

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**DECEMBER 31, 2012**

**PREPARED IN ACCORDANCE WITH  
INTERNATIONAL FINANCIAL REPORTING  
STANDARDS AS ENDORSED BY THE EUROPEAN  
UNION, TOGETHER WITH  
THE INDEPENDENT AUDITORS' REPORT**

<b>CONTENTS</b>	<b>PAGE</b>
INDEPENDENT AUDITORS' REPORT	1 - 2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3 - 4
CONSOLIDATED INCOME STATEMENT	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7 - 8
CONSOLIDATED STATEMENT OF CASH FLOWS	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 64

## INDEPENDENT AUDITORS' REPORT

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

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

### Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion, the consolidated financial statements give a true and fair view of the financial position of OMV Petrom S.A. and its subsidiaries as of 31 December 2012 and of its financial performance and cashflows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

### Report on other legal and regulatory requirements

In accordance with the Order of the Minister of Public Finance no. 1286/2012, article no. 30 point c) from Chapter III, we have read the Directors' Report. The Directors' Report is not a part of the consolidated 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 consolidated financial statements as at 31 December 2012.

On behalf of

#### Ernst & Young Assurance Services SRL

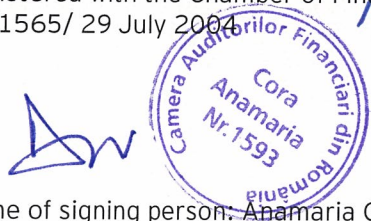
Registered with the Chamber of Financial Auditors in Romania  
Nr. 77/ 15 August 2001

Name of signing person: Bogdan Ion

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



Bucharest, Romania  
21 March 2013



Name of signing person: Anamaria Cora

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

Bucharest, Romania  
21 March 2013

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

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>ASSETS</b>			
Intangible assets	5	966.51	1,120.98
Property, plant and equipment	6	28,512.59	26,334.28
Investments in associated companies	7	39.44	40.91
Other financial assets	8	2,357.23	2,669.22
Other assets	9	34.72	48.90
Deferred tax assets	17	866.16	807.22
<b>Non-current assets</b>		<b><u>32,776.65</u></b>	<b><u>31,021.51</u></b>
Inventories	10	2,250.54	2,349.04
Trade receivables	9	1,968.09	1,825.72
Other financial assets	8	98.93	112.10
Other assets	9	210.82	349.79
Cash and cash equivalents		666.65	753.84
Assets held for sale	11	172.94	76.44
<b>Current assets</b>		<b><u>5,367.97</u></b>	<b><u>5,466.93</u></b>
<b>Total assets</b>		<b><u>38,144.62</u></b>	<b><u>36,488.44</u></b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	12	18,983.37	18,983.37
Reserves		4,454.90	2,119.03
<b>Stockholders' equity</b>		<b><u>23,438.27</u></b>	<b><u>21,102.40</u></b>
Non-controlling interests		(32.93)	(25.79)
<b>Equity</b>		<b><u>23,405.34</u></b>	<b><u>21,076.61</u></b>
Provisions for pensions and similar obligations	13	241.33	195.23
Interest-bearing debts	14	1,717.05	2,173.30
Provisions for decommissioning and restoration obligations	13	5,866.10	5,897.65
Other provisions	13	644.88	860.09
Other financial liabilities	15	168.29	148.54
Deferred tax liabilities	17	8.24	12.27
<b>Non-current liabilities</b>		<b><u>8,645.89</u></b>	<b><u>9,287.08</u></b>

The notes on pages 10 to 64 form part of these consolidated financial statements.

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

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Trade payables	15	2,880.08	2,982.58
Interest-bearing debts	14	524.64	463.95
Current income tax payable		261.21	276.05
Other provisions and decommissioning	13	1,210.27	1,311.45
Other financial liabilities	15	360.85	479.16
Liabilities associated with assets held for sale	11	91.38	-
Other liabilities	16	764.96	611.56
<b>Current liabilities</b>		<b>6,093.39</b>	<b>6,124.75</b>
<b>Total equity and liabilities</b>		<b>38,144.62</b>	<b>36,488.44</b>

These consolidated financial statements were approved on March 21, 2013.



**Mrs. Mariana Gheorghe**  
Chief Executive Officer



**Mr. Andreas Matje**  
Chief Financial Officer



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



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



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



**Mrs. Alina Popa**  
Director Finance Department



**Mr. Eduard Petrescu**  
Head of Financial Reporting

The notes on pages 10 to 64 form part of these consolidated financial statements.

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

	<u>Notes</u>	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Sales revenues		26,258.13	22,613.65
Direct selling expenses		(696.04)	(564.14)
Production costs of sales		<u>(17,305.65)</u>	<u>(14,320.74)</u>
<b>Gross profit</b>		<b><u>8,256.44</u></b>	<b><u>7,728.77</u></b>
Other operating income	18	186.58	432.51
Selling expenses		(1,172.77)	(1,160.71)
Administrative expenses		(242.12)	(237.36)
Exploration expenses		(327.72)	(420.25)
Other operating expenses	19	<u>(1,038.41)</u>	<u>(1,407.20)</u>
<b>Earnings before interest and taxes (EBIT)</b>		<b><u>5,662.00</u></b>	<b><u>4,935.76</u></b>
Income from associated companies	21	2.18	3.12
Net interest expense	22	(765.73)	(332.88)
Other financial income and expenses	23	<u>(72.19)</u>	<u>2.59</u>
<b>Net financial result</b>		<b><u>(835.74)</u></b>	<b><u>(327.17)</u></b>
<b>Profit from ordinary activities</b>		<b><u>4,826.26</u></b>	<b><u>4,608.59</u></b>
Taxes on income	24	<u>(880.16)</u>	<u>(849.97)</u>
<b>Net income for the year</b>		<b><u>3,946.10</u></b>	<b><u>3,758.62</u></b>
<b>thereof attributable to stockholders of the parent</b>		<b><u>3,953.31</u></b>	<b><u>3,756.75</u></b>
thereof attributable to non-controlling interests		(7.21)	1.87
<b>Basic earnings per share in RON</b>	25	<b>0.0698</b>	<b>0.0663</b>

The notes on pages 10 to 64 form part of these consolidated financial statements.



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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Net income for the year</b>	<b>3,946.10</b>	<b>3,758.62</b>
Exchange differences from translation of foreign operations	3.79	(10.78)
Unrealized gains/ (losses) on hedges	(249.69)	(557.72)
Realized gains / (losses) on hedges recycled to income statement	401.58	405.83
Income tax relating to components of other comprehensive income	<u>(25.61)</u>	<u>24.30</u>
<b>Other comprehensive income for the year, net of tax</b>	<b><u>130.07</u></b>	<b><u>(138.37)</u></b>
<b>Total comprehensive income for the year</b>	<b><u>4,076.17</u></b>	<b><u>3,620.25</u></b>
<b>thereof attributable to stockholders of the parent</b>	<b>4,083.30</b>	<b>3,619.42</b>
thereof attributable to non-controlling interests	(7.13)	0.83

These consolidated financial statements were approved on March 21, 2013.



