petrom Exploration & Production Limited	Advance payment for delegation of personnel	-	0.40
Total OMV Petrom S.A. subsidiaries		**12,823.97**	**1,246.20**
Other related parties			
OMV Supply & Trading AG	Sales of petroleum products	1,491.69	20.37
OMV Deutschland GmbH	Sales of propylene	232.57	34.83
OMV Solutions GmbH	Financial, IT and other services	44.74	8.64
OMV Trading GmbH	Sales of electricity and other	28.00	4.59
OMV Exploration & Production GmbH	Delegation of personnel and other	6.75	1.62
OMV Aktiengesellschaft	Delegation of personnel and other	3.76	4.24
OMV Refining & Marketing GmbH	Delegation of personnel and other	2.43	0.62
OMV Gas & Power GmbH	Delegation of personnel and other	0.20	0.06
OMV Abu Dhabi E&P GmbH	Various services	0.06	-
Total other related parties		**1,810.20**	**74.97**
Total		**14,634.17**	**1,321.17**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

During 2011, the Company had the following transactions with related parties (including balances as of December 31, 2011):

	Nature of transaction	Purchases	Payables
OMV Petrom S.A. subsidiaries			
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	95.52	44.49
OMV Petrom Gas S.R.L.	Acquisition of gas and other	71.77	35.22
Petrom Exploration & Production Limited	Delegation of personnel	63.81	-
Petromed Solutions S.R.L.	Medical services	22.16	0.40
OMV Petrom Wind Power SRL	Acquisition of electricity and green certificates	13.41	10.33
Petrom Aviation S.A.	Airport sales services	13.39	1.75
OMV Bulgaria OOD	Delegation of personnel and other	1.37	0.35
Petrom Distributie Gaze S.R.L.	Various services	0.44	0.02
ICS Petrom Moldova S.A.	Various services	0.15	0.02
Petrom LPG S.A.	Various services	0.07	0.32
Aviation Petroleum S.R.L.	Airport sales services	3.99	-
Total OMV Petrom S.A. subsidiaries		**286.08**	**92.90**
Other related parties			
OMV Supply & Trading AG	Acquisition of petroleum products	862.52	12.11
OMV Refining & Marketing GmbH	Acquisition of petroleum products	177.06	14.22
OMV Trading GmbH	Acquisition of electricity and other	53.74	16.97
OMV Hungária Ásványolaj Korlátolt Felelösségü Társaság	Acquisition of bitumen	36.34	0.69
OMV Exploration & Production GmbH	Delegation of personnel and other	28.93	7.02
OMV Aktiengesellschaft	Delegation of personnel and other	18.79	13.31
OMV Solutions GmbH	Delegation of personnel and other	17.53	9.65
OMV Austria Exploration & Production GmbH	Various services	2.48	-
OMV Deutschland GmbH	Various services	2.45	-
GAS Connect Austria GmbH	Delegation of personnel and other	0.61	0.03
OMV Gas & Power GmbH	Delegation of personnel and other	0.98	-
OMV Power International GmbH	Delegation of personnel and other	0.19	0.19
Trans Gas LPG Services S.R.L.	Various services	0.01	-
Congaz S.A.	Various services	0.03	0.01
Total other related parties		**1,201.66**	**74.20**
Total		**1,487.74**	**167.10**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Receivables
OMV Petrom S.A. subsidiaries			
OMV Petrom Marketing S.R.L.	Sales of petroleum products	8,140.62	670.98
OMV Petrom Gas S.R.L.	Sales of gas	2,113.28	612.85
OMV Bulgaria OOD	Sales of petroleum products	456.47	80.63
Petrom LPG S.A.	Sales of petroleum products	344.88	11.89
I.C.S. Petrom Moldova S.A.	Sales of petroleum products	216.10	43.66
OMV Srbjia D.O.O.	Sales of petroleum products	144.87	17.23
Kom Munai LLP	Delegation of personnel and other	17.84	42.84
Tasbulat Oil Corporation	Delegation of personnel and other	6.43	1.10
Petrom Distributie Gaze S.R.L.	Sales of gas and other	6.05	4.28
Petromed Solutions S.R.L.	Financial, IT and other services	3.82	3.27
OMV Petrom Wind Power SRL	Delegation of personnel and other	2.08	0.68
Korned LLP	Delegation of personnel and other	0.58	3.42
Petrom Aviation S.A.	IT and other services	0.58	0.16
Petrom Exploration & Production Limited	Advance payment for delegation of personnel	1.40	1.40
Aviation Petroleum S.R.L.	IT and other services	0.13	-
Total OMV Petrom S.A. subsidiaries		**11,455.13**	**1,494.39**
Other related parties			
OMV Supply & Trading AG	Sales of petroleum products	1,096.10	2.74
OMV Deutschland GmbH	Sales of propylene	276.30	32.10
OMV Solutions GmbH	Financial, IT and other services	34.59	15.30
OMV Aktiengesellschaft	Delegation of personnel and other	12.82	6.55
OMV Trading GmbH	Sales of electricity and other	12.62	2.73
OMV Exploration & Production GmbH	Delegation of personnel and other	7.23	1.17
OMV Refining & Marketing GmbH	Delegation of personnel and other	1.45	0.25
Petrol Ofisi A.Ş.	Sales of petroleum products	0.18	-
OMV Finance Limited	Financial, IT and other services	0.07	0.01
OMV Power International GmbH	Delegation of personnel and other	0.04	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.08	0.08
OMV Southeast Caspian Upstream GmbH	Various services	0.02	-
Total other related parties		**1,441.50**	**60.93**
Total		**12,896.63**	**1,555.32**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

