

**S.C. OMV PETROM S.A.**

**INDEPENDENT AUDITOR'S REPORT**

**AND**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2011**

**prepared in accordance with Ministry of Finance Order no. 3055/2009  
and the subsequent amendments issued by the Ministry of Public Finance**

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## Report of the financial auditor

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

## Report on the financial statements

- 1 We have audited the accompanying financial statements of S.C. OMV Petrom S.A. ("the Company"), which comprise the balance sheet as at 31 December 2011, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

- ▶ Net assets/Total equity and reserves: 18,890,892 thousand lei
- ▶ Profit for the year: 3,685,607 thousand lei

## 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. 3055/2009 and subsequent amendments and the accounting policies described in the notes to the financial statements, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditors' responsibility

- 3 Our responsibility is to express an opinion on these 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.

 ERNST & YOUNG

23 MAR 2012

Initialed for identification  
Semnat pentru identificare

## Opinion

- 6 In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2011, and of its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 3055/2009 and subsequent amendments and the accounting policies described in the notes to the financial statements.

## Report on conformity of the Directors' Report with the financial statements

In accordance with the Order of the Minister of Public Finance no 3055/2009, article no. 320 point 1e) 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 2011.

On behalf of

### **Ernst & Young Assurance Services SRL**

Registered with the Chamber of Financial Auditors in Romania  
No. 77/ 15 August 2001

Name of signing person: Christos Seferis

Registered with the Chamber of Financial Auditors in Romania  
Nr. 1593/ 27 August 2004

 **ERNST & YOUNG**

**23 MAR 2012**

Initialled for identification  
Semnat pentru identificare

Bucharest, Romania  
23 March 2012

On behalf of

### **Ernst & Young Assurance Services SRL**

Registered with the Chamber of Financial Auditors in Romania  
No. 77/ 15 August 2001

 **ERNST & YOUNG**

**23 MAR 2012**

Initialled for identification  
Semnat pentru identificare

Name of signing person: Anamaria Cora

Registered with the Chamber of Financial Auditors in Romania  
Nr. 1585/ 16 August 2005

Bucharest, Romania  
23 March 2012

**S.C. OMV PETROM S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**

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

COUNTY Bucharest  
COMPANY S.C. OMV Petrom S.A.

TYPE OF PROPERTY 22  
State (<50%) and private owned  
companies  
TYPE OF ACTIVITY Hydrocarbon extraction

ADDRESS Bucharest sector 1  
Str. Coralilor nr. 22  
TEL: 021.4060189 FAX: 021.4060431  
NO. OF TRADE REGISTER J40/8302/1997

CODE GROUP CAEN 0610  
UNIQUE REGISTRATION CODE 1590082

No	Notes	Row	December 31, 2010	December 31, 2011
<b>A</b>				
	<b>FIXED ASSETS</b>			
<b>I</b>	<b>Intangible assets</b>			
1	Set up expenses	01	-	-
2	Development expenses	02	232,769,011	411,327,758
3	Concessions, patents, licenses, trademarks and other similar rights and assets	03	723,321,136	484,068,445
4	Goodwill	04	-	-
5	Advances and intangible assets in progress	05	186,121,312	171,276,141
	<b>Total (rows 01 to 05)</b>	1 b) 06	<b>1,142,211,459</b>	<b>1,066,672,344</b>
<b>II</b>	<b>Tangible assets</b>			
1	Land and buildings	07	10,508,760,278	11,406,025,557
2	Plant and machinery	08	3,259,207,499	3,572,213,349
3	Other equipment and furniture	09	24,779,572	48,453,805
4	Advances and tangible assets in progress	10	4,977,157,299	6,228,919,441
	<b>Total (rows 07 to 10)</b>	1 a) 11	<b>18,769,904,648</b>	<b>21,255,612,152</b>
<b>III</b>	<b>Financial assets</b>			
1	Investments in companies within the group	12	2,035,422,192	1,940,466,481
2	Loans to the companies within the group	13	2,194,969,305	1,647,024,293
3	Investments in associated companies	14	14,158,585	14,158,585
4	Amounts owed by subsidiaries and associated companies	15	-	-
5	Long term financial Investments as assets	16	-	-
6	Other debts	17	2,466,994,684	2,644,403,759
	<b>Total (rows 12 to 17)</b>	1 c) 18	<b>6,711,544,766</b>	<b>6,246,053,118</b>
	<b>TOTAL FIXED ASSETS (rows 06+11+18)</b>	19	<b>26,623,660,873</b>	<b>28,568,337,614</b>
<b>B</b>	<b>CURRENT ASSETS</b>			
<b>I</b>	<b>Inventories</b>			
1	Raw materials and consumables	20	762,517,925	652,083,114
2	Work in progress	21	125,554,299	114,027,035
3	Finished goods and merchandise	22	884,358,689	926,263,369
4	Advances for stock purchase	23	56,266,052	3,431,985
	<b>Total (rows 20 to 23)</b>	10.3 24	<b>1,828,696,965</b>	<b>1,695,805,503</b>
<b>II</b>	<b>Receivables</b>			
1	Trade receivables (net)	25	1,702,498,620	1,991,268,846
2	Amounts to be received from affiliates	26	26,613,218	650,155,970
3	Amounts to be received from investments	27	-	-
4	Other receivables	28	430,306,726	231,686,031
5	Receivables for subscribed and not paid in share capital	29	-	-
	<b>Total (rows 25 to 29)</b>	5 30	<b>2,159,418,564</b>	<b>2,873,110,847</b>

**S.C. OMV PETROM S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	December 31, 2010	December 31, 2011
<b>III</b>	<b>Short term investments</b>			
1	Investments in affiliates	31	-	-
2	Other short term investments	32	-	-
	<b>Total (rows 31 + 32)</b>	33	-	-
<b>IV</b>	<b>Cash and bank accounts</b>	10.2 34	<u>1,416,091,506</u>	<u>567,026,496</u>
	<b>TOTAL CURRENT ASSETS</b> (rows 24+30+33+34)	35	<u>5,404,207,035</u>	<u>5,135,942,846</u>
<b>C</b>	<b>PREPAYMENTS</b>	36	<u>74,208,255</u>	<u>115,273,240</u>
<b>D</b>	<b>PAYABLES WITHIN ONE YEAR</b>			
1	Debenture loans	37	-	-
2	Payables to credit institutions	38	391,051,692	470,158,047
3	Advances cashed for orders	39	56,644,908	46,372,959
4	Trade payables	40	2,853,399,364	2,290,740,847
5	Bills of exchange payables	41	-	-
6	Payables to related parties	42	831,420,581	831,571,754
7	Payables to other investment companies	43	-	-
8	Other payables, including tax and social security payables	44	<u>751,597,655</u>	<u>1,039,099,125</u>
	<b>Total (rows 37 to 44)</b>	5 45	<u>4,884,114,200</u>	<u>4,677,942,732</u>
<b>E</b>	<b>CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-63)</b>	46	<u>574,917,368</u>	<u>553,691,977</u>
<b>F</b>	<b>TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46)</b>	47	<u>27,198,578,241</u>	<u>29,122,029,591</u>
<b>G</b>	<b>PAYABLES IN MORE THAN ONE YEAR</b>			
1	Debenture loans	48	-	-
2	Payables to credit institutions	49	3,465,508,688	2,197,256,546
3	Advances cashed for orders	50	-	-
4	Trade payables	51	-	-
5	Bills of exchange payables	52	-	-
6	Amounts payable to related parties	53	-	-
7	Payables to investments participation	54	-	-
8	Other payables, including tax and social security payables	55	<u>21,927,060</u>	<u>57,972,054</u>
	<b>Total (rows 48 to 55)</b>	5 56	<u>3,487,435,748</u>	<u>2,255,228,600</u>
<b>H</b>	<b>PROVISIONS</b>			
1	Provisions for pensions and other liabilities	57	-	-
2	Provisions for taxes	58	-	-
3	Other provisions	59	<u>7,502,395,876</u>	<u>7,962,682,564</u>
	<b>TOTAL PROVISIONS (rows 57 to 59)</b>	2 60	<u>7,502,395,876</u>	<u>7,962,682,564</u>

**S.C. OMV PETROM S.A.**  
**BALANCE SHEET**  
**AS AT DECEMBER 31, 2011**

**ERNST & YOUNG**

**23 MAR 2012**

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

No	Notes	Row	December 31, 2010	December 31, 2011
<b>I</b>	<b>DEFERRED INCOME</b>			
1	Investments subsidies	61	13,395,126	13,193,355
2	Deferred income (rows 63+64)	62	19,659,686	19,614,287
	Amounts to be booked to revenues within one year	63	19,383,722	19,581,377
	Amounts to be booked to revenues in more than one year	64	275,964	32,910
	Badwill	65	-	-
	<b>TOTAL (rows 61+62+65)</b>	66	<b>33,054,812</b>	<b>32,807,642</b>
<b>J</b>	<b>SHARE CAPITAL AND RESERVES</b>			
<b>I</b>	<b>Share capital</b>			
1	Subscribed and paid in share capital	67	5,664,410,834	5,664,410,834
2	Subscribed and not paid in share capital	68	-	-
3	Patrimony	69	-	-
	<b>TOTAL (rows 67 to 69)</b>	70	<b>5,664,410,834</b>	<b>5,664,410,834</b>
<b>II</b>	<b>Premium related to capital</b>	71	-	-
<b>III</b>	<b>Revaluation reserve</b>	72	55,357,958	36,399,103
<b>IV</b>	<b>Reserves</b>			
1	Legal reserve	73	616,695,996	826,097,529
2	Statutory or contractual capital reserve	74	-	-
3	Realized revaluation reserves	75	23,662,420	42,499,107
4	Other reserves	76	5,310,542,788	5,323,471,667
	<b>TOTAL (rows 73 to 76)</b>	77	<b>5,950,901,204</b>	<b>6,192,068,303</b>
	<b>Own shares</b>	78	17,785	17,785
	<b>Earnings related to owners' equity items</b>	79	-	-
	<b>Losses related to owners' equity items</b>	80	-	-
<b>V</b>	<b>Retained earnings</b>			
	- Cr balance	81	2,826,978,447	3,521,826,014
	- Dr balance	82	-	-
<b>VI</b>	<b>Profit for the period</b>			
	- Cr balance	83	1,799,154,602	3,685,607,226
	- Dr balance	84	-	-
	Profit appropriation	85	101,709,733	209,401,533
	<b>Total shareholders' equity</b> <b>(rows 70+71+72+77-78+79-80+81-82+83-84-85)</b>	86	<b>16,195,075,527</b>	<b>18,890,892,162</b>
	Public patrimony	87	-	-
	<b>TOTAL EQUITY (rows 86+87)</b>	88	<b>16,195,075,527</b>	<b>18,890,892,162</b>

The financial statements on pages [3] to [55] were approved on March 23, 2012.

Mrs. Mariana Gheorghe  
 Chief Executive Officer

Mr. Daniel Turnheim  
 Chief Financial Officer

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

Mr. Hilmar Kroat-Reder  
 E.B. Member Gas, Power & Chemicals

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

Mr. Siegfried Ehn  
 Director Corporate Finance

Mrs. Mihaela Milinschi  
 Director Financial Statements

Free translation from the Romanian version which is the original  
 Notes on pages 13 to 55 form integral part of these financial statements.