**Mrs. Mariana Gheorghe**  
Chief Executive Officer



**Mr. Andreas Matje**  
Chief Financial Officer



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

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Treasury shares</u>	<u>Stockholders' equity</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
<b>Balance at January 1, 2012</b>	<b>18,983.37</b>	<b>2,198.73</b>	<b>(127.59)</b>	<b>52.52</b>	<b>(4.61)</b>	<b>(0.02)</b>	<b>21,102.40</b>	<b>(25.79)</b>	<b>21,076.61</b>
Net income for the year	-	3,953.31	-	-	-	-	3,953.31	(7.21)	3,946.10
Other comprehensive income for the year	-	-	127.59	(4.49)	6.89	-	129.99	0.08	130.07
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,953.31</b>	<b>127.59</b>	<b>(4.49)</b>	<b>6.89</b>	<b>-</b>	<b>4,083.30</b>	<b>(7.13)</b>	<b>4,076.17</b>
Dividends distribution	-	(1,755.96)	-	-	-	-	(1,755.96)	(0.01)	(1,755.97)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-	-	-
Change in non- controlling interests and other	-	-	-	12.88	(4.35)	-	8.53	-	8.53
<b>Balance at December 31, 2012</b>	<b>18,983.37</b>	<b>4,396.08</b>	<b>-</b>	<b>60.91</b>	<b>(2.07)</b>	<b>(0.02)</b>	<b>23,438.27</b>	<b>(32.93)</b>	<b>23,405.34</b>

Note: For details on reserves, see Note 12.

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**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2011**  
(all amounts are expressed in million RON, unless otherwise specified)

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Treasury shares</u>	<u>Stockholders' equity</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
<b>Balance at January 1, 2011</b>	<b>18,983.37</b>	<b>(555.42)</b>	<b>-</b>	<b>62.26</b>	<b>(4.61)</b>	<b>(0.02)</b>	<b>18,485.58</b>	<b>(26.54)</b>	<b>18,459.04</b>
Net income for the year	-	3,756.75	-	-	-	-	3,756.75	1.87	3,758.62
Other comprehensive income for the year	-	-	(127.59)	(9.74)	-	-	(137.33)	(1.04)	(138.37)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>3,756.75</b>	<b>(127.59)</b>	<b>(9.74)</b>	<b>-</b>	<b>-</b>	<b>3,619.42</b>	<b>0.83</b>	<b>3,620.25</b>
Dividends distribution	-	(1,002.60)	-	-	-	-	(1,002.60)	(0.08)	(1,002.68)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-	-	-
Change in non- controlling interests and other	-	-	-	-	-	-	-	-	-
<b>Balance at December 31, 2011</b>	<b>18,983.37</b>	<b>2,198.73</b>	<b>(127.59)</b>	<b>52.52</b>	<b>(4.61)</b>	<b>(0.02)</b>	<b>21,102.40</b>	<b>(25.79)</b>	<b>21,076.61</b>

Note: For details on reserves, see Note 12.

The notes on pages 10 to 64 form part of these consolidated financial statements.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2012	December 31, 2011
<b>Cash flow from operating activities</b>			
<b>Profit before taxation</b>		<b>4,826.26</b>	<b>4,608.59</b>
<b>Adjustments for:</b>			
Interest expenses and other financing costs	22, 23	361.39	126.03
Interest income	22	(38.86)	(43.32)
Net movement in provisions for:			
- Financial assets		-	9.10
- Inventories		31.33	63.38
- Receivables		207.07	(28.92)
- Pensions and similar liabilities		50.13	(101.93)
- Decommissioning and restoration obligations		109.15	(6.27)
- Other provisions for risk and charges		(625.04)	264.71
Discounting / Write-off of receivables and other similar items		263.54	131.00
Income from investments in associates	21	1.47	(0.26)
(Gain)/Loss on disposal of subsidiaries	30	2.08	-
Cash flow hedge recycled through income statement		83.94	95.49
(Gain)/Loss on disposals of fixed assets	18, 19	74.38	(4.68)
Depreciation, amortization and impairment expense	5, 6, 20	2,852.22	2,830.21
Other non-cash items		32.75	(105.08)
<b>Cash generated from operating activities before working capital movements</b>		<b>8,231.81</b>	<b>7,838.05</b>
(Increase)/Decrease in inventories		(25.46)	33.61
(Increase)/Decrease in receivables and other assets		(161.54)	(432.42)
Increase/(Decrease) in liabilities		194.12	(53.45)
Interest received		40.86	43.28
Interest paid		(108.65)	(142.98)
Tax on profit paid		(985.70)	(844.47)
<b>Net cash generated from operating activities</b>		<b>7,185.44</b>	<b>6,441.62</b>
<b>Cash flow from investment activities</b>			
Purchase of tangible and intangible assets		(5,129.65)	(5,264.87)
Proceeds from sale of fixed assets		64.42	113.17
Proceeds from sale of Petrom Group companies less cash and cash equivalents	30	9.92	59.25
<b>Net cash used from investment activities</b>		<b>(5,055.31)</b>	<b>(5,092.45)</b>
<b>Cash flow from financing activities</b>			
Net increase in / Net (Repayment of) loans	30	(478.15)	(1,199.23)
Dividends paid		(1,741.39)	(993.32)
<b>Net cash used for financial activities</b>		<b>(2,219.54)</b>	<b>(2,192.55)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		2.22	8.62
<b>Total cash flows</b>		<b>(87.19)</b>	<b>(834.76)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>753.84</b>	<b>1,588.60</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>666.65</b>	<b>753.84</b>

The notes on pages 10 to 64 form part of these consolidated financial statements.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

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**1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES**

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

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

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

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

*Statement of compliance*

These consolidated financial statements have been drawn up in compliance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

Romanian listed Companies such as OMV Petrom S.A. are required by Ministry of Finance Order 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS as endorsed by EU starting 2007.

*Basis of preparation*

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

*Standards and Interpretations effective in the current period*

The accounting policies adopted are consistent with those of the previous financial year except for the following new interpretations and amendments to the existing standards and interpretations issued by the International Accounting Standards Board and adopted by EU that became effective in the current period, but had no significant effects on the financial statements:

- IFRS 7 Financial Instruments: Disclosures (Amended) – Enhanced Derecognition Disclosure Requirements
- IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)**

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

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

- **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

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

- **IAS 19 Employee Benefits (Amended)**

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

- **IAS 27 Separate Financial Statements (Revised)**

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

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

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

- **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

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

- **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)**

- **IFRS 9 Financial Instruments - Classification and Measurement**

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

- **IFRS 10 Consolidated Financial Statements**

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

- **IFRS 11 Joint Arrangements**

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

- **IFRS 12 Disclosures of Interests in Other Entities**

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

- **IFRS 13 Fair Value Measurement**

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

- **IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine**

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)**

- **Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)**

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

- **Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)**

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

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

*Significant accounting judgments, estimates and assumptions*

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

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

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

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



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)**

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

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

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

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

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

For the computation of value in use as of December 31, 2012 the post-tax discount rates used (that reflect current market assessments of the time value of money and the risks specific to the asset / cash generating unit) are country specific and vary between:

- 7.3% for E&P (2011: 7.3% to 7.4%)
- 6.0% for G&P (2011: 5.9%)
- 6.1% to 7.7% for R&M (2011: 6.2% to 7.6%).

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

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

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**2. CONSOLIDATION**

**a) Subsidiaries**

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. and its subsidiaries ("Petrom Group") as at December 31, 2012, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2012, as the parent company.

The valuation of assets and liabilities from subsidiaries is based on fair values at acquisition dates. Goodwill arising on acquisition is recognized as an asset, being the excess of the initially measured cost of the business combination over Petrom Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If Petrom Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized in profit and loss account. Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent reversals of goodwill impairment.

Non-controlling interests represent the portion of profit and loss and net assets not held by Petrom Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent's shareholders' equity.

The number of consolidated companies is as follows:

	<b>Full consolidation</b>	<b>Equity consolidation</b>
<b>As at January 1, 2012</b>	<b>15</b>	<b>1</b>
Included for the first time	-	-
Deconsolidated during the year*	(1)	-
<b>As at December 31, 2012</b>	<b>14</b>	<b>1</b>
Romanian companies	8	1
Foreign companies	6	-

\*) In the last quarter of 2012, OMV Petrom disposed of the Korned LLP company.

Please refer to Note 29 for further details.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of Petrom Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

**b) Associates**

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**2. CONSOLIDATION (continued)**

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to Group's net investment in the associate.