As at January 1, 2011, the Company had the following balances from transactions with related parties:

	Nature of transaction	Payables
OMV Petrom S.A. subsidiaries		
OMV Petrom Marketing SRL	Acquisition of petroleum products	33.04
Aviation Petroleum S.R.L.	Airport sales services	1.53
OMV Bulgaria OOD	Delegation of personnel and other	1.91
Petromed Solutions S.R.L.	Medical services	1.93
Petrom Distributie Gaze S.R.L.	Various services	0.02
Petrom Aviation S.A.	Airport sales services	0.88
OMV Petrom Gas S.R.L.	Acquisition of gas and other	0.20
Petrom LPG S.A.	Various services	0.14
Total OMV Petrom S.A. subsidiaries		**39.65**
Other related parties		
OMV Gas GmbH	Delegation of personnel and other	0.04
OMV Gas & Power GmbH	Delegation of personnel and other	0.03
OMV Hungária Ásványolaj Korlátolt Felelösségü Társaság	Acquisition of bitumen	0.71
OMV Aktiengesellschaft	Delegation of personnel and other	0.65
OMV Exploration & Production GmbH	Delegation of personnel and other	14.06
OMV Refining & Marketing GmbH	Acquisition of petroleum products	24.59
OMV Power International GmbH	Delegation of personnel and other	0.19
OMV Supply & Trading AG	Acquisition of petroleum products	99.84
OMV Solutions GmbH	Delegation of personnel and other	1.31
Trans Gas LPG Services S.R.L.	Various services	0.18
Total other related parties		**141.60**
Total		**181.25**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

	Nature of transaction	Receivables
OMV Petrom S.A. subsidiaries		
OMV Petrom Marketing S.R.L.	Sales of petroleum products	619.34
OMV Petrom Gas S.R.L.	Sales of gas	400.01
OMV Bulgaria OOD	Sales of petroleum products	79.34
I.C.S. Petrom Moldova S.A.	Sales of petroleum products	22.16
Petrom LPG S.A.	Sales of petroleum products	41.37
Kom Munai LLP	Delegation of personnel and other	42.89
Tasbulat Oil Corporation	Delegation of personnel and other	20.52
OMV Srbjia D.O.O.	Sales of petroleum products	14.47
Petrom Distributie Gaze S.R.L.	Sales of gas and other	0.32
Petrom Aviation S.A.	IT and other services	2.86
Petromed Solutions S.R.L.	Financial, IT and other services	0.33
OMV Petrom Wind Power S.R.L.	Delegation of personnel and other	1.49
Korned LLP	Delegation of personnel and other	0.53
Petrom Exploration & Production Limited	Advance payment for delegation of personnel	0.82
Aviation Petroleum S.R.L.	IT and other services	0.02
Total OMV Petrom S.A. subsidiaries		**1,246.47**
Other related parties		
OMV Supply & Trading AG	Sales of petroleum products	62.22
OMV Deutschland GmbH	Sales of propylene	31.76
OMV Solutions GmbH	Financial, IT and other services	4.49
OMV Finance Limited	Financial, IT and other services	0.14
Air Total Romania SA	Sale of petroleum products	6.61
Total other related parties		**105.22**
Total		**1,351.69**