**S.C. OMV PETROM S.A.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
**(all amounts are expressed in RON, unless otherwise specified)**

No	Notes	Row	Year ended December 31, 2010	Year ended December 31, 2011
<b>1</b>	<b>Net turnover (rows 02+03-04+05+06)</b>	<b>01</b>	<b>13,953,092,655</b>	<b>16,565,465,973</b>
	Sales of production	02	11,529,127,066	13,850,865,004
	Sales of merchandise	03	2,449,109,633	2,726,308,898
	Discounts given	04	25,144,044	11,707,929
	Interest income for lease contracts	05	-	-
	Interest from subsidies related to net turnover	06	-	-
<b>2</b>	<b>Stock variance</b>			
	– Cr balance	07	86,869,934	-
	– Dr balance	08	-	215,441,345
<b>3</b>	<b>Own work capitalized</b>	<b>09</b>	<b>245,619,336</b>	<b>475,561,042</b>
<b>4</b>	<b>Other operating revenue</b>	<b>10</b>	<b>343,656,477</b>	<b>205,937,960</b>
	out of which, revenues related to badwill	11	-	-
	<b>Total operating revenue (rows 01+07-08+09+10)</b>	<b>10.8 12</b>	<b>14,629,238,402</b>	<b>17,031,523,630</b>
<b>5</b>	<b>a) Raw materials and consumables expenses</b>	<b>13</b>	<b>1,213,709,372</b>	<b>1,223,591,407</b>
	Other materials expenses	14	39,035,155	36,750,713
	<b>b) Other utilities expenses (energy and water)</b>	<b>15</b>	<b>416,272,385</b>	<b>353,694,136</b>
	Purchases of goods for resale	16	2,193,546,252	2,679,007,285
	Discounts received	17	-	693,224
<b>6</b>	<b>Salary expenses (rows 19+20)</b>	<b>18</b>	<b>1,919,305,092</b>	<b>1,784,033,082</b>
	a) Salaries	8 19	1,480,438,732	1,349,731,693
	b) Social security contributions	20	438,866,360	434,301,389
<b>7</b>	<b>a) Adjusting the value of tangible and intangible assets (rows 22-23)</b>	<b>21</b>	<b>1,987,119,625</b>	<b>2,252,500,483</b>
	a. 1) Expenses	22	2,015,514,538	2,253,289,698
	a. 2) Revenues	23	28,394,913	789,215
	<b>b) Adjusting the value of current assets (rows 25-26)</b>	<b>24</b>	<b>(55,896,914)</b>	<b>27,544,258</b>
	b. 1) Expenses	25	158,293,562	109,341,364
	b. 2) Revenues	26	214,190,476	81,797,106
<b>8</b>	<b>Other operating expenses (rows 28 to 31)</b>	<b>27</b>	<b>4,199,456,511</b>	<b>3,824,367,492</b>
	8.1 Third parties services	28	2,921,242,828	2,662,557,819
	8.2 Other taxes, duties and similar expenses	29	783,469,106	846,482,011
	8.3 Other operating expenses	30	494,744,577	315,327,662
	Interest related to refinancing activities	31	-	-
	<b>Adjustments for provisions for risks and charges (rows 33-34)</b>	<b>32</b>	<b>(485,002,623)</b>	<b>(182,857,276)</b>
	Expenses	33	288,891,212	533,165,702
	Revenues	34	773,893,835	716,022,978

Free translation from the Romanian version which is the original  
Notes on pages 13 to 55 form integral part of these financial statements.



**S.C. OMV PETROM S.A.**  
**INCOME STATEMENT**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)


No	Notes	Row	Year ended December 31, 2010	Year ended December 31, 2011
	<b>Total operating expenses (rows 13 to 16-17+18+21+24+27+32)</b>	<b>35</b>	<b><u>11,427,544,855</u></b>	<b><u>11,997,938,356</u></b>
	<b>Operating Result</b>			
	- profit (rows 12-35)	10.8 36	3,201,693,547	5,033,585,274
	- loss (rows 35-12)	37	<u>-</u>	<u>-</u>
9	Income from investments	38	202,280,861	303,218,308
	- out of which, within the group	39	199,993,531	298,099,071
10	Income from other financial investments and receivables, part of financial assets	40	-	-
	- out of which, within the group	41	-	-
11	Income from interest	42	121,888,606	125,283,476
	- out of which, within the group	43	91,320,532	105,269,684
	Other financial revenues	44	<u>586,333,797</u>	<u>257,583,921</u>
	<b>Total financial revenues (rows 38+40+42+44)</b>	<b>45</b>	<b><u>910,503,264</u></b>	<b><u>686,085,705</u></b>
12	<b>Adjustment of financial assets and investments held (rows 47-48)</b>	<b>46</b>	<b><u>447,471,458</u></b>	<b><u>181,915,784</u></b>
	Expenses	47	759,223,252	394,467,258
	Revenues	48	311,751,794	212,551,474
13	Interest expenses	49	<b>128,844,537</b>	<b>73,182,063</b>
	- out of which, within the group	50	23,631,556	36,862,939
	Other financial expenses	51	<u>1,320,241,797</u>	<u>985,933,894</u>
	<b>Total financial expenses (rows 46+49+51)</b>	<b>52</b>	<b><u>1,896,557,792</u></b>	<b><u>1,241,031,741</u></b>
	<b>Financial result</b>			
	- profit (rows 45-52)	53	-	-
	- loss (rows 52-45)	54	<u>986,054,528</u>	<u>554,946,036</u>
14	<b>Current profit/(loss)</b>			
	- profit (rows 12+45-35-52)	55	2,215,639,019	4,478,639,238
	- loss (rows 35+52-12-45)	56	<u>-</u>	<u>-</u>
15	Extraordinary revenues	57	-	-
16	Extraordinary expenses	58	-	-
17	<b>Extraordinary result</b>			
	- profit (rows 57-58)	59	-	-
	- loss (rows 58-57)	60	<u>-</u>	<u>-</u>
	<b>Total revenues (rows 12+45+57)</b>	<b>61</b>	<b><u>15,539,741,666</u></b>	<b><u>17,717,609,335</u></b>
	<b>Total expenses (rows 35+52+58)</b>	<b>62</b>	<b><u>13,324,102,647</u></b>	<b><u>13,238,970,097</u></b>

Free translation from the Romanian version which is the original  
Notes on pages 13 to 55 form integral part of these financial statements.

	Notes	Row	Year ended December 31, 2010	Year ended December 31, 2011
<b>Profit before tax</b>				
- profit (rows 61-62)		63	2,215,639,019	4,478,639,238
- loss (rows 62-61)		64	-	-
<b>Tax on profit</b>	10.7	65	416,484,417	793,032,012
Other tax expenses not shown above		66	-	-
<b>Net result of financial year</b>				
- profit (rows 63-65-66)		67	1,799,154,602	3,685,607,226
- loss (rows 64+65+66); (rows 65+66-63)		68	-	-

  
Mrs. Mariana Gheorghe  
Chief Executive Officer

  
Mr. Daniel Turnheim  
Chief Financial Officer

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

**Mr. Hilmar Kroat-Reder**  
E.B. Member Gas, Power &  
Chemicals

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

**Mr. Siegfried Ehn**  
**Director Corporate Finance**

  
**Mrs. Mihaela Milinschi**  
**Director Financial Statements**

8

**S.C. OMV PETROM S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2010	December 31, 2011
<b>Cash flow from operating activities</b>			
<b>Profit before taxation</b>		<b>2,215,639,019</b>	<b>4,478,639,238</b>
<b>Adjustments for:</b>			
Interest expenses		128,844,537	73,182,063
Interest income		(121,888,606)	(125,283,476)
Dividend income		(202,280,861)	(303,218,307)
Net movement in provisions for:			
- Fixed asset impairment	10.8	286,256,318	423,943,063
- Financial assets	2	449,669,790	192,096,923
- Inventories		5,600,033	56,634,656
- Receivables		(123,711,542)	(16,728,625)
- Litigations		1,226,681	(114,238,672)
- Environmental expenditures		(22,178,776)	(141,707,857)
- Retirement benefits		5,531,389	(94,873,558)
- Other provisions for risk and charges		(84,699,258)	498,597,203
- Restructuring		(79,264,496)	(75,479,851)
Loss / (Gain) on disposals of fixed assets		(531,511)	(17,438,505)
Depreciation and amortization expense	1	1,700,863,307	1,828,558,263
Loss on financial assets		421,293,550	73,148,259
Other non-cash items		(13,630,342)	(78,529,908)
<b>Cash generated from operating activities before working capital movements</b>		<b>4,566,739,232</b>	<b>6,657,300,909</b>
Decrease in inventories		66,019,195	54,160,482
Increase in receivables and prepayments		(874,169,880)	(188,810,750)
Increase/ (decrease) in liabilities and deferred revenues		286,736,787	(204,857,079)
Interest received		68,557,889	131,658,905
Interest paid		(120,134,643)	(86,734,807)
Tax on profit paid		(341,634,140)	(720,361,819)
Dividends received		202,280,861	302,233,185
<b>Net cash generated from operating activities</b>		<b>3,854,395,301</b>	<b>5,944,589,026</b>
<b>Cash flow from investment activities</b>			
Purchase of tangible and intangible assets		(4,063,061,900)	(4,659,130,342)
Proceeds from sale of fixed assets		185,967,373	107,841,746
Proceeds from sale of financial assets		69,994,941	51,795,054
Purchase of financial assets		(147,313,600)	(180,030,000)
Net loans given to subsidiaries		(195,893,089)	78,898,296
<b>Net cash used from investment activities</b>		<b>(4,150,306,275)</b>	<b>(4,600,625,246)</b>
<b>Cash flow from financial activities</b>			
Net increase in loans		1,433,977,587	(1,199,783,831)
Dividends paid		(233,582)	(993,244,959)
Purchase of own shares		(1,777,316)	-
<b>Net cash used for financial activities</b>		<b>1,431,966,689</b>	<b>(2,193,028,790)</b>
<b>Total cash flows</b>		<b>1,136,055,715</b>	<b>(849,065,010)</b>

Free translation from the Romanian version which is the original  
Notes on pages 13 to 55 form integral part of these financial statements.

**S.C. OMV PETROM S.A.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2011</u>
Cash and cash equivalents at the beginning of the year	10.2	<u>280,035,791</u>	<u>1,416,091,506</u>
Cash and cash equivalents at the end of the year	10.2	<u>1,416,091,506</u>	<u>567,026,496</u>

The financial statements on pages [3] to [55] were approved on March 23, 2012.

  
**Mrs. Mariana Gheorghe**  
**Chief Executive Officer**

  
**Mr. Daniel Turnheim**  
**Chief Financial Officer**

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

  
**Mr. Hilmar Kroat-Reder**  
**E.B. Member Gas, Power & Chemicals**

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

  
**Mr. Siegfried Ehn**  
**Director Corporate Finance**

  
**Mrs. Mihaela Milinschi**  
**Director Financial Statements**

 **ERNST & YOUNG**

**23 MAR 2012**

Initialled for identification  
Semnat pentru identificare

**Free translation from the Romanian version which is the original**  
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**S.C. OMV PETROM S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2010**  
(all amounts are expressed in RON, unless otherwise specified)

**ERNST & YOUNG**

23 MAR 2012

Initialled for Identification  
Semnat pentru identificare

Shareholders' equity	Balance at 1.01.2010	Increase out of which	Transfer	Decrease out of which	Transfer	Balance at 31.12.2010
Subscribed share capital	5,664,410,834	-	-	-	-	5,664,410,834
Revaluation reserve	81,614,855	-	-	26,256,897 ***	1,005,544	55,357,958
Legal reserves	553,748,670	101,709,733	101,709,733	38,762,407 ****	-	616,695,996
Reserves representing surplus from revaluation reserves	22,967,076	1,005,544	1,005,544	310,200 ****	-	23,662,420
Other reserves	(156,408,807)	421,459,456 *	-	17,344,025 **	1,759,531	247,706,624
Other reserves-geological quota	5,062,836,164	-	-	-	-	5,062,836,164
Less: Own shares	-	1,777,316 *****	-	1,759,531	1,759,531	17,785
Retained earnings	2,826,978,447	-	-	-	-	2,826,978,447
Profit for the year	-	1,799,154,602	-	101,709,733	101,709,733	1,697,444,869
	<b>14,056,147,239</b>	<b>2,321,552,019</b>	<b>102,715,277</b>	<b>182,623,731</b>	<b>102,715,277</b>	<b>16,195,075,527</b>

\* RON 421,459,456 is made up from: RON 411,651,362 represents the hedge liability realized by the Company in 2010 and RON 9,808,094 represents land for which ownership was obtained but was not included in social capital.

\*\* RON 17,344,025 is made up from: RON 15,584,494 related to spin-off of the Company's Marketing activities and RON 1,759,531 represents own shares distributed to employees.

\*\*\* RON 26,256,897 is made up from: RON 24,119,288 related to spin-off of the Company's Marketing activities, RON 1,005,544 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings and other special constructions that were previously revalued and RON 1,132,065 representing impairment of buildings and other special constructions that were revalued in the past.

\*\*\*\* RON 38,762,407 and RON 310,200 related to spin-off of the Company's Marketing activities and were transferred to OMV Petrom Marketing SRL.

\*\*\*\*\*RON 1,777,316 represents own shares acquired in for distribution to employees.

The financial statements on pages [3] to [55] were approved on March 23, 2012.

  
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**S.C. OMV PETROM S.A.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**

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

**ERNST & YOUNG**

23 MAR 2012

Shareholders' equity	Balance at 1.01.2011	Increase out of which	Transfer	Decrease out of which	Transfer	Initialised for identification Semnat pentru identificare	Balance at 31.12.2011
Subscribed share capital	5,664,410,834	-	-	-	-		5,664,410,834
Revaluation reserve	55,357,958	-	-	18,958,855 **	18,836,687		36,399,103
Legal reserves****	616,695,996	209,401,533	209,401,533	-	-		826,097,529
Reserves representing surplus from revaluation reserves*****	23,662,420	18,836,687	18,836,687	-	-		42,499,107
Other reserves	247,706,624	12,928,879 *	-	-	-		260,635,503
Other reserves-geological quota	5,062,836,164	-	-	-	-		5,062,836,164
Less: Own shares	17,785	-	-	-	-		17,785
Retained earnings	4,524,423,316	-	-	1,002,597,302 ***	-		3,521,826,014
Profit for the year	-	3,685,607,226	-	209,401,533	209,401,533		3,476,205,693
<b>Total</b>	<b>16,195,075,527</b>	<b>3,926,774,325</b>	<b>228,238,220</b>	<b>1,230,957,690</b>	<b>228,238,220</b>		<b>18,890,892,162</b>

\* RON 12,928,879 represents land for which ownership was obtained but was not included in share capital.