The income statement reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes and discloses it in other comprehensive income and/or the statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 21) the share of the results of operations of the associate corresponding to dividends received.

Where a Group enterprise transacts with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

**c) Interests in joint ventures**

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

The Group has interests in jointly controlled assets.

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

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES**

**a) Pre-licence costs**

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

**b) Licence and property acquisition costs**

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

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

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

**c) Exploration and appraisal costs**

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

**d) Development and production costs**

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

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

**e) Intangible assets and property, plant and equipment**

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

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

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

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

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

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

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

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

For the application of the unit of production method the Group has separated the areas where it operates in seventeen regions (thirteen regions for the parent and four regions for its Kazakhstan subsidiaries). The unit of production factor is computed at the level of each region, based on the extracted quantities and the proved reserves or developed reserves as applicable.

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

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

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

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

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

**f) Major maintenance and repairs**

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

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

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

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

**g) Leases**

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

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

**h) Financial instruments**

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

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

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

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

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

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

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

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

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

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

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

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



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

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

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

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

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

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

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognized amounts; and
- There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

**i) Borrowing costs**

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

**j) Inventories**

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

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

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

**k) Provisions**

Provisions are made for all present obligations (legal or constructive) to third parties resulting from a past event, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can reliably be estimated. Provision for individual obligations is based on the best estimate of the amount necessary to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

Decommissioning of oil and gas production assets describes the process of:

- plugging and abandoning wells;
- cleaning of sludge pits;
- dismantlement of wellheads and production facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

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

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

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

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

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

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

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

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

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO<sub>2</sub> emissions, and provisions are recognized only for shortfalls. The provision for a shortfall is initially measured at the best estimation of expenditure required to settle the obligation, which is the market price of the emission rights at the closing date. The related expense is recognized as emission costs, which are part of cost of sales. If subsequently to the recognition of a provision emission rights are purchased an asset is only recognized for the excess of the emission rights over the CO<sub>2</sub> emissions. Any price difference between the provision and the quantity of offsetting emission rights is expensed as emission cost.

**I) Taxes on income including deferred taxes**

***Current tax***

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

***Deferred tax***

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

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

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

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

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss, and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

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

***Production taxes***

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**3. ACCOUNTING AND VALUATION PRINCIPLES (continued)**

**m) Revenue recognition**

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

***Sale of goods***

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group 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 labour hours are delivered and direct expenses are incurred.

***Dividend and interest revenue***

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

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

**n) Components of cash and cash equivalents**

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

**o) Comparatives**

Certain comparative information of the previous year has been reclassified in order to ensure comparability with the presentation of the financial statements for the current year, as follows:

- into Note 11 Assets held for Sale, buildings related amount of RON 1.47 million was reclassified from line plant and equipment to position land and buildings;
- into Note 22 Net interest expense, revenues in amount of RON 3.91 million were reclassified from line expenses with unwinding and discounting for other items to line unwinding income for other financial assets.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

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**4. FOREIGN CURRENCY TRANSLATION**

**i) Group companies**

The consolidated financial statements are presented in RON, which is OMV Petrom S.A. functional currency. Each entity in Petrom Group determines its own functional currency, and items included in its financial statements are measured using the functional currency. The functional currency of the foreign operations is generally their local currency (which for the majority of the Group's operations is the RON), except for Kazakhstan entities that have USD as functional currency.

Where the functional currency differs from the national currency, monetary assets are valued at closing rates and non-monetary assets at transaction rates.

Where the functional currency differs from Petrom Group presentation currency, financial statements are translated using closing rate method. Differences arising between balance sheet items translated at closing and historical rates are disclosed as a separate balancing item directly in changes in stockholders' equity (foreign exchange differences). Income statement items are translated at average rates for the year. Differences arising from the use of average rather than closing rates also result in direct adjustments to equity. On disposal of a foreign operation, the component of other comprehensive income relating to the translation of that particular foreign operation is recognized in the income statement.

The rates applied in translating currencies were as follows:

<b>Exchange rates</b>	<b>Year ended December 31, 2012</b>	<b>Average for the year ended December 31, 2012</b>	<b>Year ended December 31, 2011</b>	<b>Average for the year ended December 31, 2011</b>
US dollar (USD)	3.3575	3.4704	3.3393	3.0475
Euro (EUR)	4.4287	4.4573	4.3197	4.2377
Moldavian Leu (MDL)	0.2769	0.2863	0.2866	0.2598
Russian Ruble (RUB)	0.1102	0.1117	0.1035	0.1036
Serbian Dinar (RSD)	0.0390	0.0394	0.0406	0.0416
Bulgarian Leva (BGN)	2.2644	2.2790	2.2087	2.1667

**ii) Transactions and balances**

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**5. INTANGIBLE ASSETS**

	<b>Concessions, licenses, and other intangible assets</b>	<b>Oil and gas assets with unproved reserves</b>	<b>Total</b>
<b>COST</b>			
<b>Balance as at January 1, 2012</b>	<b><u>1,800.29</u></b>	<b><u>877.30</u></b>	<b><u>2,677.59</u></b>
Exchange differences	(1.02)	4.59	3.57
Additions	28.07	251.10	279.17
Transfers to tangible assets (Note 6)	(3.88)	(189.16)	(193.04)
Disposals <sup>*)</sup>	(7.86)	(148.14)	(156.00)
Transfers to assets held for sale	<u>(1.84)</u>	<u>-</u>	<u>(1.84)</u>
<b>Balance as at December 31, 2012</b>	<b><u>1,813.76</u></b>	<b><u>795.69</u></b>	<b><u>2,609.45</u></b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2012</b>	<b><u>1,090.64</u></b>	<b><u>465.97</u></b>	<b><u>1,556.61</u></b>
Exchange differences	(0.32)	4.59	4.27
Amortization	186.15	-	186.15
Impairment	1.43	51.38	52.81
Transfers to tangible assets (Note 6)	(0.03)	-	(0.03)
Disposals	(7.79)	(147.66)	(155.45)
Write-ups	(0.65)	(0.03)	(0.68)
Transfers to assets held for sale	<u>(0.74)</u>	<u>-</u>	<u>(0.74)</u>
<b>Balance as at December 31, 2012</b>	<b><u>1,268.69</u></b>	<b><u>374.25</u></b>	<b><u>1,642.94</u></b>
<b>CARRYING AMOUNT</b>			
<b>As at January 1, 2012</b>	<b><u>709.65</u></b>	<b><u>411.33</u></b>	<b><u>1,120.98</u></b>
<b>As at December 31, 2012</b>	<b><u>545.07</u></b>	<b><u>421.44</u></b>	<b><u>966.51</u></b>

<sup>\*)</sup> Includes the amount of RON 0.48 million representing decrease from the reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**6. PROPERTY, PLANT AND EQUIPMENT**