(all amounts are expressed in million RON, unless otherwise specified)

27. RELATED PARTIES (continued)

As at December 31, 2012, the Company had granted intercompany loans to the following subsidiaries:

a) Kom Munai LLP: four intercompany loans with maximum limit of USD 796.00 million, longest maturity being December 31, 2016 and interest rate calculated as 6 months LIBOR + 3.50% p.a.

b) Tasbulat Oil Corporation LLP: three intercompany loans with maximum limit of USD 319.00 million, the longest maturity being December 31, 2016 and interest rate calculated as 6 months LIBOR + 3.50% p.a.

c) OMV Bulgaria OOD: four intercompany loans with maximum limit of EUR 82.50 million, longest maturity being March 15, 2017 and interest rate calculated as 6 months EURIBOR + 2.40% p.a.

d) OMV Srbjia DOO: four intercompany loans with maximum limit of EUR 72.50 million, December 31, 2014 being the longest maturity and interest rate calculated as 6 months EURIBOR + 2.40% p.a.

e) ICS Petrom Moldova S.A: one intercompany loan with maximum limit of EUR 8.50 million, maturity August 7, 2014 and interest rate calculated as 6 months EURIBOR + 2.40% p.a.

f) OMV Petrom Wind Power SRL: one intercompany loan with maximum limit of EUR 60.00 million, maturity April 22, 2015 and interest rate calculated as 6 months EURIBOR + 2.40% p.a.

g) Petrom Aviation S.A.: one intercompany loan with maximum limit of RON 25.00 million, maturity May 31, 2016 and interest rate calculated as 6 months ROBOR + 2.50% p.a.

The balances receivable in respect to these loans, as at December 31, 2012, December 31, 2011 and January 1, 2011 are presented below:

	Balance at December 31, 2012	Allowance at December 31, 2012	Net balance at December 31, 2012	Net balance at December 31, 2011	Net balance at January 1, 2011
Kom Munai LLP	1,342.37	556.78	785.59	887.75	794.76
Tasbulat Oil Corporation LLP	495.83	-	495.83	566.53	599.99
OMV Bulgaria OOD	365.37	-	365.37	313.17	289.21
OMV Srbjia DOO	321.08	-	321.08	287.26	344.93
ICS Petrom Moldova SA	37.69	-	37.69	23.37	21.02
OMV Petrom Wind Power SRL	186.01	-	186.01	215.04	66.38
Petrom Distributie Gaze SRL*	4.58	-	4.58	3.07	-
Korned LLP	-	-	-	-	105.29
Total	**2,752.93**	**556.78**	**2,196.15**	**2,296.19**	**2,221.58**

*) The balance with Petrom Distributie Gaze SRL is in relation with cash pooling agreements. For details and credit balances about the cash pooling agreements please refer to Note 14 (e).

Key management remuneration

Each member of the Supervisory Board is entitled to receive a net amount of EUR 20,000 per year as remuneration for its service for the year ended December 31, 2012 (2011: same amount).

At December 31, 2012 or 2011 there were no loans or advances granted by the Company to the members of the Supervisory Board.

At at December 31, 2012 or 2011, the Company did not have any obligations regarding pension payments to former members of the Supervisory Board.

28. CASH FLOW STATEMENT INFORMATION

a) Drawings and repayments of borrowings

During 2012 OMV Petrom S.A. has repaid borrowings and lease obligations amounting to RON 1,229.60 million (2011: RON 2,633.85 million) and has drawn borrowings amounting to RON 754.59 million (2011: RON 1,433.74 million).

b) Proceeds from sale of financial assets

In 2012 the Company received an advance of RON 9.82 million for the sale of its stake in the subsidiary Petrom LPG S.A. to Crimbo Gas International (see also Note 33) and an amount of RON 0.10 million related to the disposal of Korned LLP.