\*\* RON 18,958,855 is made up from: RON 18,836,687 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings and other special constructions that were previously revalued and RON 122,168 representing impairment of buildings and other special constructions that were revalued in the past.

\*\*\* RON 1,002,597,302 represents dividends distributed to shareholders in 2011.

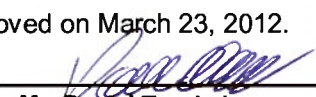
\*\*\*\* The Company set its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

\*\*\*\*\* The increase in the revaluation surplus reserve relate to the transfer from the revaluation reserve of the amounts corresponding to assets disposed or sold by the Company during the period. The revaluation surplus reserve is a distributable reserve, while the revaluation reserve is not. At the date of financial statements, the Company does not intend to distribute the revaluation surplus reserve recorded as at 31 December 2011.

When the revaluation reserve is distributed or used, the reserve will be considered taxable if in accordance with the applicable fiscal legislation at the date the reevaluation was performed, the depreciation expenses related to the revalued fixed assets was tax deductible and respectively the realized revaluation surplus was not already considered as revenue for the purpose of current income tax computation.

The financial statements on pages [3] to [55] were approved on March 23, 2012.

  
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**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS**

**a) Tangible assets**

<b>GROSS BOOK VALUE</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Land	575,339,507	15,952,962	3,722,660	8,261,095	558,230	583,031,374
Buildings and constructions	14,610,234,360	2,395,008,408 *	1,552,577,084	423,229,638	346,690,311	16,582,013,130
Machinery and equipment	5,807,947,778	1,016,210,689	649,014,269	382,135,385	78,668,327	6,442,023,082
Other equipment and furniture	60,286,381	34,947,052	26,502,630	11,540,801	6,041,592	83,692,632
Advances and tangible assets in progress	5,073,637,195	3,259,142,808	142,991,332	1,970,338,916	1,938,660,710	6,362,441,087
<b>Total</b>	<b>26,127,445,221</b>	<b>6,721,261,919</b>	<b>2,374,807,975</b>	<b>2,795,505,835</b>	<b>2,370,619,170</b>	<b>30,053,201,305</b>

<b>ACCUMULATED DEPRECIATION</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Buildings and constructions	3,880,559,518	1,175,966,255	64,665,498	83,967,475	66,530,206	4,972,558,298
Machinery and equipment	1,623,805,101	490,730,984	9,748,951	124,677,212	7,613,238	1,989,858,873
Other equipment and furniture	20,183,292	6,083,781	708,524	3,958,836	979,529	22,308,237
<b>Total</b>	<b>5,524,547,911</b>	<b>1,672,781,020</b>	<b>75,122,973</b>	<b>212,603,523</b>	<b>75,122,973</b>	<b>6,984,725,408</b>

\* Includes the amount of RON 155,156,143 related to E&P and R&M segments, representing increase from the reassessment of decommissioning asset.

During 2011, the Company capitalized own work for various tangible non-current assets. These are included under the column "Increase" in the table above and have a book value of RON 465,490,531 (2010: RON 241,983,228).

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**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

**a) Tangible assets (continued)**

<b>ACCUMULATED IMPAIRMENT LOSSES</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Land	350,547,547	555,356	555,356	6,072,813	555,356	345,030,090
Buildings and constructions	445,706,524	31,919,121	4,245,871	36,195,087	4,280,421	441,430,558
Machinery and equipment	924,935,178	86,299,265	5,648,391	131,283,583	2,086,014	879,950,860
Other equipment and furniture	15,323,517	1,517,791	530,314	3,910,717	2,527,957	12,930,591
Advances and tangible assets in progress	96,479,896	75,506,575	8,925,266	38,464,825	10,455,450	133,521,646
<b>Total</b>	<b>1,832,992,662</b>	<b>195,798,108</b>	<b>19,905,198</b>	<b>215,927,025</b>	<b>19,905,198</b>	<b>1,812,863,745</b>
<b>NET BOOK VALUE</b>	<b>18,769,904,648</b>					<b>21,255,612,152</b>

Included in fixed assets presented above are fixed assets acquired through finance lease with a carrying amount of RON 59,209,073 as at December 31, 2011 (December 31, 2010: RON 15,887,113).

**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

**b) Intangible assets**

<b>COST</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Intangible assets*	2,253,021,063	430,417,645 **	29,200,506	354,135,249	10,809,582	2,329,303,459
Advances and intangible assets in progress	189,539,672	8,090,233	-	22,936,397	22,579,729	174,693,508
<b>Total</b>	<b>2,442,560,735</b>	<b>438,507,878</b>	<b>29,200,506</b>	<b>377,071,646</b>	<b>33,389,311</b>	<b>2,503,996,967</b>
<b>ACCUMULATED DEPRECIATION</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Intangible assets	788,666,805	230,900,216	-	6,001,784	-	1,013,565,237
<b>Total</b>	<b>788,666,805</b>	<b>230,900,216</b>	<b>-</b>	<b>6,001,784</b>	<b>-</b>	<b>1,013,565,237</b>
<b>ACCUMULATED IMPAIRMENT LOSSES</b>	<b>Balance as at 1.01.2011</b>	<b>Increase out of which</b>	<b>Transfers</b>	<b>Decrease out of which</b>	<b>Transfers</b>	<b>Balance as at 31.12.2011</b>
Intangible assets	508,264,111	248,605,018	-	336,527,110	-	420,342,019
Advances and intangible assets in progress	3,418,360	355,675	-	356,668	-	3,417,367
<b>Total</b>	<b>511,682,471</b>	<b>248,960,693</b>	<b>-</b>	<b>336,883,778</b>	<b>-</b>	<b>423,759,386</b>
<b>NET BOOK VALUE</b>	<b>1,142,211,459</b>					<b>1,066,672,344</b>

\* Includes intangible assets representing development costs amounting to RON 411,327,758 (cost of RON 782,673,127 less impairment losses of RON 371,345,369).

\*\* Includes the amount of RON 443,531 related to E&P segment representing increase from the reassessment of the decommissioning asset for exploration wells.

During 2011, the Company capitalized own work for various intangible non-current assets. These are included under the column "Increase" in the table above and have a book value of RON 10,070,512 (2010: RON 3,636,108).

**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

During 2011, the Company has capitalized in the value of tangible and intangible assets borrowing costs related to current period in amount of RON 141,845,158 (December 31, 2010: RON 113,760,822).

Net impairments losses booked during the year ended December 31, 2011 for tangible and intangible assets were mainly related to E&P amounting RON 392,748,475, R&M amounting RON 28,279,881 and also other segments RON 2,913,864.

Decommissioning costs capitalized in the value of the tangible and intangible assets as of December 31, 2011 is of RON 2,241,564,936 (December 31, 2010: RON 2,318,639,415).

As further presented in the accounting policies, the Company records the buildings at revalued amounts. The Company does not have enough information so as to disclose the carrying value of buildings if they were measured using the cost model. The Company considers the summarization of information for this disclosure to involve an effort which will not offset potential benefits related to this disclosure.

**c) Financial assets**

<b>COST</b>	<b>Balance at 01.01.2011</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 31.12.2011</b>
Investments (a)	2,124,589,133	180,030,000	8,930,976	2,295,688,157
Other receivables- long term (b)	2,960,990,858	187,810,399	815,983,586	2,332,817,671
Expenditure recoverable from Romanian State (c)	2,458,946,221	174,748,463	-	2,633,694,684
<b>Total</b>	<b>7,544,526,212</b>	<b>542,588,862</b>	<b>824,914,562</b>	<b>7,262,200,512</b>
<b>WRITE DOWN ALLOWANCE</b>				
Investments (a)	75,008,356	274,985,710	8,930,975	341,063,091
Other receivables-long term (b)	757,973,090	119,481,548	202,370,335	675,084,303
<b>Total</b>	<b>832,981,446</b>	<b>394,467,258</b>	<b>211,301,310</b>	<b>1,016,147,394</b>
<b>NET BOOK VALUE</b>	<b>6,711,544,766</b>			<b>6,246,053,118</b>

(a) The increase in investments during 2011 represents increase in share capital in Tasbulat Oil Corporation.

(b) Other receivables-long term include loans given to subsidiaries such as Tasbulat Oil Corporation, Kom Munai LLP, OMV Petrom Wind Power SRL, OMV Bulgaria OOD, OMV Serbia DOO, and Petrom Distributie Gaze SRL. Loans given to subsidiaries have different maturities and bear an interest rate based on market quotations plus a margin.

Loans given to subsidiaries included in other receivables- long term are amounting to RON 2,316,889,568 as at December 31, 2011 (December 31, 2010: RON 2,952,943,333) with a write down allowance of RON 669,865,274 as at December 31, 2011 (December 31, 2010: RON 757,973,088). Please refer to note 10 for further details.

**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

**c) Financial assets (continued)**

(c) As part of the privatization agreement, the Company 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 Exploration and Production (E&P) activities prior to privatization of the Company in 2004. Furthermore, the Company recorded environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim for the lagoons that existed prior to privatization of the Company.

As of 31 December 2011, OMV Petrom S.A. holds receivables from the Romanian State amounting to RON 2,633,694,684. The receivables consist of RON 470,617,594 for cost relating to environmental cleanup and RON 2,163,077,090 for costs relating to the decommissioning. OMV Petrom S.A. filed two claims for reimbursement of environmental cleanup costs in the amount of RON 91,683,670. Up to now the Romanian State has not paid the claimed amounts.

Investments as at December 31, 2011 consist of the following:

<b>Company Name</b>	<b>Field of Activity</b>	<b>Share interest percentage</b>	<b>Cost</b>	<b>Write down allowance</b>
<b>Subsidiaries (&gt;50%)</b>				
OMV PETROM MARKETING SRL	Fuel distribution	100.00%	1,389,858,965	-
ICS PETROM MOLDOVA SA	Fuel distribution	100.00%	100,709,484	40,155,204
TASBULAT OIL CORPORATION LLP *	Oil exploration and drilling in Kazakhstan	100.00%	193,456,985	127,108,432
KORNED LLP	Oil exploration and drilling in Kazakhstan	100.00%	38,187,206	38,187,206
OMV PETROM GAS SRL	Gas distribution	99.99%	8,601,500	-
PETROM DISTRIBUTIE GAZE SRL	Gas distribution	99.99%	63,304,077	63,304,077
PETROM AVIATION SA	Airport services	99.99%	54,142,485	13,847,486
OMV PETROM WIND POWER SRL	Aeolian power production	99.99%	119,926,363	-
PETROM LPG SA	LPG distribution	99.99%	122,307,743	18,971,803
PETROMED SOLUTIONS SRL	Medical services	99.99%	2,999,900	-
OMV BULGARIA OOD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,966	-
PETROM NADLAC SRL	Fuel distribution	98.51%	6,521,923	1,910,717
KOM MUNAI LLP	Oil exploration and drilling in Kazakhstan	95.00%	33,121,000	33,121,000
PETROCHEMICALS ARGES SRL	Refining petrochemicals production	95.00%	200	-
TRANS GAS SERVICES SRL	LPG transportation related services	80.00%	3,909,919	3,594,579
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	50.00%	10	-

\*) Owned through Tasbulat Oil Corporation BVI as holding company.

**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

**c) Financial assets (continued)**

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
<b>Associated companies (20-50%)</b>				
FRANCIZA PETROM 2001 SA	Oil products distribution	40.00%	144,000	144,000
BRAZI OIL & ANGHELESCU PROD COM SRL	Fuel distribution	37.70%	310,800	310,800
FONTEGAS PECO MEHEDINTI SA	Fuel distribution	37.40%	295,881	295,881
CONGAZ SA	Natural gas distribution	28.59%	14,158,085	-
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	Public relations and public representation	20.00%	500	-
<b>Other financial investments (&lt;20%)</b>				
BURSA DE MARFURI OLTENIA CRAIOVA	Other financial services	2.63%	1,526	1,526
TELESCAUN TIHUTA SA	Cable transportation	1.68%	420	420
AGRIBAC SA	Animals breeding	0.79%	28,060	28,060
BENZ OIL SA	Fuel distribution	0.48%	700	700
CREDIT BANK	Other financial services	0.22%	500	500
FORTE ASIGURARI-REASIGURARI SA	Insurance services	0.09%	7,250	7,250
MD INDIA	Exploration and production	0.01%	73,450	73,450
<b>TOTAL</b>			<b><u>2,295,688,157</u></b>	<b><u>341,063,091</u></b>

During 2011 investments in Air Total Romania company has been sold.