	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
<b>COST</b>							
<b>Balance as at January 1, 2012</b>	<b>4,486.87</b>	<b>23,637.85</b>	<b>4,310.89</b>	<b>865.66</b>	<b>2,060.09</b>	<b>1,820.41</b>	<b>37,181.77</b>
Exchange differences	(5.98)	11.67	1.68	(2.71)	0.55	(0.23)	4.98
Additions**)	76.30	3,180.36	902.11	28.20	547.65	61.22	4,795.84
Transfers*)	222.64	68.80	2,912.18	99.03	(1,291.80)	(1,817.81)	193.04
Transfers to assets held for sale	(83.80)	-	(99.96)	(5.76)	(0.92)	-	(190.44)
Disposals***)	(99.91)	(109.94)	(79.86)	(90.88)	(102.34)	-	(482.93)
<b>Balance as at December 31, 2012</b>	<b>4,596.12</b>	<b>26,788.74</b>	<b>7,947.04</b>	<b>893.54</b>	<b>1,213.23</b>	<b>63.59</b>	<b>41,502.26</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
<b>Balance as at January 1, 2012</b>	<b>1,090.98</b>	<b>6,967.59</b>	<b>2,208.36</b>	<b>464.43</b>	<b>115.91</b>	<b>0.22</b>	<b>10,847.49</b>
Exchange differences	(0.77)	0.04	0.89	(2.37)	(0.06)	-	(2.27)
Depreciation	216.07	1,634.91	482.91	88.11	-	-	2,422.00
Impairment	24.12	21.42	3.95	26.36	118.83	-	194.68
Transfers*)	(17.27)	(55.09)	51.41	23.14	(2.16)	-	0.03
Transfers to assets held for sale	(45.70)	-	(72.85)	(4.74)	(0.39)	-	(123.68)
Disposals	(45.91)	(46.65)	(72.20)	(80.94)	(100.14)	-	(345.84)
Write-ups	-	(0.04)	-	-	(2.56)	(0.14)	(2.74)
<b>Balance as at December 31, 2012</b>	<b>1,221.52</b>	<b>8,522.18</b>	<b>2,602.47</b>	<b>513.99</b>	<b>129.43</b>	<b>0.08</b>	<b>12,989.67</b>
<b>CARRYING AMOUNT</b>							
<b>As at January 1, 2012</b>	<b>3,395.89</b>	<b>16,670.26</b>	<b>2,102.53</b>	<b>401.23</b>	<b>1,944.18</b>	<b>1,820.19</b>	<b>26,334.28</b>
<b>As at December 31, 2012</b>	<b>3,374.60</b>	<b>18,266.56</b>	<b>5,344.57</b>	<b>379.55</b>	<b>1,083.80</b>	<b>63.51</b>	<b>28,512.59</b>

\*) Net amount represents transfers from intangibles. See Note 5.

\*\*) Includes the amount of RON 74.49 million representing additions through finance lease and RON 16.53 million representing land deeds.

\*\*\*) Includes the amount of (RON 4.71 million) representing decrease from reassessment of the decommissioning asset (under category "Oil and gas assets").

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

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

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 135.31 million as at December 31, 2012 (2011: RON 74.97 million).

During 2012, the Group has capitalized in the value of tangible and intangible assets of OMV Petrom S.A. borrowing costs related to current period in amount of RON 81.27 million (2011: RON 141.86 million). In addition, expenditure capitalized in the course of construction of tangible and intangible assets includes also an amount of RON 491.99 million (2011: RON 475.93 million).

For details on impairments see Note 20.

**7. INVESTMENTS IN ASSOCIATED COMPANIES**

Changes in investments in associated companies during the year were as follows:

<b>COST</b>	<b>Associated companies</b>
<b>Balance as at January 1, 2012</b>	<b>40.91</b>
Changes in consolidated Group	-
Share of result of associate (Note 21)	(1.47)
Disposals	-
<b>Balance as at December 31, 2012</b>	<b>39.44</b>

As at December 31, 2012 and December 31, 2011 Petrom Group had one associated company: Congaz S.A.

**8. OTHER FINANCIAL ASSETS**

	<b>December 31, 2012</b>	<b>Liquidity term</b>	
		<b>less than 1 year</b>	<b>over 1 year</b>
Investments	4.93	-	4.93
Expenditure recoverable from Romanian State	2,288.33	-	2,288.33
Other financial assets	162.90	98.93	63.97
<b>Total</b>	<b>2,456.16</b>	<b>98.93</b>	<b>2,357.23</b>

	<b>December 31, 2011</b>	<b>Liquidity term</b>	
		<b>less than 1 year</b>	<b>over 1 year</b>
Investments	4.93	-	4.93
Expenditure recoverable from Romanian State	2,633.70	-	2,633.70
Other financial assets	142.69	112.10	30.59
<b>Total</b>	<b>2,781.32</b>	<b>112.10</b>	<b>2,669.22</b>

**Investments**

The position "Investments" comprises all the investments in companies that were not consolidated, as the Group does not have control or significant influence over their operations or they were considered immaterial for the Group. These financial assets are accounted for at amortized cost.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**8. OTHER FINANCIAL ASSETS (continued)**

**Expenditure recoverable from Romanian State**

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

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

The movement of impairment allowances for financial assets was as follows:

	<u>Investments</u>	<u>Total</u>
<b>January 1, 2012</b>	<b>14.11</b>	<b>14.11</b>
Additions	-	-
Disposals	(0.15)	(0.15)
Write-ups	-	-
<b>December 31, 2012</b>	<b>13.96</b>	<b>13.96</b>

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

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Up to 60 days overdue	0.28	0.18
61 to 120 days overdue	0.04	-
More than 120 days overdue	0.04	-
<b>Total</b>	<b>0.36</b>	<b>0.18</b>

**9. RECEIVABLES AND OTHER ASSETS**

a) Trade receivables are amounting to RON 1,968.09 million as at December 2012 (2011: RON 1,825.72 million). They are presented net of impairment allowances, which are detailed in 9 c) below.

b) Other assets (net of allowances)

	<u>December 31, 2012</u>	<u>Liquidity term</u>	
		<u>less than 1 year</u>	<u>over 1 year</u>
Prepaid expenses and deferred charges	54.08	42.05	12.03
Rental and lease prepayments	28.67	28.67	-
Other receivables	162.79	140.10	22.69
<b>Total</b>	<b>245.54</b>	<b>210.82</b>	<b>34.72</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**9. RECEIVABLES AND OTHER ASSETS (continued)**

	<b>December 31, 2011</b>	<b>Liquidity term</b>	
		<b>less than 1 year</b>	<b>over 1 year</b>
Prepaid expenses and deferred charges	89.65	63.63	26.02
Rental and lease prepayments	32.27	32.27	-
Other receivables	<u>276.77</u>	<u>253.89</u>	<u>22.88</u>
<b>Total</b>	<b><u>398.69</u></b>	<b><u>349.79</u></b>	<b><u>48.90</u></b>

c) Valuation allowances for trade receivables and other assets

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

	<b>Trade receivables</b>	<b>Other assets</b>	<b>Total</b>
<b>January 1, 2012</b>	<b>184.81</b>	<b>381.50</b>	<b>566.31</b>
Additions/ (releases)	(2.20)	105.61	103.41
Used	(5.44)	(3.71)	(9.15)
Exchange differences and changes in consolidated Group	<u>0.03</u>	<u>0.01</u>	<u>0.04</u>
<b>December 31, 2012</b>	<b><u>177.20</u></b>	<b><u>483.41</u></b>	<b><u>660.61</u></b>

	<b>Trade receivables</b>	<b>Other assets</b>	<b>Total</b>
<b>January 1, 2011</b>	<b>209.02</b>	<b>380.76</b>	<b>589.78</b>
Additions/ (releases)	(20.54)	1.08	(19.46)
Used	(3.82)	(0.42)	(4.24)
Exchange differences and changes in consolidated Group	<u>0.15</u>	<u>0.08</u>	<u>0.23</u>
<b>December 31, 2011</b>	<b><u>184.81</u></b>	<b><u>381.50</u></b>	<b><u>566.31</u></b>

The gross value of the impaired receivables as at December 31, 2012 is of RON 194.11 million (2011: RON 193.57 million) for trade receivables and of RON 522.99 million (2011: RON 386.41 million) for other assets.