During 2011 the Company received an amount of 59.25 million related to Ring Oil Holding & Trading Ltd (consideration for disposal of RON 49.02 million and loan of RON 10.23 million reimbursed by the former subsidiary). This amount is adjusted by a decrease in price for shares in Aviation Petroleum S.R.L. sold to Petrom Aviation S.A. during 2011.

c) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom S.A. for the year ended December 31, 2012 is of RON 374.51 million (2011: RON 492.87 million), out of which the amount of RON 172.26 million is related to operating activities (2011: RON 105.90 million) and the amount of RON 202.25 million represents cash outflows for exploration investing activities (2011: RON 386.97 million).

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Estimates of fair value at year end date, discussed below, are normally based on the market information available. The fair value of other financial assets and securities and investments is calculated primarily on the basis of quoted market prices. Where no quoted price and no present value can be established, the determination of a fair value is not feasible.

The book values of accounts receivable and other assets and cash in hand, checks and cash at bank are reasonable estimates of their fair values, as the assets in question generally have maturities of less than one year.

The fair value of financial liabilities, for which market prices are not available, was established by discounting future cash flows using the interest rates prevailing at year end date for similar liabilities with like maturities.

The carrying values of tax provisions and other current provisions is the same as their fair value. The fair value of non-current provisions is not considered to differ materially from their carrying value.

The carrying value of other liabilities is effectively the same as their fair value, because they are predominantly short-term. The fair value of derivative financial instruments corresponds to their market value.

The following overview presents the measurement of financial instruments (assets and liabilities) recognized at fair value. In accordance with IFRS 7, the individual levels are defined as follows:
Level 1: Using quoted prices in active markets for identical assets or liabilities.
Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

As at December 31, 2012 and 1 January 2011 there are no balances in relation to derivative financial instruments.

(all amounts are expressed in million RON, unless otherwise specified)

29. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

Fair value hierarchy as at December 31, 2011

Financial instruments on liability side	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	142.63	-	**142.63**
Other derivatives	-	-	-	**-**
Total	**-**	**142.63**	**-**	**142.63**

30. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2012 the total commitments engaged by the Company for investments is of RON 878.05 million (2011: RON 1,309.28 million), out of which RON 847.29 million related to property, plant and equipment (2011: RON 1,235.87 million) and RON 30.76 million for intangible assets (2011: RON 73.41 million). These commitments do not include the commitment for the financial lease of a hydrogen plant presented in Note 15.

Other contingencies

Cash and bank accounts as at December 31, 2012 include an amount of RON 62.71 million representing cash restricted, mainly in relation with cash collaterals (2011: RON 101.20 million; 2010: RON 140.37 million).

Litigations

The Company provides for litigations that are likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect the Company's financial position. The production facilities and properties of the Company are subject to a variety of environmental protection laws and regulations; provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on results.

Contingent liabilities

OMV Petrom S.A. has contingent liabilities representing performance guarantees in amount of RON 13.42 million as at December 31, 2012 (December 31, 2011: RON 12.59 million) and a parent company guarantee issued on behalf of ICS Petrom Moldova S.A. to cover the risk of non-payment of liabilities for fuels' supplier Proton Energy Group, to the limit of RON 23.50 million at December 31, 2012 (equivalent of USD 7.00 million; December 31, 2011: RON 23.38 million, equivalent of USD 7.00 million).

31. INTERESTS IN JOINT VENTURES

OMV Petrom S.A. entered into a farmout arrangement with ExxonMobil Exploration and Production Romania Limited with the purpose to explore and develop the Neptun Deepwater block in Black Sea and has a participating interest of 50%. Starting August 2011, ExxonMobil has been appointed as operator (previously OMV Petrom S.A. was operator).

OMV Petrom S.A. entered into a farmout arrangement with Hunt Oil Company of Romania SRL with the purpose to explore and develop Adjud and Urziceni East onshore blocks and has a participating interest of 50%. OMV Petrom S.A. has been appointed as operator.

Joint activities described above are classified as jointly controlled asset according with IAS 31.

OMV Petrom's share of the aggregate capital commitments for the two joint ventures as at December 31, 2012 is amounting RON 504.62 million (2011: RON 39.00 million), mainly in relation to deepwater drilling rig requirement.