Details of balances at year end and transactions during the current year with related parties are presented in the note 10.

**S.C. OMV PETROM S.A.**  
**ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in RON, unless otherwise specified)

**1. FIXED ASSETS (continued)**

**c) Financial assets (continued)**

Investments as at December 31, 2010 consisted of the following:

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
<b>Subsidiaries (&gt;50%)</b>				
OMV PETROM MARKETING SRL	Fuel distribution	100.00%	1,389,858,965	-
ICS PETROM MOLDOVA SA	Fuel distribution	100.00%	100,709,484	-
TASBULAT OIL CORPORATION LLP	Oil exploration and drilling in Kazakhstan	100.00%	13,426,985	-
KORNED LLP	Oil exploration and drilling in Kazakhstan	100.00%	38,187,206	-
OMV PETROM GAS SRL	Gas distribution	99.99%	8,601,500	-
PETROM DISTRIBUTIE GAZE SRL	Gas distribution	99.99%	63,304,077	63,304,077
PETROM AVIATION SA	Airport services	99.99%	54,142,484	-
OMV PETROM WIND POWER SRL	Aeolian power production	99.99%	119,926,363	-
PETROM LPG SA	LPG distribution	99.99%	122,307,743	-
PETROMED SOLUTIONS SRL	Medical services	99.99%	2,999,900	-
OMV BULGARIA OOD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,968	-
PETROM NADLAC SRL	Fuel distribution	98.51%	6,521,923	1,910,717
KOM MUNAI LLP	Oil exploration and drilling in Kazakhstan	95.00%	33,121,000	-
PETROCHEMICALS ARGES SRL	Refining petrochemicals production	95.00%	200	-
TRANS GAS SERVICES SRL	LPG transportation related services	80.00%	3,909,919	-
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	50.00%	10	-

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**1. FIXED ASSETS (continued)**

**c) Financial assets (continued)**

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
<b>Associated companies (20-50%)</b>				
FRANCIZA PETROM 2001 SA	Oil products distribution	40.00%	144,000	144,000
BRAZI OIL & ANGHELESCU PROD COM SRL	Fuel distribution	37.70%	310,800	310,800
FONTEGAS PECO MEHEDINTI SA	Fuel distribution	37.40%	295,881	295,881
CONGAZ SA	Natural gas distribution	28.59%	14,158,085	-
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	Public relations and public representation	20.00%	500	-
<b>Other financial investments (&lt;20%)</b>				
BURSA DE MARFURI OLTENIA CRAIOVA	Other financial services	2.63%	1,526	1,526
AIR TOTAL ROMANIA SA	Kerosene distribution	1.83%	8,929,975	8,929,975
TELESCAUN TIHUTA SA	Cable transportation	1.68%	420	420
AGRIBAC SA	Animals breeding	0.79%	28,060	28,060
BENZ OIL SA	Fuel distribution	0.48%	700	700
CREDIT BANK FORTE ASIGURARI-REASIGURARI SA	Other financial services	0.22%	500	500
OFICIUL PATRONAL JUDETEAN MURES	Insurance services	0.16%	7,250	7,250
	Economic and Union activities development	0.01%	1,000	1,000
MD INDIA	Exploration and production	0.01%	73,450	73,450
<b>TOTAL</b>			<b><u>2,124,589,133</u></b>	<b><u>75,008,356</u></b>

Results of the activities carried out by Petrom subsidiaries and associated companies are reflected in consolidated financial statement of Petrom Group prepared in accordance with IFRS.



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**2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS**

<b>PROVISIONS</b>	<b>Balance at 01.01.2011</b>	<b>Increase</b>	<b>Decrease</b>	<b>Balance at 31.12.2011</b>
Provision for litigations (i)	672,607,023	16,600,984	130,839,657	558,368,350
Provision for decommissioning expenses – OMV Petrom S.A. ( ii)	3,671,704,762	387,927,141	162,238,090	3,897,393,813
Provision for expenditure to be incurred on behalf of State	2,031,092,397	241,707,372	67,872,791	2,204,926,978
Provision for retirement benefits (iii)	280,260,716	14,305,392	109,178,950	185,387,158
Provision for environmental expenditures- OMV Petrom S.A. ( iv)	170,216,076	8,952,283	40,493,483	138,674,876
Provision for environmental expenditures to be incurred on behalf of State (iv)	466,903,297	26,235,464	145,717,869	347,420,892
Provision for restructuring (v)	204,909,445	9,700,062	85,179,913	129,429,594
Other provisions for risk and charges (vi)	4,702,160	501,211,114	4,832,371	501,080,903
<b>Total</b>	<b>7,502,395,876</b>	<b>1,206,639,812</b>	<b>746,353,124</b>	<b>7,962,682,564</b>

**PROVISIONS/ ADJUSTMENTS ON THE VALUE OF ASSETS**

Adjustments for customers, other debtors and other receivables (Note 5)	441,152,841	-	15,478,461	425,674,380
Adjustments for short term financial assets (Note 5)	17,413,857	-	1,250,164	16,163,693
Adjustments for depreciation of inventories (Note 10.3)	183,719,997	78,730,985	22,096,329	240,354,653
Adjustments for impairment of fixed assets (Note 1 a, b)	2,344,675,133	424,853,603	532,905,605	2,236,623,131
Adjustments for depreciation of financial assets (Note 1c)	832,981,446	394,467,258	211,301,310	1,016,147,394
<b>Total</b>	<b>3,819,943,274</b>	<b>898,051,846</b>	<b>783,031,869</b>	<b>3,934,963,251</b>

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**2. PROVISIONS (continued)**

(i) 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. Main decreases during the year are related to the payments done for work litigations with actual and former employees.

(ii) Decommissioning provision has been assessed by the Company using its best estimates. In determining those provisions management considered existing and future technologies that are expected to be used in decommissioning of wells and production facilities when reserves will be depleted.

As at December 31, 2011, the decommissioning provision for Company's liability is of RON 3,897,393,813 (December 31, 2010: RON 3,671,704,762). Corresponding value of the decommissioning asset included in the tangible and intangible asset is RON 2,241,564,936 (December 31, 2010: RON 2,318,630,415).

Also, the provision for decommissioning liability related to historical obligation that will be reimbursed by the Romanian State as per Privatization Contract amount RON 2,204,926,978 (December 31, 2010: RON 2,031,092,397). Corresponding receivable over the State is RON 2,163,077,089 (December 31, 2010: 1,992,837,633). Net change during the year is mainly due to the yearly unwinding effect and to the updates in estimates regarding decommissioning costs for wells.

(iii) The Collective Labor Agreement concluded between the Company and its employees provides that on retirement an employee will receive a one-off payment amounting to two to four month salaries according to the length of service. Employees that have worked for more than 15 years in the oil industry are entitled to receive a payment of four monthly salaries. The collective labor agreement also provides that the Company will pay funeral expenses for employees and also for the family members. The Company assessed the accrual of post-employment obligations based on independent professional actuarial calculation. Provision has been calculated using a discount rate of 7.35% (2010: 6.25%) and an inflation rate of 3.52% (2010: 2.73%). Change of discounting rate used in computation of present liability lead to the significant decrease of provision in 2011.

(iv) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2011. The Company recorded also environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim as these lagoons existed prior to privatization of the Company. Corresponding receivable over the State is RON 470,617,595 (December 31, 2010: 466,108,588). During the year 2011, significant environmental works were done, especially in Refining business unit; therefore, provisions recorded a net decrease during current period.

Similar with last year, as of December 31, 2011, the Company had not shortfall in EU allowances allocated compared to the CO2 emissions of installations subject to the EU Emission Trading Scheme.

(v) In order to run the Company in the most effective and efficient manner, the Company will continue the personnel restructuring plan approved and communicated in the previous years.

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**2. PROVISIONS (continued)**

The restructuring provision includes direct costs related to the restructuring process, namely those expenses that are generated as such by the restructuring process and are not related to the normal course of operating the business.

(vi) Other risks and charges primarily relate to the provisions recorded for the fine received from Competition Council as well as to the provision for Arpechim closure, following the strategy of optimization of refinery operations.

**3. PROFIT APPROPRIATION**

	<u>December 31, 2010</u>	<u>December 31, 2011</u>
<b>Net profit to be appropriated</b>	<b><u>1,799,154,602</u></b>	<b><u>3,685,607,226</u></b>
- legal reserve	101,709,733	209,401,533
- dividends	<u>1,002,597,302</u>	<u>-</u>
<b>Profit not appropriated</b>	<b><u>694,847,567</u></b>	<b><u>3,476,205,693</u></b>

The General Meeting of the Shareholders held on April 26, 2011 approved allocation of RON 1,002,597,302 from the 2010 profit to dividends. The profit for the year ended December 31, 2011 will be allocated based on the decision of the General Meeting of the Shareholders, and will decrease the retained profit carried forward in 2012.

**4. ANALYSIS OF OPERATING PROFIT**

	<u>December 31, 2010</u>	<u>December 31, 2011</u>
<b>1. Net turnover</b>	<b><u>13,953,092,655</u></b>	<b><u>16,565,465,973</u></b>
<b>2. Costs of goods sold and services rendered (3+4+5)</b>	<b><u>10,201,444,390</u></b>	<b><u>11,502,151,218</u></b>
3. Operating activity expenses	7,688,051,336	9,609,693,997
4. Secondary activity expenses	1,570,855,072	972,783,709
5. Indirect production expenses	942,537,982	919,673,512
<b>6. Gross profit due to net turnover (1-2)</b>	<b><u>3,751,648,265</u></b>	<b><u>5,063,314,755</u></b>
7. Selling and distribution expenses	658,557,801	128,945,975
8. Administrative expenses	235,053,394	106,721,466
9. Other operating revenues	<u>343,656,477</u>	<u>205,937,960</u>
<b>10. Operating profit (6-7-8+9)</b>	<b><u>3,201,693,547</u></b>	<b><u>5,033,585,274</u></b>

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**5. RECEIVABLES AND PAYABLES**

Receivables	December 31, 2010	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,717,081,198	1,665,663,598	51,417,600
Advances to suppliers	42,964,113	42,964,113	-
Other debtors	383,886,196	383,886,196	-
Advances to personnel	6,041,705	6,041,705	-
Interest receivable	18,655,757	18,655,757	-
Other receivables	77,501,810	77,501,810	-
Provision for doubtful receivables*	(458,566,698)	(407,149,098)	(51,417,600)
VAT not due	133,426,635	133,426,635	-
Other taxes and similar accounts	217,003,848	217,003,848	-
Loans given to subsidiaries – short term portion	21,424,000	21,424,000	-
<b>Total</b>	<b>2,159,418,564</b>	<b>2,159,418,564</b>	<b>-</b>
thereof with related parties:			
Loans given and interest	26,613,218	26,613,218	
Trade and other receivables	1,345,084,943	1,345,084,943	

\*) Refer to Note 2 for movement in above provision.

PAYABLES	December 31, 2010	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Loans from financial institutions	3,823,568,833	358,060,145	2,802,835,801	662,672,887
Interest for loans	32,991,547	32,991,547	-	-
Cash Pooling with subsidiaries	828,280,085	828,280,085	-	-
Interest related to cash pooling	3,140,496	3,140,496	-	-
Suppliers and similar accounts	2,853,399,364	2,853,399,364	-	-
Advance payments from customers	56,644,908	56,644,908	-	-
Other creditors	7,615,419	7,615,419	-	-
Guarantees from suppliers	29,405,433	18,394,227	10,110,184	901,022
Employees rights	83,382,091	83,382,091	-	-
Payroll taxes and other social contributions	67,118,826	67,118,826	-	-
Crude oil and gas royalty tax	157,286,416	157,286,416	-	-
Other taxes payable	16,048,671	16,048,671	-	-
Tax on profit	177,842,166	177,842,166	-	-
VAT payable	73,870,192	73,870,192	-	-
Dividends to be paid	9,599,884	9,599,884	-	-
Finance lease liabilities	15,183,272	4,267,418	8,867,058	2,048,796
Other payables	136,172,345	136,172,345		
<b>Total</b>	<b>8,371,549,948</b>	<b>4,884,114,200</b>	<b>2,821,813,043</b>	<b>665,622,705</b>
thereof with related parties:				
Cash pooling (incl. interest)	831,420,581	831,420,581		
Trade and other payables	181,257,472	181,257,472		

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**5. RECEIVABLES AND PAYABLES (continued)**

Receivables	December 31, 2011	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	2,033,180,320	2,031,212,676	1,967,644
Advances to suppliers	9,615,306	9,615,306	
Other debtors	364,951,694	362,124,844	2,826,850
Advances to personnel	4,710,941	4,710,941	
Interest receivable	198,198	198,198	
Other receivables	67,801,896	67,801,896	
Provision for doubtful receivables*	(431,576,658)	(431,576,658)	
VAT not due	154,701,326	154,701,326	
Other taxes and similar accounts	20,356,977	20,356,977	
Loans given to subsidiaries – short term portion	604,657,677	604,657,677	
Interest related to loans given to subsidiaries- short term portion	54,774,585	54,774,585	
Provision related to loans given to subsidiaries- short term portion	(10,261,415)	(10,261,415)	
<b>Total</b>	<b>2,873,110,847</b>	<b>2,868,316,353</b>	<b>4,794,494</b>
thereof with related parties:			
Loans given and interest	649,170,847	649,170,847	
Trade and other receivables	1,555,322,569	1,555,322,569	

\*) Refer to Note 2 for movement in above provision.