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

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Up to 60 days overdue	251.23	182.92
61 to 120 days overdue	9.55	6.80
More than 120 days overdue	<u>7.34</u>	<u>1.46</u>
<b>Total</b>	<b><u>268.12</u></b>	<b><u>191.18</u></b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**10. INVENTORIES**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Crude oil	365.29	393.81
Natural gas	96.16	142.71
Other raw materials	397.35	479.50
Work in progress	135.58	115.31
Finished products	1,247.93	1,210.63
Advances paid for inventories	8.23	7.08
<b>Total</b>	<b>2,250.54</b>	<b>2,349.04</b>

**11. ASSETS HELD FOR SALE**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Land and buildings	108.96	75.77
Plant and equipment	29.16	0.11
Intangible assets	1.10	-
Other assets	32.13	-
Deferred tax asset (Note 17)	1.59	0.56
<b>Assets held for sale</b>	<b>172.94</b>	<b>76.44</b>
Provisions	26.54	-
Liabilities	61.95	-
Deferred tax liability (Note 17)	2.89	-
<b>Liabilities associated with assets held for sale</b>	<b>91.38</b>	<b>-</b>

Included in assets held for sale and related liabilities are the following main items:

- plots of land located in Straulesti, Bucharest, committed for sale by OMV Petrom S.A. based on a contract concluded with Raiffeisen Evolution. These plots of land have a cost of RON 69.52 million as at December 31, 2012 (2011: RON 74.04 million) and are presented in Corporate & Other business segment.
- following the sign of the agreement for the sale the 99.99% stake in the subsidiary Petrom LPG S.A., the related assets amounting of RON 95.68 million and liabilities of RON 91.27 million are classified as held for sale. The sale became effective (i.e. control over the assets and liabilities was transferred to buyer) on January 7, 2013. Petrom LPG was included in R&M segment.
- as the process of disposal of Lubes business has started at the end of year 2012 and the sale is considered highly probable, the related assets from OMV Petrom Marketing SRL in amount of RON 3.06 million and from OMV Bulgaria OOD in value of RON 1.62 million and liabilities amounting to RON 0.11 million are classified as held for sale (both part of the R&M segment).

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**12. STOCKHOLDERS' EQUITY**

***Share capital***

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

***Cash flow hedging reserve***

In order to protect the Group's cash flow in 2012, OMV Petrom S.A. entered in September 2011 into oil price swaps, locking in a Brent price of approximately USD 101/bbl for a volume of 30,000 bbl/d. The oil price swaps were accounted as cash flow hedge. The liability from hedge contracts was valued at the market value as at December 31, 2011 in amount of RON 142.63 million. As at December 31, 2011 the effective part of the changes in fair value recognized in other comprehensive income amounted to RON (119.67) million, net of deferred tax asset, while the ineffective part recognized into the income statement was of RON (0.17) million. During the year 2012 the oil price hedge was realized, resulting in expense of RON 394.08 million in OMV Petrom S.A. There are no equity related balances for this hedge as of December 31, 2012.

Furthermore, in June 2011, OMV Petrom Gas S.R.L. concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 where OMV Petrom Gas sold USD 29.97 million with monthly pricing and settlement, locking in the RON/USD average rate. This instrument was aimed to protect the cash flows from planned sales of gas to domestic clients during November 2011 – February 2012 against depreciation of USD versus RON, as the sales formula price is linked to USD/RON exchange rate. The forward contracts were accounted for as cash flow hedges and the fair values were negative as of December 31, 2011, amounting to RON 7.92 million net of deferred tax asset. This value was reflected as a decrease in equity, net of tax and a correspondent financial liability. During the year 2012 also these forwards contracts were realized, resulting in an expense of RON 8.50 million in OMV Petrom GAS S.R.L. There are no related balances as of December 31, 2012.

For more details please refer also to Notes 15 and 34.

***Revenue reserves***

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

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

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

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

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**13. PROVISIONS**

	<b>Pensions and similar obligations</b>	<b>Decommissioning and restoration</b>	<b>Other provisions</b>	<b>Total</b>
<b>January 1, 2012</b>	<b>195.23</b>	<b>6,222.22</b>	<b>1,846.97</b>	<b>8,264.42</b>
thereof short-term	-	324.57	986.88	1,311.45
thereof long-term	195.23	5,897.65	860.09	6,952.97
Exchange differences	-	0.72	0.31	1.03
Changes in consolidated Group	-	-	(1.24)	(1.24)
Liabilities associated with assets held for sale	(4.03)	-	(22.42)	(26.45)
Used	(15.52)	(172.51)	(802.83)	(990.86)
Allocations/(releases)	65.65	177.61	472.42	715.68
<b>December 31, 2012</b>	<b>241.33</b>	<b>6,228.04</b>	<b>1,493.21</b>	<b>7,962.58</b>
thereof short-term	-	361.94	848.33	1,210.27
thereof long-term	241.33	5,866.10	644.88	6,752.31

**Provisions for defined benefit obligations**

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

**Provisions for decommissioning and restoration**

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Decommissioning and restoration provision for the year ended December 31, 2012 was calculated using a time profile spread up to 35 years by using a discount rate of 6.48% (2011: 7.35%) and an inflation rate of 3.15% (2011: 3.52%) for Romania (RON) and a discount rate of 1.60% and an inflation rate of 0.51% for Kazakhstan (USD).

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 6,109.75 million (2011: RON 6,102.32 million). There is a corresponding claim against the Romanian State of RON 1,956.22 million (2011: RON 2,163.08 million), which is disclosed under "Other financial assets" item.

Revisions in estimates for decommissioning and restoration provisions arise from the yearly reassessment of the cost of workings, the number of wells and other applicable items, as well as the expected timing of the decommissioning and restoration.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**13. PROVISIONS (continued)**

Details on the Decommissioning and restoration obligations are as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Balance as at January 1</b>	<b>6,222.22</b>	<b>5,917.85</b>
Exchange differences	0.72	(0.69)
Changes in consolidated Group	-	-
Revisions in estimates	(256.04)	175.73
Unwinding effect	433.66	360.52
Settlements current year	<u>(172.52)</u>	<u>(231.19)</u>
<b>Balance as at December 31</b>	<b><u>6,228.04</u></b>	<b><u>6,222.22</u></b>

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

Other provisions were as follows:

<b>2012</b>	<u><b>Total</b></u>	<u><b>less than 1 year</b></u>	<u><b>over 1 year</b></u>
Environmental provision	232.12	117.47	114.65
Other personnel provisions	141.65	141.65	-
Provisions for litigations	507.83	95.39	412.44
Other	<u>611.61</u>	<u>493.82</u>	<u>117.79</u>
<b>Total</b>	<b><u>1,493.21</u></b>	<b><u>848.33</u></b>	<b><u>644.88</u></b>
<b>2011</b>	<u><b>Total</b></u>	<u><b>less than 1 year</b></u>	<u><b>over 1 year</b></u>
Environmental provision	490.29	204.63	285.66
Other personnel provisions	143.91	143.91	-
Provisions for litigations	566.09	116.73	449.36
Other	<u>646.68</u>	<u>521.61</u>	<u>125.07</u>
<b>Total</b>	<b><u>1,846.97</u></b>	<b><u>986.88</u></b>	<b><u>860.09</u></b>

**Environmental provisions**

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

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



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**13. PROVISIONS (continued)**

**Other personnel provisions**

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

**Provisions for litigations**

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

**Other provisions**

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

As at December 31, 2011 the main short-term provision represented the fine imposed by the Romanian Competition Council to OMV Petrom S.A. and to OMV Petrom Marketing S.R.L. as a result of the antitrust investigation amounting to RON 503.82 million. The provision was entirely used in 2012, as the fines were paid by the two companies.

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

**Emissions certificates**

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

OMV Petrom S.A. is the only company from Petrom Group included into the emission certificates allocation scheme. Under this scheme OMV Petrom S.A. received a total of 4,287,525 free emissions certificates for the year 2012 (2011: 4,444,349).

During 2012 Petrom Group did not sell emissions certificates (2011: sales of 1,165,000 certificates).