32. RISK MANAGEMENT

Capital risk management

OMV Petrom S.A. continuously manages its capital adequacy to ensure that it is optimally capitalized in balance with its risks exposure in order to maximize the return to stakeholders. The capital structure of OMV Petrom S.A. consists of shareholders' equity (comprising adjusted share capital, revenue reserves and other reserves as disclosed in the "Statement of Changes in Equity") and debt (which includes the short and long term borrowings disclosed in Note 14). Capital risk management at OMV Petrom S.A. is part of the value management and it is based on permanent review of the gearing ratio of the Company.

The gearing ratio of OMV Petrom S.A. calculated as net debt/(equity)*100 was 12% as at December 31, 2012 (2011: 14%; 2010: 18%) showing a decreasing exposure to leverage risk. Net debt is calculated as interest-bearing debts including financial lease liability, less cash and cash equivalents.

The Company's management reviews the capital structure as well as risk reports regularly. As part of this review, the cost of capital and the risks associated with each class of capital are being considered.

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 3 to the financial statements.

Financial risk management objectives and policies

The objective of Petrom Risk Management function is to secure positive economic value added for medium term time horizon by managing the Company's cash flow exposure within the risk appetite. High potential single event risks are monitored individually.

Petrom does not enter into or trade financial instruments for speculative purposes. The Risk Management function reports twice per year to Petrom's Executive Board and Supervisory Board's Audit Committee, that monitors all risks and policies implemented to mitigate the Company's risk exposures.

32. RISK MANAGEMENT (continued)

Risk exposures and responses

OMV Petrom S.A.'s Risk Management function actively pursues the identification, analysis, evaluation and treatment of all risks (market & financial, operational and strategic) in order to minimize their effects on Company's cash flow up to an acceptable level agreed as the risk appetite.

The Risk Management function monitors and manages all risks of the Company through and integrated process in line with ISO 31000, by internal risk reports and regular assessments which analyze all risk exposures and their cash flow magnitude in comparison with the risk appetite.

Aside the business operational and strategic category of exposures, the market and financial risk category plays an important role in the Company's risk profile and is managed with special diligence – market and financial risk includes, among others, foreign exchange risk, interest rate risk, counterparty credit risk, commodity market price risk and liquidity risk.

Response wise, any risk coming near to their significance levels or rapidly developing risks which are sensitive to the risk appetite level are monitored and alerts are issued; for these situations individual and case specific treatment plans are proposed, approved and implemented immediately in order to decrease the exposures up to acceptable levels.

Commodity Market Price Risk

Commodity Market Risk wise, the Company is naturally exposed to the market risks arising out of the price driven volatility of the cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. The market risk has core strategic importance within the Company's risk profile and the Company's midterm liquidity. The market price risks of the Company's commodities are very closely analyzed, quantified, evaluated and mitigated when required in order to secure their expected returns within the Company's midterm objectives.

Financial instruments are used where appropriate to hedge the main industry risks associated with price volatility such as the highly negative impact of low oil prices on cash flow.

In order to protect its cash flow in 2012, OMV Petrom S.A. continued using the same hedging strategy for 2012 as well and in September 2011 entered into oil price swaps, locking in a Brent price of USD 101/bbl for a volume of 30,000 bbl/d, which is around 30% of the 2012 total planned crude oil production. As at December 31, 2011 the loss from fair valuation amounted to RON 142.63 million, same as the related liability (see Note 15). The hedge was realized until the end of 2012, resulting in an expense of RON 394.08 million.

In 2011, OMV Petrom S.A. entered into oil price swaps, locking in a Brent price of approximately USD 97/bbl for a volume of 25,000 bbl/d during that year, which was around 30% of the domestic crude oil production. The hedge was realized until end of 2011, resulting in an expense of RON 403.34 million.

Foreign exchange risk management

Because Petrom operates in many currencies, industry specific activities and the corresponding exchange risks are being analyzed. Petrom is mostly exposed to the movement of the US dollar and Euro against Romanian leu. Other currencies have only limited impact on cash flow and EBIT.

(all amounts are expressed in million RON, unless otherwise specified)

32. RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

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

	December 31, 2012	December 31, 2011	January 1, 2011
Assets			
Thousand USD	568,069	661,766	780,566
Thousand EUR	234,803	238,496	215,503
Liabilities			
Thousand USD	54,177	91,496	101,977
Thousand EUR	611,048	699,691	880,973

The following table details the Company's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit generated by a 10% currency fluctuation and a negative number below indicates a decrease in profit with the same value.