Trade receivables are non-interest bearing and are generally recoverable between 30 to 90 days.

PAYABLES	December 31, 2011	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Loans from financial institutions	2,646,795,475	449,538,929	1,328,914,564	868,341,982
Interest for loans	20,619,118	20,619,118		
Cash pooling with subsidiaries	828,434,357	828,434,357		
Interest related to cash pooling	3,137,397	3,137,397		
Suppliers and similar accounts	2,290,740,846	2,290,740,846		
Advance payments from customers	46,372,959	46,372,959		
Other creditors	41,312,493	41,312,493		
Guarantees from suppliers	44,815,732	33,707,184	8,674,297	2,434,251
Employees rights	89,243,250	89,243,250		
Payroll taxes and other social contributions	61,689,622	61,689,622		
Crude oil and gas royalty tax	188,484,048	188,484,048		
Other taxes payable	110,458,921	110,458,921		
Tax on profit	250,512,359	250,512,359		
VAT payable	145,917,453	145,917,453		
Dividends to be paid	9,415,117	9,415,117		
Finance lease liabilities	56,723,266	9,859,760	44,809,985	2,053,521
Other payables	98,498,919	98,498,919		
<b>Total</b>	<b>6,933,171,332</b>	<b>4,677,942,732</b>	<b>1,382,398,846</b>	<b>872,829,754</b>
thereof with related parties:				
Cash pooling (incl. interest)	831,571,754	831,571,754		
Trade and other payables	167,091,747	167,091,747		

Free translation from the Romanian version which is the original

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**5. RECEIVABLES AND PAYABLES (continued)**

**Liabilities from hedge contracts**

To protect the Company's cash flows in 2011 from the adverse impact of falling oil prices, OMV Petrom S.A. entered in January 2011 into oil price swaps, locking in a Brent price of approximately USD 97/bbl for a volume of 25,000 bbl/d. During the year 2011 the oil price hedge was realized, resulting in an expense in OMV Petrom S.A. of RON 403,342,307. As at December 31, 2011 an amount of RON 95,316,712 is included in other payables representing liability related to fourth quarter hedge settlement (December 31, 2010: RON 128,363,195, related to 2010 oil price hedge).

As at December 31, 2010 and 2011, the Company had the following loans:

**Short term interest bearing debts**

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
European Bank for Reconstruction and Development (a)	336,635,312	401,192,138
Black Sea Trade and Development Bank (b)	21,424,000	21,598,500
European Investment Bank (c)	-	26,741,000
Raiffeisen Bank SA (d)	833	7,292
Cash pooling (e)	828,280,085	828,434,357
Accrued interest	36,132,043	23,756,514
<b>Total interest bearing debts short term</b>	<b><u>1,222,472,273</u></b>	<b><u>1,301,729,801</u></b>

**Long term interest bearing debts**

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
European Bank for Reconstruction and Development (a)	1,398,708,688	1,295,262,046
Black Sea Trade and Development Bank (b)	85,696,000	64,795,500
Banks Consortium (agent: UniCredit Bank Austria AG) (f)	1,074,080,000	-
Banks Consortium (agent: UniCredit Bank Austria AG) (g)	350,000,000	-
European Investment Bank (c)	557,024,000	837,199,000
<b>Total interest bearing debts long term</b>	<b><u>3,465,508,688</u></b>	<b><u>2,197,256,546</u></b>

(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 200,000,000 for the construction of the Power Plant in Petrobrazi. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The drawings as at December 31, 2011 amounted to RON 818,151,180 (equivalent of EUR 189,400,000) (December 31, 2010: RON 557,024,000, equivalent of EUR 130,000,000).

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**5. RECEIVABLES AND PAYABLES (continued)**

- ii. An unsecured corporate loan agreement for a maximum amount of EUR 275,000,000 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 150,000,000) and November 15, 2013 (for the remaining EUR 125,000,000). The drawings as at December 31, 2011 were RON 878,303,004 (equivalent of EUR 203,325,000) (December 31, 2010: RON 1,178,320,000, equivalent of EUR 275,000,000).
- (b) For the funding of the environmental program OMV Petrom S.A. concluded also a parallel unsecured corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25,000,000. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. The drawings as at December 31, 2011 amounted to RON 86,394,000 (equivalent of EUR 20,000,000) (December 31, 2010: RON 107,120,000, equivalent of EUR 25,000,000).
- (c) For funding the construction of the Petrobrazi Power Plant, OMV Petrom S.A. concluded also an unsecured loan agreement for an amount of EUR 200,000,000 with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The drawings as at December 31, 2011 were in value of RON 863,940,000 (equivalent of EUR 200,000,000 million) (December 31, 2010: RON 557,024,000, equivalent of EUR 130,000,000).
- (d) Credit facility granted by Raiffeisen Bank S.A. up to EUR 95,000,000, with maturity date prolonged to December 31, 2013. The drawings as at December 31, 2011 were in value of RON 7,292 (December 31, 2010: RON 833). The facility is not secured. It 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 the applicable interest rate minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month and with maturity April 27, 2012, are signed between OMV Petrom S.A. and the following affiliates:
  - (i) OMV Petrom Marketing S.R.L. for an amount up to RON 1,500,000,000. The balance as at December 31, 2011 amounts to RON 542,876,200 (December 31, 2010: RON 496,054,555).
  - (ii) OMV Petrom Gas S.R.L. for an amount up to RON 350,000,000. The balance as at December 31, 2011 amounts to RON 200,663,000 (December 31, 2010: RON 168,945,050).
  - (iii) Petrom LPG S.A. for an amount up to RON 150,000,000. The balance as at December 31, 2011 amounts to RON 67,763,500 (December 31, 2010: RON 90,223,500).
  - (iv) OMV Petrom Wind Power S.R.L. for an amount up to RON 100,000,000. The balance as at December 31, 2011 amounts to RON 5,666,277 (December 31, 2010: RON 64,160,000).



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**5. RECEIVABLES AND PAYABLES (continued)**

- (v) Petromed Solutions S.R.L. for an amount up to RON 15,000,000. The balance as at December 31, 2011 amounts to RON 8,126,880 (December 31, 2010: RON 3,622,880).
- (vi) Petrom Aviation S.A. for an amount up to RON 15,000,000. The balance as at December 31, 2011 amounts to RON 3,338,500 (the contract was concluded on 29.04.2011).
- (vii) As at December 31, 2010, a cash pooling agreement was in place with Aviation Petroleum S.R.L., for an amount up to RON 10,000,000, the amount drawn as at that date being RON 5,274,100. During the year 2011, Aviation Petroleum S.R.L. merged with Petrom Aviation S.A.
- (f) On October 14, 2008 OMV Petrom SA concluded a unsecured revolving credit facility, for a maximum amount of EUR 375,00,000, 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 drawings as of December 31, 2010, in amount of RON 964,080,000 (equivalent of EUR 225,000,000) and RON 110,000,000 were fully reimbursed during 2011.
- (g) On December 21, 2009 OMV Petrom S.A. concluded a second revolving credit facility, unsecured, for a maximum amount of EUR 500,000,000, 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 drawings as at December 31, 2010, in value of RON 350,000,000, were fully reimbursed during 2011.
- (h) On November 22, 2011, OMV Petrom SA replaced the revolving credit facilities amounting to EUR 875,000,000 contracted in 2008 and 2009 ((f) and (g)) with a new unsecured facility amounting to EUR 930,000,000. The Banks Consortium includes Banca Comerciala Romana S.A., Banca Transilvania S.A., Barclays Bank PLC, BAWAG P.S.K. Bank, BRD – Groupe Société Générale S.A., CaixaBank SA, Citibank Europe plc, Fortis Bank SA/NV, ING Bank N.V., J.P. Morgan Europe Limited, OTP Bank Romania SA, Raiffeisen Bank International AG, Raiffeisen Bank SA, Bank of Tokyo Mitsubishi UFJ, Unicredit Bank Austria AG, Unicredit Tiriac Bank SA. The final maturity date is November 22, 2014 with another two years extension option. No drawings from this facility were made as at December 31, 2011.
- (i) A Credit Offer of EUR 500,000,000 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, 2011 and December 31, 2010. The facility is unsecured.

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**5. RECEIVABLES AND PAYABLES (continued)**

The Company has also the following overdraft facilities signed as at December 31, 2011:

- (j) An overdraft facility of RON 85,000,000 is in place with Banca Comerciala Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 23, 2012. No drawings were made under the facility as at December 31, 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 70,000,000 (equivalent of RON 302,379,000), for the purpose of issuing letters of guarantee and working capital financing. The portion for overdraft is of EUR 30,000,000 (equivalent of RON 129,591,000). No drawings under the overdraft facility were made as at December 31, 2011
- (l) A committed credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. that can be used in USD, RON or EUR, with maximum limit of EUR 53,000,000 (equivalent of RON 228,944,100) and maturity date April 30, 2012. The credit is destined to finance the borrower's current activity. No drawings under the facility were made as at December 31, 2011. The credit is unsecured.

The Company has signed also facilities with several banks for issuing letters of guarantee, as follows:

- (m) A facility agreement was signed by OMV Petrom S.A. with Fortis Bank – Bucharest branch – for up to EUR 30,000,000 (equivalent of RON 129,591,000), to be utilized only for issuance of letters of guarantee, with maturity date December 16, 2012. The facility is not secured.
- (n) Credit facility up to EUR 74,332,927 (equivalent of RON 321,095,945) obtained by OMV Petrom S.A. 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 until April 30, 2012. The facility is not secured.
- (o) Credit facility received by OMV Petrom S.A. from Bancpost S.A., up to EUR 25,000,000 (equivalent of RON 107,992,500), to be utilized only for issuance of letters of guarantee, with maturity date January 31, 2013. The facility is not secured.
- (p) Credit facility up to USD 3,000,000 (equivalent of RON 10,017,900) obtained by OMV Petrom S.A. from RBS Bank Romania S.A, to be utilized only for issuance of letters of guarantee. The facility is not secured.

As at December 31, 2011, the Company is in compliance with financial covenants stipulated by the loan agreements.

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**5. RECEIVABLES AND PAYABLES (continued)**

**Finance lease liability**

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

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
<b>Obligations under finance leases</b>		
Amounts due within 1 year	5,099,769	12,729,547
Amounts due after more than 1 year but not later than 5 years	10,776,541	51,245,079
Amounts due after 5 years	6,409,568	6,292,193
<b>Total lease obligations</b>	<b>22,285,878</b>	<b>70,266,819</b>
<b>Less future finance charges on finance leases</b>	<b>(7,102,606)</b>	<b>(13,543,552)</b>
<b>Present value of finance lease liabilities</b>	<b>15,183,272</b>	<b>56,723,267</b>
<i>Analyzed as follows:</i>		
Maturing within 1 year	4,267,418	9,859,760
Maturing after more than 1 year but not later than 5 years	8,867,058	44,809,985
Maturing after 5 years	2,048,796	2,053,522
<b>Total present value of finance lease liabilities</b>	<b>15,183,272</b>	<b>56,723,267</b>

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## **6. ACCOUNTING PRINCIPLES AND METHODS**

### **Basis of preparation**

These financial statements are the responsibility of the management of the Company and are prepared in accordance with the Accounting Law no. 82/1991 (republish in 2009) and Ministry of Finance Order ("MOF") no. 3055/2009 with the subsequent amendments, as follows: MOF no. 2869/2010 and MOF 52/2012.

This Order comprises of Accounting Regulations in accordance with European Directives, namely:

- a) EEC Directive IV 78/660/EEC dated July 25, 1978, as revised and detailed in MOF no. 3055/2009;
- b) Art. 10 paragraph 2 Directive 2004/25/CE of the European Parliament and Council dating April 21, 2004 regarding public acquisitions offers;
- c) Provisions of the Directive 2006/43/CE of the European Parliament and Council dating May 17, 2006 regarding amendments to Directive 78/660/CEE;
- d) Provisions of the Directive 2006/46/CE of the European Parliament and Council dating June 14, 2006 regarding amendments to Directive 78/660/CEE;
- e) Provisions of the Directive 2009/49/CE of the European Parliament and Council dating June 18, 2009 regarding amendments to Directive 78/660/CEE;
- f) EEC Directive VII 83/349/EEC dated June 13, 1983 related to consolidated financial statements, as revised and detailed in MOF No. 3055/2009.