As at December 31, 2012, Petrom Group had no shortfall in EU allowances allocated compared to the CO<sub>2</sub> emissions of installations subject to the EU Emission Trading Scheme.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**14. INTEREST-BEARING DEBTS**

As at December 31, 2012 and 2011 Petrom Group had the following loans:

**Interest-bearing debts short-term**

<b>Borrower</b>	<b>Lender</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	411.20	401.19
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	22.14	21.60
OMV Petrom S.A.	European Investment Bank (c)	84.36	26.74
OMV Petrom S.A.	Raiffeisen Bank S.A. (d)	0.02	0.01
OMV Petrom S.A.	Accrued interest	13.11	20.62
OMV Petrom S.A.	Prepayments in relation with loan amounts drawn	(6.19)	(6.21)
<b>Total interest bearing debts short term</b>		<b>524.64</b>	<b>463.95</b>

**Interest-bearing debts long-term**

<b>Borrower</b>	<b>Lender</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	916.74	1,295.26
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	44.29	64.79
OMV Petrom S.A.	European Investment Bank (c)	773.97	837.20
OMV Petrom S.A.	Prepayments in relation with loan amounts drawn	(17.95)	(23.95)
<b>Total interest-bearing debts long term</b>		<b>1,717.05</b>	<b>2,173.30</b>
<b>Total interest-bearing debts</b>		<b>2,241.69</b>	<b>2,637.25</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 200.00 million for the construction of Brazi Power Plant. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The amount due as at December 31, 2012 amounted to RON 744.90 million (equivalent of EUR 168.20 million) (2011: RON 818.15 million, equivalent of EUR 189.40 million).
- (ii) An unsecured corporate loan agreement for a maximum amount of EUR 275.00 million with the purpose of funding an environmental projects program in respect of various operations (upstream, midstream and downstream), dated March 31, 2009, with final maturity date November 16, 2015 (for an amount of EUR 150.00 million) and November 15, 2013 (for the remaining EUR 125.00 million). The amount due as at December 31, 2012 was RON 583.04 million (equivalent of EUR 131.65 million) (2011: RON 878.30 million, equivalent of EUR 203.33 million).

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**14. INTEREST-BEARING DEBTS (continued)**

- (b) For the funding of the environmental program OMV Petrom S.A. concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25.00 million. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. The amount due as at December 31, 2012 amounted to RON 66.43 million (equivalent of EUR 15.00 million) (2011: RON 86.39 million, equivalent of EUR 20.00 million).
- (c) For funding the construction of the Brazi Power Plant, OMV Petrom S.A. concluded also an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The amount due as at December 31, 2012 was RON 858.33 million (equivalent of EUR 193.81 million) (2011: RON 863.94 million, equivalent of EUR 200.00 million).
- (d) Credit facility granted by Raiffeisen Bank S.A. up to EUR 95.00 million, with maturity date prolonged to December 31, 2013. The facility is not secured. This facility can be used as overdraft and for issuance of letters of guarantee and letters of credit in multi-currencies. Starting with September 29, 2010, the facility can be used in the same limit also by OMV Petrom Marketing S.R.L., but only for issuance of letters of guarantee and letters of credit.
- (e) On November 22, 2011, OMV Petrom SA replaced the Banks Consortiums credit facilities amounting to EUR 875.00 million contracted in 2008 and 2009 with a new unsecured Banks Consortium revolving facility amounting to EUR 930.00 million with 3 years maturity and possibility of extension with another 2 years. The Banks Consortium includes Banca Comerciala Romana S.A., Banca Transilvania S.A., Barclays Bank PLC, BRD – Groupe Société Générale S.A., CaixaBank SA (Barcelona) Romania Branch, Citibank Europe plc, Fortis Bank SA/NV Bruxelles Bucharest Branch, ING Bank N.V. Amsterdam Bucharest Branch, J.P. Morgan Europe Limited, OTP Bank Romania SA, Raiffeisen Bank International AG, Raiffeisenlandesbank Niederoesterreich Wien AG, Raiffeisenlandesbank Oesteroesterreich AG, Raiffeisen Bank SA, Bank of Tokyo Mitsubishi UFJ (Holland) N.V., Unicredit Bank Austria AG, Unicredit Tirioc Bank SA. The final maturity date was prolonged until November 22, 2015 with extension option for another year. There are no drawings from this facility as at December 31, 2012 or December 31, 2011.
- (f) A Credit Offer of EUR 500.00 million was signed by OMV Petrom S.A. with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The facility was not used at December 31, 2012 and December 31, 2011. The facility is unsecured.

The Group companies have several overdraft facilities signed as at December 31, 2012 as follows:

- (g) An unsecured facility contracted by OMV Bulgaria OOD from Citibank Sofia, existing at December 31, 2012, with a maximum limit of BGN 31.61 million (equivalent of RON 71.57 million) and maturity date June 30, 2013. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of guarantee without cash collateral. There were no drawings under the overdraft facility as at December 31, 2012.
- (h) An unsecured facility contracted by OMV Bulgaria OOD from UniCredit Bulbank Sofia with a maximum limit of BGN 33.00 million (equivalent of RON 74.73 million) and maturity until December 31, 2012. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of guarantee without cash collateral. No drawings were made under the overdraft facility as at December 31, 2012.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**14. INTEREST-BEARING DEBTS (continued)**

- (i) An unsecured facility contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 6.00 million (equivalent of RON 26.57 million) and maturity prolonged until March 1, 2013. The destination of the facility is general corporate purposes financing on a roll-over basis and issuance of letters of guarantee without cash collateral. No drawings were made under the revolving facility as at December 31, 2012.
- (j) An uncommitted overdraft facility of RON 85.00 million contracted by OMV Petrom S.A. with Banca Comerciala Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 22, 2013. No drawings were made under the facility as at December 31, 2012. The facility is not secured.
- (k) An uncommitted, unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, in total amount of EUR 70.00 million (equivalent of RON 310.01 million), granted for the purpose of issuing contingent liabilities and working capital financing. The portion for contingent liabilities is of EUR 40.00 million (equivalent of RON 177.15 million) and maturity until November 22, 2014. The portion for overdraft is of EUR 30.00 million (equivalent of RON 132.86 million) and maturity until November 22, 2013. No drawings under the overdraft facility were made as at December 31, 2012.
- (l) A committed credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 53.00 million (equivalent of RON 234.72 million) that can be used in RON, with maturity date April 30, 2013. The facility is taken with the purpose of financing the borrower's current activity. No drawings under the facility were made as at December 31, 2012. The credit is unsecured.
- (m) A credit agreement contracted by Tasbulat LLP from Citibank Kazakhstan, with a maximum limit of USD 3.00 million (equivalent of RON 10.07 million) and maturity date December 31, 2013. The purpose of the facility is issuing contingent liabilities and working capital financing. No drawings were made under the revolving facility as at December 31, 2012.
- (n) A credit agreement contracted by Kom Munai LLP from Citibank Kazakhstan, with a maximum limit of USD 7.00 million (equivalent of RON 23.50 million) and maturity date December 31, 2013. The purpose of the facility is issuing contingent liabilities and working capital financing. No drawings were made under the revolving facility as at December 31, 2012.