+10% Sensitivity increase in the foreign currencies rates

	Thousand USD Impact (i)			Thousand EUR Impact (ii)		
	2012	2011	2010	2012	2011	2010
Profit/ (Loss)	51,389	61,293	67,859	(37,625)	(46,120)	(66,547)
Other equity	-	(4,266)	-	-	-	-

-10% Sensitivity decrease in the foreign currencies rates

	Thousand USD Impact (i)			Thousand EUR Impact (ii)		
	2012	2011	2010	2012	2011	2010
Profit/ (Loss)	(51,389)	(61,293)	(67,859)	37,625	46,120	66,547
Other equity	-	4,266	-	-	-	-

(i) This is mainly attributable to the exposure on USD cash, trade receivables and payables, financial assets and financial liabilities at the year end.
(ii) This is mainly attributable to the exposure on EUR loans, trade payables and other financial liabilities at the year end.

The above sensitivity analysis of the inherent foreign exchange risk shows the translation exposure at the end of the year; however the cash flow exposure during the year is continuously monitored and managed by the Company.

(all amounts are expressed in million RON, unless otherwise specified)

32. RISK MANAGEMENT (continued)

Interest rate risk management

To facilitate management of interest rate risk, the Company's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities.

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings 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. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates (with all other variables held constant).

Analysis for change in interest rate risk:

Variable rate borrowings:	Balance as December 31,			Effect of 1% change in interest rate		
	2012	2011	2010	2012	2011	2010
Short-term borrowings	1,482.62	1,277.97	1,186.34	14.83	12.78	11.86
Long-term borrowings	1,735.00	2,197.26	3,465.51	17.35	21.97	34.66

Counterparty Credit Risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The main counterparty credit risks are assessed, monitored and managed using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, all counterparties are assigned maximum permitted exposures in terms of credit limits (amounts and maturities), and the creditworthiness assessments and granted limits are reviewed on a regular basis. For all counterparties depending on their liquidity class, parts of their credit limits is secured via liquid contractual securities such as bank guarantee letters, credit insurance and other similar instruments. The credit limit monitoring procedures are governed by strict guidelines.

The Company does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics. The Company defines counterparties as having similar characteristics if they are related entities.

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. To ensure that the Company remains solvent all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained. The maturity profile of the Company's financial liabilities is presented in Note 15.

33. SUBSEQUENT EVENTS

On January 7, 2013 OMV Petrom S.A. finalized the sale of the interest percentage of its 99.99% interest in Petrom LPG S.A. subsidiary to Crimbo Gas International. The sale of this participation is in line with Petrom Group's strategy to focus on the core activities of the Group.

On February 13, 2013, ExxonMobil Exploration and Production Romania Limited ("EMEPRL") and OMV Petrom S.A. announced the signing of an agreement with Romgaz S.A. ("Romgaz") to grant Romgaz the option to participate in petroleum operations in the deeper water portion of the Midia Block in the Black Sea offshore Romania. EMEPRL and OMV Petrom S.A. signed in October 2012 a Transfer Agreement with Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of an 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia Block. Romgaz's option to enter is triggered by the Transfer Agreement becoming effective and an announcement of a commercial discovery. EMEPRL will be the operator of the petroleum operations in the deeper water portion of the Midia Block.

On February 22, 2013, OMV Petrom S.A. signed a farm-out agreement with Repsol by which the latter acquires a 49% working interest for the area deeper than 2,500 – 3,000 m of the onshore exploration blocks Băicoi V, Târgovişte VI, Piteşti XII and Târgu Jiu XIII, located south of the Southern and Eastern Carpathians. This partnership is in line with Company's strategy to unlock the deep onshore exploration potential in Romania and targets investments estimated at approximately EUR 50 million in the next two years.

Following the liberalization of gas prices enforced by the Romanian Government, starting February 1, 2013 and until the end of 2014, the Government has imposed an additional tax of 60% on the additional revenues resulting from the domestic gas price liberalization net of corresponding royalties and upstream investments (the latter capped at 30% for the additional revenues) for companies that extract and sell natural gas in Romania, including from the perimeters in the Black Sea.

At the same time, also starting February 1, 2013 and until the end of 2014, the Government has imposed a special tax of 0.5% on extraction of crude to the companies involved in the exploitation/ extraction of natural resources.