The MOF no. 3055/2009 is harmonized to the EEC Directive IV and EEC Directive VII and differs from the International Financial Reporting Standards. Therefore, these financial statements are not in accordance with International Financial Reporting Standards.

These financial statements, prepared in accordance with MOF no. 3055/2009 with subsequent amendments, are not to be used by third parties or by users of the financial statements that are not familiar with the aforementioned accounting principles.

The accounting records, on which these financial statements are based, are maintained on a historic cost basis, except where it is specifically mentioned to be on a fair value basis, as specified in the accounting policies and in accordance to OMF 3055/2009.

### **Currency of presentation**

These financial statements are stated in lei (RON), unless otherwise specified.

### **Going concern basis**

Management has addressed the issue of the appropriateness of the preparation of the financial statements under the going concern basis.

### **Consolidated financial statements**

These are the stand alone statutory financial statements. The Company also prepares consolidated financial statements for the same period in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU). IFRS Consolidated financial statements for the year ended December 31, 2011 have been authorized for issue by the management on March 23, 2012.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Prior Year Restatements and Retained Earnings**

Potential current period errors discovered in the period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, which leads to retrospective correction in the account "Retained earnings from correction of errors", and presentation of appropriate disclosures in the notes to the financial statements.

The correction of the material errors relating to prior periods does not trigger the modification of the financial statements of those prior periods presented in the financial statements. In case of errors in regards to prior periods, no adjustment is made on the comparative information.

**Use of estimates**

The preparation of financial statements in conformity with Romanian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As discussed in Notes 1 and 2 the Company used best possible information and estimation available. Actual results could differ from those estimates.

**Non-current assets**

Non-current assets are assets generating future economic benefits that are held for a period longer than one year. They are initially recognized at the acquisition cost / production cost, and subsequently to historic cost or fair value (as applicable), less accumulated depreciation and impairment losses.

**Cost/ Valuation**

Property, plant and equipment are valued at cost, except for buildings which are stated at revalued amounts.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and including import duties and non-refundable purchase taxes, transport costs, handling costs, commissions, legal (notary) fees, authorizations costs as well as 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-produced assets includes cost of direct materials, labor, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

Expenditures incurred after the tangible assets have been put into operation, such as repairs and maintenance and overhead costs, are normally charged to the income statement in the period when they incur. In situations where it can be clearly demonstrated that these expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property, plant and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as an additional cost.

Construction-in-progress includes cost of construction, plant and equipment and other direct costs. These are not depreciated until such time as the relevant assets are completed and put into operational use.

Maintenance and repairs of fixed assets are charged to the profit and loss account as incurred. An investment for tangible assets in the form of subsequent expenditures is recognized as a component of the asset. Such investments should result in the enhancement of the initial technical parameters and generate future economic benefits, in addition to those initially estimated.

The last revaluation of buildings was performed as at December 2009. The revaluation of buildings is undertaken as at 31 December, in order to bring their value to the fair value. The revalued amounts are depreciated starting 1 January the year following the revaluation.

The tangible assets revaluations are performed with sufficient regularity so that their carrying amount at the balance sheet date does not significantly differ from what would have resulted by using the fair value.

Any revaluation increase arising on the revaluation of buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and it is recognized in the Income Statement.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Depreciation**

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date, except for the core items within the Exploration & Production segment which are depreciated using the unit of production method.

Useful lives used for different categories of tangible assets are as follows:

	<u><b>Years</b></u>
Intangible assets	4 - 8
Property and plant	10 - 40
Machinery and equipment	5 - 20
Vehicles	5
Office equipment	5 - 10

The useful life and depreciation method are periodically reviewed.  
Land is not depreciated.

**Impairment of assets**

Provision is made for the impairment of the Company's assets whenever the carrying value of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of its net selling price and value in use. Value in use of an asset is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

The Company analyzed the internal and external sources of information and reached the conclusion that there are indications concerning the impairment of its refining assets. Consequently, the Company decided to assess the recoverable value of the tangible non-current assets. As a result of the performed exercise, it was found that it is not necessary to record impairments for Petrobrazî refinery.

The discount rate applied to future cash flows is of 7.4%, representing the Company's best estimate concerning the standard applicable to the industry.

Arpechim refinery assets are impaired as at December 31, 2011 except for its tank farms that are used in connection with Petrobrazî refinery.



## **6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

### **Exploration and Appraisal Costs**

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as intangible 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 entering into development phase of the field. The status of such prospects is reviewed regularly by executive management.

### **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 tangible assets as incurred. 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.

### **Provision for Decommissioning Costs**

The initial cost of a tangible asset could also include the decommissioning and restoration costs initially estimated, when this value can be reliably measured and there is an obligation in this regard. The estimated decommissioning and restoration costs are recognized in the value of the non-current asset corresponding to the related provision.

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.

Based on the privatization agreement, part of the Company decommissioning cost will be reimbursed by the Romanian State. The portion of decommissioning provision to be reimbursed by the Romanian State has been reassessed in order to reflect the current best estimate of the cost at present value. A non-current receivable is established in respect of the reimbursement.

### **Long term financial Investments**

The long term financial investments include shares in affiliated entities (subsidiaries), loans given to affiliated entities (subsidiaries), investments in associates, loans given to associates and other investments held as non-current assets for loans.

The long term financial investments are initially recognized at the acquisition cost or the value stated in the acquisition contract. They are subsequently measured at the initial cost less any cumulated impairment loss.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Inventories**

The main categories of inventory are raw materials, work in progress, semi finished and finished goods, merchandise, spare parts, consumables and packaging materials. Goods in custody at third parties are also part of the Company's inventories, and are individually booked per category.

Work in progress is determined based on the physical inspection of the work in progress at the end of the period through technical procedures in order to identify the stage of completion and its valuation, based on the production cost incurred to date.

The cost of inventory includes all the acquisition and production costs, and other costs incurred in order to bring the inventory in the present location and condition.

At the balance sheet date, inventories are registered 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. Appropriate provisions are made for any obsolete or slow moving stocks based on the management's assessments.

At disposals, items are valued based on the weighted average method.

**Receivables**

Receivables are stated at their recoverable amounts, being the initial invoice amount less an allowance for any uncollectible amounts, if the case. An allowance is recorded when there is objective evidence that the Company will not be able to collect the debts. Doubtful debts are removed from the balance sheet when they are considered to be irrecoverable.

**Trade and other payables**

Trade payables are carried at cost, which is the value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

**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.

**Contributions for employees**

The Company pays all contributions to the State Budget according to the levels established by the legislation during the year. The value of these contributions is recorded in the income statement in the same period with corresponding salary expenses.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Tax on profit**

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

**Operating leases**

Leases are classified as operating leases whenever risks and rewards of ownership are not assumed by the Company. Rental payables under operating leases are charged to expenses on accrual basis over the term of the relevant lease.

**Financial leases**

Property, plant and equipment contains assets being used under finance leases. Since the Company benefits from the economic benefits of ownership, the assets must be capitalized, at the lower of the present value of minimum lease obligation and fair value, 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.

**Provisions**

Provisions are recognized when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits is required to settle the obligation and a reliable estimate can be made of the amount of the obligations.

**Restructuring provision**

The Company accounts for a restructuring provision to the extent that all the following conditions are met:

- a) The Company has an official restructuring plan which includes: details in regard to the segment it relates, approximate number of employees which will receive compensation for ceasing their service, the costs for the plan and the restructuring plan date;
- b) The Company raised a reasonable expectation that the restructuring will be achieved by starting the implementation of the plan or by presenting its main characteristics to those affected.

A restructuring provision will only include direct costs related to the restructuring process, namely those expenses that are generated as such by the restructuring process but are not related to the Company's continuing business.

The provisions are revised at the balance sheet date and adjusted to reflect the management's current best estimate. In case there is no more probable that an outflow of economic benefits will be required to settle the obligation, then the provision is to be reversed.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Retirement Benefit Costs**

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Actuarial gains and losses are recognized in full in the period in which they occur as a provision for risks and charges. The actuarial computations are prepared each year by independent actuaries.

**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.

**Revenue recognition**

Revenue is recorded when the significant risks and rewards are transferred to the customer. The revenues do not include selling taxes (VAT), but they do include the commercial discounts awarded to customers. The financial discounts awarded to customers are recorded as financial expenses without affecting the value of revenues of the Company.

**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.

**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 labor hours are delivered and direct expenses are incurred.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**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.

**Rental income**

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

**Operational expenses**

Operational expenses are recorded as expenses within the period they occurred.

**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. At December 31, 2011 the exchange rate was RON 3.3393 to USD 1 and RON 4.3197 to EUR 1 (31 December 2010: RON 3.2045 to USD 1 and RON 4.2848 to EUR 1).

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. Realized and unrealized foreign exchange gains and losses are recorded as financial revenues and expenses.

**Pensions and post employment benefits**

The Company, in the normal course of business, makes payments to the Romanian State on behalf of its employees. The Company does not operate any other pension scheme or post retirement benefit plan and, consequently, has no obligation in respect of pensions.

**Hedging**

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Such financial instruments are recorded at cost, if any. No fair value adjustment is recognized at month end. Hedge effect is recognized in profit or loss when it is realized.

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**6. ACCOUNTING PRINCIPLES AND METHODS (continued)**

**Segmental reporting**

The Company has vertical integrated activities and presents the following reportable segments: Exploration and Production, Refining and Marketing, Gas and Power, Corporate and Other. The pricing of inter-segment transfer is based on market price for various types of products transferred between segments. As a result, the Earnings Before Interest and Taxes per segments presented in Note 10.8 reflects the results of each segment based on the transfer price. Financial assets have been presented according to their nature of activity.

**Related parties (Romanian wording “affiliated entities and other related parties”)**

In accordance with MOF 3055/2009 an entity is affiliated to a company if it is controlled by the other company. Control exists when the parent Company fulfils one of the following criteria:

- a) has the majority of the shareholders' or members' voting rights in the entity;
- b) is a shareholder or associate of an entity and a majority of the members of the administrative, management or supervisory bodies of that entity who have held office during the financial year, during the preceding financial year and up to the time when the consolidated annual consolidated financial statements are drawn up, have been appointed solely as a result of the exercise of its voting rights;
- c) is a shareholder or associate of a subsidiary and holds the control alone over the majority of the voting rights of the shareholders or the associates of that respective subsidiary, pursuant to a contract entered into with other shareholders or associates
- d) is a shareholder or associate of a subsidiary and has the right to exercise a dominant influence over an entity of which it is a shareholder or member, pursuant to a contract entered into with that entity or to a provision in its memorandum or articles of association, where the law governing that subsidiary entity permits its being subject to such contracts or provisions;
- e) the parent entity has the power to effectively exercise a dominant influence or control over a subsidiary
- f) is a shareholder or associate of a subsidiary and has the right to appoint or remove a majority of the members of the administrative, management or supervisory body of that subsidiary;
- g) the parent entity and the subsidiary entity are managed on a unified basis by the parent entity.

An entity is “connected” to another entity if:

- a) directly or indirectly, through one or more entities:
  - it controls or is controlled by the other entity or it is subject to the joint control of the other entity (including the parent companies, the subsidiaries or the member subsidiaries);
  - it has an interest in the respective entity, which gives a significant influence on it; or
  - it holds joint control on the other entity;
- b) it represents an entity associated to the other entity;
- c) it represents a joint venture in which other entity is an associate;
- d) it represents a member of the entity or the parent company key management;
- e) it represents a close family member of the person mentioned at points a) or d);
- f) it represents an entity which is controlled, jointly controlled or significantly influenced or for which the significant voting right in such entity is granted, directly or indirectly, by any of the persons mentioned at points d) or e); or
- g) the entity represents a post-employment benefits plan for the other entity employees or for the employees of any other entity related to such entity.

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**7. SHARE CAPITAL**

The total share capital amounts to RON 5,664,410,834, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

	<u>December 31, 2010</u>	<u>December 31, 2011</u>
<b>No. of shares</b>	<b><u>56,644,108,335</u></b>	<b><u>56,644,108,335</u></b>

**Shareholder Structure as at December 31, 2010 and December 31, 2011**

	<u>No. of shares</u>	<u>Percent</u>
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy	11,690,694,418	20.64%
Property Fund S.A.	11,391,130,186	20.11%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	<u>3,520,046,256</u>	<u>6.21%</u>
<b>Total</b>	<b><u>56,644,108,335</u></b>	<b><u>100.00%</u></b>

The issued capital of the Company is fully paid in as at 31 December 2011.

**Redeemable shares**

The Company has no redeemable shares as at 31 December 2011 (2010: no redeemable shares).

**Bonds**

The Company issued no bonds during 2011 (2010: no bonds were issued).

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**8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS**

The average number of employees in 2011 is 22,052 (2010: 25,176).