The Group companies have signed also facilities with several banks for issuing letters of guarantee, as follows:

- (o) A facility agreement was signed by OMV Petrom S.A. with Fortis Bank – Bucharest branch – for up to EUR 30.00 million (equivalent of RON 132.86 million), to be utilized only for issuance of letters of guarantee, with maturity date May 31, 2013 with yearly automatic renewal, but not later than May 31, 2017. The facility is not secured.
- (p) Credit facility up to EUR 71.76 million (equivalent of RON 317.80 million) 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 April 30, 2013. The facility is not secured.
- (q) Credit facility received by OMV Petrom S.A. from Bancpost S.A., up to EUR 25.00 million (equivalent of RON 110.72 million), to be utilized only for issuance of letters of guarantee, with maturity date January 31, 2014. The facility is not secured.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**14. INTEREST-BEARING DEBTS (continued)**

- (r) Credit facility up to USD 3.00 million (equivalent of RON 10.07 million) obtained by OMV Petrom S.A. from RBS Bank Romania S.A, to be utilized only for issuance of letters of guarantee, with approval to be extended until October 28, 2013 but currently with the possibility of utilization by tacit consent of the parties. The facility is not secured.
- (s) A credit facility agreement contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 15.00 million (equivalent of RON 66.43 million) and maturity date January 1, 2016. The destination of the facility is the issuance of letters of guarantee and opening of letters of credit.
- (t) Credit facility up to EUR 5.60 million (equivalent of RON 24.80 million) obtained by Petrom Aviation S.A. from Raiffeisen Bank for issuing of bank guarantees, prolonged until December 15, 2013.

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

Please refer also to Note 34 for details regarding interest rate risks of interest-bearing debt.

**15. OTHER FINANCIAL LIABILITIES**

	<b>December 31, 2012</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Finance lease liabilities	135.52	16.60	118.92
Other financial liabilities	393.62	344.25	49.37
<b>Total</b>	<b>529.14</b>	<b>360.85</b>	<b>168.29</b>

	<b>December 31, 2011</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Liabilities from hedge contracts	152.06	152.06	-
Finance lease liabilities	72.06	10.49	61.57
Other financial liabilities	403.58	316.61	86.97
<b>Total</b>	<b>627.70</b>	<b>479.16</b>	<b>148.54</b>

**Liabilities from hedge contracts**

To protect the Group's cash flow in 2012, OMV Petrom S.A. entered into crude oil hedges for a volume of 30,000 bbl/d. Liabilities from hedge contracts were valued at the market value of RON 142.63 million as at December 31, 2011. Furthermore, OMV Petrom Gas concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 that were valued at the market value of RON 9.43 million as at December 31, 2011 (please refer also to Notes 12 and 34).

As of December 31, 2012 there are no liabilities balances from hedge contracts, as these contracts were realized and their market value as of this date is nil.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**15. OTHER FINANCIAL LIABILITIES (continued)**

**Finance lease liabilities**

Petrom Group acquired through finance lease mainly equipment for production of electricity and pipe yards facilities for tubing reconditioning in E&P which are held by OMV Petrom S.A. and OMV Petrom Marketing S.R.L.

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

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

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
<b>Obligations under finance leases</b>		
Amounts due within 1 year	24.65	14.60
Amounts due after more than 1 year but not later than 5 years	93.32	56.47
Amounts due after 5 years	88.05	49.30
<b>Total lease obligations</b>	<b>206.02</b>	<b>120.37</b>
<b>Less future finance charges on finance leases</b>	<b>(70.50)</b>	<b>(48.31)</b>
<b>Present value of finance lease liabilities</b>	<b>135.52</b>	<b>72.06</b>
<i>Analyzed as follows:</i>		
Maturing within 1 year	16.60	10.49
Maturing after more than 1 year but not later than 5 years	70.32	45.23
Maturing after 5 years	48.60	16.34
<b>Total present value of finance lease liabilities</b>	<b>135.52</b>	<b>72.06</b>

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

**Maturity profile of financial liabilities**

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
<b>2012</b>				
Interest-bearing debts	578.37	1,148.05	749.27	<b>2,475.69</b>
Trade payables	2,880.08	-	-	<b>2,880.08</b>
Other financial liabilities	368.90	141.32	89.42	<b>599.64</b>
<b>Total</b>	<b>3,827.35</b>	<b>1,289.37</b>	<b>838.69</b>	<b>5,955.41</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**15. OTHER FINANCIAL LIABILITIES (continued)**

	<u>&lt; 1 year</u>	<u>1-5 years</u>	<u>&gt; 5 years</u>	<u>Total</u>
<b>2011</b>				
Interest-bearing debts	556.30	1,563.04	956.28	<b>3,075.62</b>
Trade payables	2,982.58	-	-	<b>2,982.58</b>
Other financial liabilities	483.26	105.76	93.53	<b>682.55</b>
<b>Total</b>	<b>4,022.14</b>	<b>1,668.80</b>	<b>1,049.81</b>	<b>6,740.75</b>

**16. OTHER LIABILITIES**

	<u>December 31, 2012</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Deferred income	107.83	107.83	-
Tax liabilities	536.62	536.62	-
Social security	20.56	20.56	-
Other liabilities	99.95	99.95	-
<b>Total</b>	<b>764.96</b>	<b>764.96</b>	<b>-</b>

	<u>December 31, 2011</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Deferred income	102.81	102.81	-
Tax liabilities	408.75	408.75	-
Social security	38.92	38.92	-
Other liabilities	61.08	61.08	-
<b>Total</b>	<b>611.56</b>	<b>611.56</b>	<b>-</b>

**17. DEFERRED TAX**

<b>2012</b>	<u>Deferred tax assets before allowances</u>	<u>Allowances</u>	<u>Net deferred tax assets</u>	<u>Deferred tax liabilities</u>
Tangible and intangible assets	187.72	-	187.72	392.55
Financial assets	92.90	-	92.90	6.70
Inventories	59.35	-	59.35	1.73
Receivables and other assets	80.98	42.41	38.57	0.16
Untaxed reserves	-	-	-	14.72
Provisions for pensions and severance payments	38.61	-	38.61	-
Other provisions	779.20	-	779.20	-
Liabilities	9.74	-	9.74	0.52
Tax loss carried forward	68.21	-	68.21	-
<b>Total</b>	<b>1,316.71</b>	<b>42.41</b>	<b>1,274.30</b>	<b>416.38</b>
Netting (same tax jurisdiction/country)			(408.14)	(408.14)
<b>Deferred tax, net</b>			<b>866.16</b>	<b>8.24</b>
Deferred tax for assets and related liabilities held for sale (Note 11)	1.59	-	1.59	2.89
<b>Total deferred tax</b>			<b>867.75</b>	<b>11.13</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**17. DEFERRED TAX (continued)**

<b>2011</b>	<b>Deferred tax assets before allowances</b>	<b>Allowances</b>	<b>Net deferred tax assets</b>	<b>Deferred tax liabilities</b>
Tangible and intangible assets	170.91	23.10	147.81	405.61
Financial assets	45.62	-	45.62	7.26
Inventories	54.95	-	54.95	1.73
Receivables and other assets	82.10	42.86	39.24	-
Untaxed reserves	-	-	-	14.64
Provisions for pensions and severance payments	31.24	-	31.24	-
Other provisions	771.75	10.03	761.72	-
Liabilities	49.65	-	49.65	0.09
Tax loss carried forward	94.05	-	94.05	-
<b>Total</b>	<b>1,300.27</b>	<b>75.99</b>	<b>1,224.28</b>	<b>429.33</b>
Netting (same tax jurisdiction/country)			(417.06)	(417.06)
<b>Deferred tax, net</b>			<b>807.22</b>	<b>12.27</b>
Deferred tax for assets held for sale (Note 11)	0.56	-	0.56	-
<b>Total deferred tax</b>			<b>807.78</b>	<b>12.27</b>

At the end of 2012, losses carry-forward for tax purposes amounted to RON 389.37 million (2011: RON 502.72 million). Eligibility of losses for carry-forward expires as follows:

	<b>2012</b>	<b>2011</b>
2012	-	16.75
2013	15.91	3.54
2014	1.76	2.55
2015	7.62	14.95
2016	13.58	31.52
2017/ After 2016	102.36	433.41
After 2018	248.14	-
<b>Total</b>	<b>389.37</b>	<b>502.72</b>



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**18. OTHER OPERATING INCOME**

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Exchange gains from operating activities	85.98	104.05
Gains from the disposal of fixed assets	39.65	36.72
Write-up tangible and intangible assets	3.42	3.63
Other operating income	<u>57.53</u>	<u>288.11</u>
<b>Total</b>	<b><u>186.58</u></b>	<b><u>432.51</u></b>

During 2011 other operating income included the reassessment of retirement provision amounting of RON 102.74 million following the change in parameters as described in Note 13 and sales of carbon certificates amounting to RON 67.69 million, while in 2012 the reassessment of retirement provision resulted into an expense (see Note 19) and income from carbon certificates were significantly lower.