	<b>No. of employees in 2010*</b>	<b>Salaries in 2010</b>	<b>No. of employees in 2011*</b>	<b>Salaries in 2011</b>
As of December 31	<u>25,176</u>	<u>1,480,438,732</u>	<u>22,052</u>	<u>1,349,731,693</u>

\*) The number of employees was calculated as average of the headcount as of beginning and end of the years.

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

At December 31 2011 there are no loans or advances given by the Company to the members of the Supervisory Board.

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

**Number of employees as at year-end**

The number of employees per operating segments as at year end is presented below:

<b>Operating segments</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Exploration and Production	18,208	16,916
Refining and Marketing	2,671	2,188
Gas and Power	589	425
Corporate and Other	1,399	1,695
<b>TOTAL</b>	<u><b>22,867</b></u>	<u><b>21,224</b></u>



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**9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS**

	<u>2010</u>	<u>2011</u>
<b>Liquidity ratios</b>		
Current assets	1.12	1.12
Acid test	0.75	0.76
<b>Risk ratios</b>		
Indebtness ratio*	21.40%	11.63%
Interest cover	18.20	62.20
<b>Operational ratios</b>		
Stock turnover – days	70	56
Days in receivables – days	38	41
Days in payables – days	63	58
Tangible assets turnover	0.74	0.78
Total assets turnover	0.43	0.49
<b>Profitability ratios</b>		
Return on capital employed (%) ROCE	11.91%	21.53%
Earnings per share (RON)	0.032	0.065
Profit before tax (%)	15.88%	27.04%

\*) Indebtness ratio is calculated as (Payables to credit institutions-long term) / Equity x100

The above listed ratios are detailed in MOF 3055/2009.

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**10. OTHER INFORMATION**

**10.1. Nature of activity**

The Company's headquarters is located at Coralilor Street no. 22, sector 1 Bucharest, Romania. The Company was set up according to the Government Ordinance no.49/Oct 1997, modified by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997. The Company has activities in exploration and production and related services, refining and marketing,, gas supply chemicals, gas and power production, operates on the domestic market and also has operations in Kazakhstan. The Company is listed on Bucharest Stock Exchange.

On October 1, 2010 OMV Petrom S.A.'s Marketing activities were spun off to OMV Petrom Marketing S.R.L. (formerly named OMV Romania Mineraloel S.R.L.), a company fully owned by OMV Petrom S.A.

The Company is the parent of OMV Petrom Group. The annual consolidated financial statements are prepared by the Company in accordance with IFRS as adopted by EU.. In its turn, the parent Company OMV Petrom S.A. is part of the OMV Group which prepares consolidated financial statements at the level of OMV Aktiengesellschaft, which has its registered office at Trabrennstrasse 6-8, 1020 Vienna, Austria. These annual consolidated financial statements (both the Group's and Subgroup's) are public and may be obtained from the companies' websites, i.e. [www.omv.com](http://www.omv.com) and [www.petrom.com](http://www.petrom.com).

**10.2. Cash and bank accounts**

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Bank accounts	1,415,877,174	566,973,425
Petty cash	51,317	41,163
Other values	163,015	11,908
<b>Total</b>	<b>1,416,091,506</b>	<b>567,026,496</b>

Included in bank accounts as at December 31, 2011 is the amount of RON 101,196,137 representing cash restricted mainly in relation with several litigation cases.

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**10. OTHER INFORMATION (continued)**

**10.3. Inventories**

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Raw materials and materials	772,598,593	671,639,710
Small tools	16,293,892	16,630,627
Finished products	634,854,317	589,477,127
Work in progress	125,554,299	114,027,035
Packaging and other	273,701	236,331
Raw materials and materials at third parties	154,955,320	203,027,924
Products at third parties	171,049,325	69,227,672
Goods purchased for resale at third parties	80,571,463	268,461,745
Provision for inventories *	(183,719,997)	(240,354,653)
Advances for stocks	56,266,052	3,431,985
<b>Total</b>	<b><u>1,828,696,965</u></b>	<b><u>1,695,805,503</u></b>

\*) Refer to Note 2 for movement in above provision.

**10.4. Earnings per share**

Calculations of earnings per share are based on the following data:

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Net profit for the year	1,799,154,602	3,685,607,226
Weighted average of ordinary shares during the year	56,641,009,185	56,643,903,559
<b>Basic earnings per share – RON</b>	<b><u>0.032</u></b>	<b><u>0.065</u></b>

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**10. OTHER INFORMATION (continued)**

**10.5. Related Parties Transactions and Balances**

During 2011, the Company had the following purchases transactions with related parties:

<b>Name of supplier</b>	<b>Nature of transactions</b>	<b>Balance</b>	<b>Transactions</b>
OMV Supply & Trading AG	Acquisition of petroleum products	12,111,167	862,519,855
OMV Refining & Marketing GmbH	Acquisition of petroleum products	14,222,011	177,063,116
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	44,493,172	95,518,342
OMV Petrom Gas S.R.L.	Acquisition of gas and other	35,215,985	71,771,863
Petrom Exploration & Production	Delegation of personnel	-	63,812,648
Petromed Solutions S.R.L.	Medical services	399,772	22,157,767
OMV Petrom Wind Power SRL	Acquisition of electricity	10,332,545	13,413,797
Petrom Aviation S.A.	Airport sales services	1,747,116	13,394,834
OMV Bulgaria OOD	Delegation of personnel and other	346,751	1,365,913
Petrom Distributie Gaze S.R.L.	Various services	20,793	437,706
I.C.S. Petrom Moldova S.A.	Various services	19,820	153,097
Petrom LPG S.A.	Various services	322,096	68,869
Aviation Petroleum S.R.L.	Airport sales services	-	3,988,923
OMV Trading GmbH	Acquisition of electricity and other	16,965,272	53,743,135
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	692,019	36,335,650
OMV Exploration & Production GmbH	Delegation of personnel and other	7,017,124	28,931,640
OMV Aktiengesellschaft	Delegation of personnel and other	13,311,942	18,785,315
OMV Solutions GmbH	Delegation of personnel and other	9,646,029	17,527,342
OMV Austria Exploration & Production GmbH	Various services	-	2,478,130
OMV Deutschland GmbH	Various services	-	2,450,858
GAS Connect Austria GmbH	Delegation of personnel and other	31,614	614,659
OMV Gas & Power GmbH	Delegation of personnel and other	-	981,040
OMV Power International GmbH	Delegation of personnel and other	190,175	190,743
Trans Gas LPG Services S.R.L.	Various services	-	10,779
Congaz SA	Various services	6,344	26,287
<b>Total</b>		<b>167,091,747</b>	<b>1,487,742,308</b>

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**10. OTHER INFORMATION (continued)**

**10.5. Related Parties (continued)**

During 2010, the Company had the following purchases transactions with related parties:

<b>Name of supplier</b>	<b>Nature of transactions</b>	<b>Balance</b>	<b>Transactions</b>
OMV Supply & Trading AG	Acquisition of petroleum products	99,835,058	675,458,502
OMV Refining & Marketing GmbH	Acquisition of petroleum products	24,588,457	229,188,296
OMV Petrom Marketing S.R.L.	Acquisition of petroleum products	33,042,717	67,125,077
Petrom Exploration & Production Limited	Delegation of personnel	-	49,895,293
Petrom LPG S.A.	Acquisition of petroleum products	143,543	42,470,634
OMV Exploration & Production GmbH	Delegation of personnel and other	14,058,238	35,313,957
Petromed Solutions S.R.L.	Medical services	1,933,624	23,019,961
Petrom Aviation S.A.	Airport sales services	882,476	10,348,266
OMV Solutions GmbH	Delegation of personnel and other	1,310,112	6,907,642
OMV Deutschland GmbH	Acquisition of petroleum products	-	5,459,624
Aviation Petroleum S.R.L.	Airport sales services	1,533,503	4,797,533
OMV Aktiengesellschaft	Delegation of personnel and other	653,136	4,211,826
OMV Petrom Gas S.R.L.	Acquisition of gas and other	200,279	3,711,849
OMV Bulgaria OOD	Delegation of personnel and other	1,910,646	3,690,091
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	712,960	1,997,374
OMV Gas & Power GmbH	Delegation of personnel and other	25,384	1,936,186
OMV Austria Exploration & Production GmbH	Various services	-	1,370,837
Petrom Distributie Gaze S.R.L.	Various services	22,686	186,621
I.C.S. Petrom Moldova S.A.	Various services	-	51,203
OMV Gas GmbH	Delegation of personnel and other	37,099	587,327
OMV Power International GmbH	Delegation of personnel and other	190,234	190,289
Petrol Ofisi A.Ş.	Acquisition of petroleum products	-	5,669,973
Borealis AG	Various services	-	607,003
Congaz S.A.	Various services	-	37,750
Petrom Nadlac S.R.L.	Various services	-	660,177
Trans Gas LPG Services S.R.L.	Various services	177,320	573,727
<b>Total</b>		<b>181,257,472</b>	<b>1,175,467,018</b>

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**10. OTHER INFORMATION (continued)**

**10.5. Related Parties (continued)**

During 2011, the Company had the following sales transactions with related parties:

<b>Name of customer</b>	<b>Nature of transactions</b>	<b>Balance</b>	<b>Transactions</b>
OMV Petrom Marketing S.R.L.	Sales of petroleum products	670,979,420	8,140,624,285
OMV Petrom Gas S.R.L.	Sales of gas	612,854,708	2,113,282,823
OMV Bulgaria OOD	Sales of petroleum products	80,627,727	456,470,421
Petrom LPG S.A.	Sales of petroleum products	11,890,859	344,876,477
I.C.S. Petrom Moldova S.A.	Sales of petroleum products	43,655,236	216,095,443
OMV Srbija D.O.O.	Sales of petroleum products	17,226,490	144,873,655
OMV Supply & Trading AG	Sales of petroleum products	2,742,893	1,096,101,482
OMV Deutschland GmbH	Sales of propylene	32,099,619	276,301,216
Kom Munai	Delegation of personnel and other	42,844,207	17,844,184
Tasbulat Oil Corporation	Delegation of personnel and other	1,104,804	6,425,054
Petrom Distributie Gaze S.R.L.	Sales of gas and other	4,282,906	6,047,082
Petromed Solutions S.R.L.	Financial, IT and other services	3,274,055	3,818,332
OMV Petrom Wind Power SRL	Delegation of personnel and other	678,110	2,077,283
Korned LLP	Delegation of personnel and other	3,417,018	575,560
Petrom Aviation S.A.	IT and other services	158,888	575,403
Petrom Exploration & Production	Advance payment for delegation of personnel	1,395,826	1,395,826
Aviation Petroleum S.R.L.	IT and other services	-	125,514
OMV Solutions GmbH	Financial, IT and other services	15,297,546	34,592,528
OMV Aktiengesellschaft	Delegation of personnel and other	6,552,031	12,816,154
OMV Trading GmbH	Sales of electricity	2,734,711	12,617,397
OMV Exploration & Production GmbH	Delegation of personnel and other	1,169,943	7,230,650
OMV Refining & Marketing GmbH	Delegation of personnel and other	246,098	1,453,111
Petrol Ofisi A.Ş.	Sales of petroleum products	-	181,415
OMV Finance Limited	Financial, IT and other services	7,593	74,652
OMV Power International GmbH	Delegation of personnel and other	-	38,895
OMV Gas & Power GmbH	Advance payment for delegation of personnel	81,881	81,881
Trans Gas LPG Services S.R.L.	Various services	-	1,647
OMV Southeast Caspian Upstream GmbH	Various services	-	22,490
<b>Total</b>		<b>1,555,322,569</b>	<b>12,896,620,860</b>

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**10. OTHER INFORMATION (continued)**

**10.5. Related Parties (continued)**

During 2010, the Company had the following sales transactions with related parties:

<b>Name of customer</b>	<b>Nature of transactions</b>	<b>Balance</b>	<b>Transactions</b>
OMV Petrom Marketing S.R.L.	Sales of petroleum products	619,343,163	2,535,188,484
OMV Petrom Gas S.R.L.	Sales of gas	400,006,809	1,888,183,202
OMV Supply & Trading AG	Sales of petroleum products	62,222,198	610,254,422
OMV Bulgaria OOD	Sales of petroleum products	79,337,117	483,710,255
Petrom LPG S.A.	Sales of petroleum products	41,369,521	309,296,713
OMV Deutschland GmbH	Sales of propylene	31,757,421	224,642,195
M.P. Petroleum Distributie SRL	Sales of petroleum products	-	171,392,004
Petrom Aviation S.A.	Sales of petroleum products	2,860,840	159,589,292
I.C.S. Petrom Moldova S.A.	Sales of petroleum products	22,159,457	150,039,664
OMV Srbija D.O.O.	Sales of petroleum products	14,467,879	91,862,884
OMV Refining & Marketing GmbH	Sales of petroleum products	-	43,515,192
OMV Solutions GmbH	Financial, IT and other services	4,493,263	13,285,000
Tasbulat Oil Corporation	Delegation of personnel and other	20,519,784	8,368,600
Petrom Distributie Gaze S.R.L.	Sales of gas and other	321,227	8,044,005
Kom Munai LLP	Delegation of personnel and other	42,893,316	6,396,426
Petromed Solutions S.R.L.	Financial, IT and other services	332,016	1,950,472
Petrom Exploration & Production Limited	Advance payment for delegation of personnel	817,249	-
OMV Petrom Wind Power S.R.L.	Delegation of personnel and other	1,491,207	1,202,586
Korned LLP	Delegation of personnel and other	531,392	930,202
Aviation Petroleum S.R.L.	IT and other services	17,576	276,832
Korsarneft LLC	Various services	-	5,736
OMV Finance Limited	Financial, IT and other services	143,508	115,811
OMV New Zealand Limited	Various services	-	89,400
Petrol Ofisi A.Ş.	Sales of petroleum products	-	163,644
Borealis AG	Various services	-	55,226
Trans Gas Services SRL	Various services	-	11,426
Petrom Nadlac SRL	Various services	-	5,590
<b>Total</b>		<b>1,345,084,943</b>	<b>6,708,575,263</b>

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**10. OTHER INFORMATION (continued)**

**10.5. Related Parties (continued)**

Details on loans and interest given to subsidiaries are as follows:

<b>Subsidiary</b>	<b>Balance at 31.12.2011</b>	<b>Allowance at 31.12.2011</b>	<b>Net Balance at 31.12.2011</b>	<b>Net Balance at 31.12.2010</b>
Tasbulat Oil Corporation	566,532,456	-	566,532,456	599,991,223
Kom Munai	1,443,355,690	555,602,752	887,752,938	794,761,553
Korned LLP	114,262,522	114,262,522	-	105,289,778
OMV Bulgaria OOD	313,178,250	-	313,178,250	289,224,000
OMV Srbija D.O.O.	287,260,050	-	287,260,050	344,926,400
I.C.S. Petrom Moldova S.A.	23,365,074	-	23,365,074	21,016,734
Petrom Distributie Gaze S.R.L.	13,329,933	10,261,415	3,068,518	-
OMV Petrom Wind Power SRL	215,037,855	-	215,037,855	66,373,775
<b>Total</b>	<b>2,976,321,830</b>	<b>680,126,689</b>	<b>2,296,195,141</b>	<b>2,221,583,463</b>
Thereof:				
Long term portion	2,316,889,568	669,865,274	1,647,024,294	2,194,970,245
Short term portion	659,432,262	10,261,415	649,170,847	26,613,218

Details on loans and interest taken from subsidiaries are as follows:

<b>Subsidiary</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Aviation Petroleum SRL	5,293,768	-
OMV Petrom Gas SRL	169,380,995	200,939,285
OMV Petrom Marketing SRL	498,174,455	545,328,826
Petrom Aviation SA	-	3,342,025
Petrom LPG SA	90,531,821	68,131,034
Petromed Solutions SRL	3,639,330	8,164,307
OMV Petrom Wind Power SRL	64,400,212	5,666,277
<b>Total</b>	<b>831,420,581</b>	<b>831,571,754</b>



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**10. OTHER INFORMATION (continued)**

**10.6. Legal reserves**

At December 31, 2011 the legal reserve amounted to RON 826,097,529 (December 31, 2010: RON 616,695,996). At the year end the legal reserve is established as a transfer of net income up to 5% of gross profit but not more than 20% of share capital. Legal reserve cannot be distributed to the shareholders, but can be utilized by the Company in accordance with relevant regulations.

**10.7. Tax on profit calculation**

	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Revenues	15,539,741,666	17,717,609,335
Expenses	13,324,102,647	13,238,970,097
<b>Gross profit</b>	<b>2,215,639,019</b>	<b>4,478,639,238</b>
Deductions	(1,614,586,608)	(1,357,816,970)
Non-deductible expenses	2,402,477,615	2,109,302,369
Fiscal depreciation for fixed assets	(1,647,377,833)	(1,793,858,244)
Accounting depreciation for fixed assets	1,700,862,364	1,828,558,260
Other taxable elements	137,173,579	24,724,550
Other non taxable elements	(399,892,630)	(151,731,958)
<b>Taxable profit</b>	<b>2,794,295,506</b>	<b>5,137,817,245</b>
Preliminary tax on profit	447,087,281	822,050,759
less sponsorship expenses	(13,493,404)	(11,126,086)
External fiscal credit	-	(795,094)
Income tax related to previous years	(17,109,460)	(17,097,567)
<b>Income tax due for the period</b>	<b>416,484,417</b>	<b>793,032,012</b>
	<b>December 31, 2010</b>	<b>December 31, 2011</b>
Corporate tax payable at the beginning of the year	102,991,889	177,842,166
Corporate tax expense for the period	416,484,417	793,032,012
Corporate tax paid during the year	(341,634,140)	(720,361,819)
<b>Corporate tax payable at the end of the year</b>	<b>177,842,166</b>	<b>250,512,359</b>

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**10. OTHER INFORMATION (continued)**

**10.8. Segmental reporting as at December 31, 2010**

	<b>Exploration &amp; Production</b>	<b>Gas &amp; Power</b>	<b>Refining &amp; Marketing</b>	<b>Corporate &amp; Other</b>	<b>Inter-segmental elimination</b>	<b>Total</b>
<b>Revenues</b>						
External Sales	70,506,225	2,235,126,662	11,590,761,621	56,698,147	-	13,953,092,655
Inter-segment Sales	8,841,508,806	176,182,375	84,153,407	390,086,885	(9,491,931,473)	-
Other revenues	293,511,109	47,939,111	(1,306,754,173)	20,839,558	1,620,610,142	676,145,747
<b>Total Revenues</b>	<b>9,205,526,140</b>	<b>2,459,248,148</b>	<b>10,368,160,855</b>	<b>467,624,590</b>	<b>(7,871,321,331)</b>	<b>14,629,238,402</b>
	<b>5,691,040,838</b>	<b>2,375,216,851</b>	<b>10,505,151,532</b>	<b>601,652,032</b>	<b>(7,745,516,398)</b>	<b>11,427,544,855</b>
<b>Total Expenses</b>						
<b>Operating result (EBIT)</b>	<b>3,514,485,302</b>	<b>84,031,297</b>	<b>(136,990,677)</b>	<b>(134,027,442)</b>	<b>(125,804,933)</b>	<b>3,201,693,547</b>
<b>Financial loss</b>						<b>(986,054,528)</b>
<b>Income tax</b>						<b>(416,484,417)</b>
<b>Net Result</b>						<b>1,799,154,602</b>
<b>Other information</b>						
Capital expenditure - Tangibles and intangibles	2,742,608,837	1,272,618,235	607,231,811	130,844,924	-	<b>4,753,303,807</b>
Capital expenditure - Investments	5	170,219,773	3,081,820	-	-	<b>173,301,598</b>
Depreciation and amortization	1,344,497,234	136,553	280,442,288	75,787,232	-	<b>1,700,863,307</b>
Impairment loss, net	135,359,699	414,408	145,246,655	5,235,556	-	<b>286,256,318</b>
<b>Balance Sheet</b>						
Segment tangible and intangible assets	14,859,560,757	1,928,123,936	2,201,036,056	923,395,358	-	<b>19,912,116,107</b>
Segment financial assets	3,752,721,477	230,695,771	2,725,127,118	3,000,400	-	<b>6,711,544,766</b>

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**10. OTHER INFORMATION (continued)**

**10.8. Segmental reporting as at December 31, 2011**

	<b>Exploration &amp; Production</b>	<b>Gas &amp; Power</b>	<b>Refining &amp; Marketing</b>	<b>Corporate &amp; Other</b>	<b>Intersegment elimination</b>	<b>Total</b>
<b>Revenues</b>						
External sales	102,889,291	2,289,460,021	14,030,790,561	142,326,100	-	16,565,465,973
Inter-segment sales	11,138,487,650	404,558,263	120,036,116	515,418,698	(12,178,500,727)	-
Other revenues	463,955,621	116,330,374	27,413,624	26,387,877	(168,029,839)	466,057,657
<b>Total revenues</b>	<b>11,705,332,562</b>	<b>2,810,348,658</b>	<b>14,178,240,301</b>	<b>684,132,675</b>	<b>(12,346,530,566)</b>	<b>17,031,523,630</b>
<b>Total expenses</b>	<b>6,138,850,293</b>	<b>2,803,903,641</b>	<b>14,504,323,988</b>	<b>754,194,450</b>	<b>(12,203,334,016)</b>	<b>11,997,938,356</b>
<b>Operating result (EBIT)</b>	<b>5,566,482,269</b>	<b>6,445,017</b>	<b>(326,083,687)</b>	<b>(70,061,775)</b>	<b>(143,196,550)</b>	<b>5,033,585,274</b>
<b>Financial loss</b>						<b>(554,946,036)</b>
<b>Income tax</b>						<b>(793,032,012)</b>
<b>Net result</b>						<b>3,685,607,226</b>
<b><u>Other information</u></b>						
Capital expenditure- Tangibles and intangibles	3,419,602,469	406,733,034	878,493,440	50,932,373	-	4,755,761,316
Capital expenditure - Investments	180,030,000	-	-	-	-	180,030,000
Depreciation and amortization	1,474,650,298	7,890,994	249,452,314	96,564,657	-	1,828,558,263
Impairment (gain) / loss, net	392,748,475	-	28,279,881	2,913,864	-	423,942,220
<b><u>Balance Sheet</u></b>						
Segment tangibles and intangibles	16,106,955,597	2,643,774,490	2,779,456,932	792,097,477	-	22,322,284,496
Segment financial assets	3,392,691,295	375,349,579	2,475,006,729	3,005,515	-	6,246,053,118

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**10. OTHER INFORMATION (continued)**

**10.9. Commitments and guarantees**

**Commitments**

As at December 31, 2011 the total commitments engaged by the Company for investments amounted to RON 1,309,280,100 (December 31, 2010: RON 1,597,731,060).

**10.10. Contingencies**

**Contingent liabilities**

As at December 31st, 2011 OMV Petrom SA has contingent liabilities amounting to RON 12,588,780 representing performance guarantees.

**Litigations**

The Company is and may become party in some lawsuits in front of different courts and governmental agencies, involving contractual aspects, tax and duties and other aspects. As presented in Note 2 the Company booked a provision for certain potential liabilities related on-going litigation.

**Tax system**

In Romania there are a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appears to be subject to significantly less regulation and the company under review appears to have significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, these may result in: confiscation of the amounts in case; additional tax liabilities being payable; fines and penalties (that are applied on the total outstanding amount). As a result the fiscal penalties resulting from breaches of the legal provisions may result in a significant amount payable to the State. The adoption or implementation of laws or regulations in Romania could have a material effect on the Company.

Romanian tax authorities have completed reviews of corporate tax calculation up to 31 December 2008, and currently the tax audit of 2009 – 2010 is being performed by fiscal authorities.

**10.11. Audit fees**

The fee for the audit of the financial statements for the year ended December 31, 2011 prepared in accordance with OMF no. 3055/2009 was of EUR 50,000 (2010: EUR 45,000).

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**10. OTHER INFORMATION (continued)**

**10.12. Subsequent events**

On January 9, 2012, Petrom announced having started exploration drilling on Domino-1, the first deepwater exploration well in the Romanian sector of the Black Sea, together with ExxonMobil Exploration and Production Romania Limited (EEPRL), an affiliate of Exxon Mobil Corporation. On February 22, 2012, Petrom confirmed a potentially significant gas discovery in Domino-1. The exploration well encountered 70.7 meters of net gas pay, resulting in a preliminary estimate for the accumulation ranging from 1.5 to 3 trillion cf (42 to 84 bn cbm). Still, it is too early in the data evaluation and exploration process to determine whether the Neptun block will ultimately prove to be commercially developable or not.

On March 16, 2012, OMV Bulgaria OOD has been notified upon infringement of the competition rules by the Bulgarian Competition Council. OMV Bulgaria OOD has been provided 30 days to provide written arguments and evidence. At the date of these financial statements, we are not able to evaluate the outcome of this investigation and we did not record any provision.

The financial statements on pages [3] to [55] were approved on March 23, 2012.



**Mrs. Mariana Gheorghe**  
**Chief Executive Officer**



**Mr. Daniel Turnheim**  
**Chief Financial Officer**



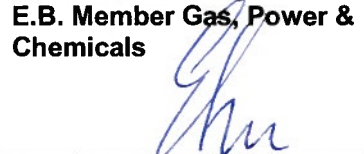
**Mr. Johann Pleininger**  
**E.B. Member E&P**



**Mr. Hilmar Kroat-Reder**  
**E.B. Member Gas, Power & Chemicals**



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



**Mr. Siegfried Ehn**  
**Director Corporate Finance**



**Mrs. Mihaela Milinschi**  
**Director Financial Statements**