**19. OTHER OPERATING EXPENSES**

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Exchange losses from operating activities	110.35	120.02
Losses from the disposal of fixed assets	114.03	32.04
Expenses/ (Income) with provisions for litigations	(31.36)	(3.47)
Other operating expenses	<u>845.39</u>	<u>1,258.61</u>
<b>Total</b>	<b><u>1,038.41</u></b>	<b><u>1,407.20</u></b>

Other operating expenses include an amount of RON 68.69 million (2011: RON 8.03 million) representing restructuring expenses and RON 49.51 million representing reassessment of retirement provision (2011: see Note 18). Other operating expenses line includes also an impairment provision of RON 116.60 million in relation to a legal case in Kazakhstan for uncollected receivables.

During 2011 other operating expenses included an amount of RON 503.82 million representing the provision for the fine received from Romanian Competition Council and RON 120.17 million representing estimated costs in relation to Arpechim refinery permanent closure.

**20. COST INFORMATION**

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

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
Wages and salaries	1,958.90	1,800.14
Other personnel expenses	<u>253.18</u>	<u>123.32</u>
<b>Total personnel expenses</b>	<b><u>2,212.08</u></b>	<b><u>1,923.46</u></b>

Included in the above personnel expenses is the amount of RON 309.09 million, representing Group's contribution to state pension plan for the year ended December 31, 2012 (2011: RON 307.66 million).

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**20. COST INFORMATION (continued)**

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

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Depreciation and amortization	2,608.15	2,327.79
Impairment tangible and intangible assets	244.07	502.42
<b>Total depreciation, amortization and impairment</b>	<b>2,852.22</b>	<b>2,830.21</b>

Net impairment losses booked during the year ended December 31, 2012 for tangible and intangible assets were related to E&P segment amounting RON 157.54 million (including impairments for unsuccessful exploration wells in Romania and other projects), to R&M amounting RON 84.79 million (mainly related to impairment of marketing assets in Petrom Moldova) and also other segments RON 1.74 million.

Net impairment losses booked during the year ended December 31, 2011 for tangible and intangible assets were related to E&P segment amounting RON 410.14 million (mainly for impairment of the Kultuk exploration license in Kazakhstan and unsuccessful exploration wells in Romania), to R&M amounting RON 89.31 million (mainly related to LPG assets and to closed terminals) and also other segments RON 2.97 million.

In the consolidated income statement the impairment losses are mainly included under exploration expenses of RON 51.37 million (2011: RON 309.64 million), production cost of sales amounting RON 138.02 million (2011: RON 122.35 million) and selling expenses of RON 48.15 million (2011: RON 73.77 million). These impairment losses are net of write-ups amounting to RON 3.42 million (2011: RON 3.63 million) that are presented under other operating income line.

Rental expenses included in current period consolidated income statement are RON 234.31 million (2011: RON 225.22 million).

**21. INCOME FROM ASSOCIATED COMPANIES**

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Share of positive result of associated companies	-	0.26
Share of negative result of associated companies	(1.47)	-
Dividends from associated companies	3.65	2.86
<b>Total income from associated companies</b>	<b>2.18</b>	<b>3.12</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**22. NET INTEREST EXPENSE**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Interest income</b>		
Interest income from receivables and other	20.05	27.55
Unwinding income for other financial assets	21.00	3.91
Interest income from short term bank deposits	<u>18.81</u>	<u>15.77</u>
<b>Total interest income</b>	<u><b>59.86</b></u>	<u><b>47.23</b></u>
<b>Interest expense</b>		
Interest expenses	(314.68)	(58.95)
Unwinding expenses for retirement benefits provision	(14.22)	(14.08)
Unwinding expenses for decommissioning provision	(282.61)	(226.85)
Unwinding and discounting for other items	<u>(214.08)</u>	<u>(80.23)</u>
<b>Total interest expense</b>	<u><b>(825.59)</b></u>	<u><b>(380.11)</b></u>
<b>Net interest result</b>	<u><b>(765.73)</b></u>	<u><b>(332.88)</b></u>

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

**23. OTHER FINANCIAL INCOME AND EXPENSES**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
<b>Financial income</b>		
Exchange gains from financing activities	99.67	172.61
Gains from investments and financial assets	<u>1.45</u>	<u>2.52</u>
<b>Total financial income</b>	<u><b>101.12</b></u>	<u><b>175.13</b></u>
<b>Financial expense</b>		
Exchange losses from financing activities	(126.60)	(96.35)
Losses related to financial assets and securities	-	(9.11)
Other financing costs	<u>(46.71)</u>	<u>(67.08)</u>
<b>Total financial expense</b>	<u><b>(173.31)</b></u>	<u><b>(172.54)</b></u>
<b>Other financial income and expenses</b>	<u><b>(72.19)</b></u>	<u><b>2.59</b></u>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**24. TAXES ON INCOME**

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Taxes on income - current year	963.76	909.83
Deferred tax	<u>(83.60)</u>	<u>(59.86)</u>
<b>Total taxes on income</b>	<b><u>880.16</u></b>	<b><u>849.97</u></b>

The reconciliation of deferred taxes is as follows:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Deferred taxes January 1	795.51	707.79
Deferred taxes December 31	<u>856.62</u>	<u>795.51</u>
<b>Changes in deferred taxes</b>	<b><u>61.11</u></b>	<b><u>87.72</u></b>
Deferred taxes on valuation of hedges charged directly to OCI	(24.30)	24.30
Changes in consolidated Group, exchange differences and similar items	<u>1.81</u>	<u>3.56</u>
<b>Deferred taxes per income statement</b>	<b><u>83.60</u></b>	<b><u>59.86</u></b>

**Reconciliation**

<b>Profit before taxation</b>	<b>4,826.26</b>	<b>4,608.59</b>
Income tax rate applicable for Parent company	16.00%	16.00%
<b>Profits tax based on income tax rate of the Parent</b>	<b>772.20</b>	<b>737.37</b>
Effect of differing foreign tax rates	<u>(15.96)</u>	<u>(13.91)</u>
Profits tax based on applicable rates	756.24	723.46
Tax effect of permanent differences	<u>123.92</u>	<u>126.51</u>
<b>Profits tax expense in Income Statement</b>	<b><u>880.16</u></b>	<b><u>849.97</u></b>

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

Permanent differences in 2011 were generated mainly by the fine imposed by Romanian Competition Council to OMV Petrom S.A. and to OMV Petrom Marketing S.R.L. (Note 19) and by the impairment of the Kultuk exploration license in Kazakhstan (Note 20).

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

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**25. EARNINGS PER SHARE**

Calculation of earnings per share is based on the following data:

	<u>December 31, 2012</u>	<u>December 31, 2011</u>
Net profit attributable to own shareholders	3,953.31	3,756.75
Weighted average number of shares	<u>56,643,903,559</u>	<u>56,643,903,559</u>
<b>Earnings per share in RON</b>	<u><b>0.0698</b></u>	<u><b>0.0663</b></u>

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

At the Annual General Meeting held on April 27, 2012, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2011 for the amount of RON 1,756 million, resulting in a dividend per share of 0.031 RON.

**26. SEGMENT INFORMATION**

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

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

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

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

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

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

**R&M** produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division includes two Romanian refineries, Arpechim and Petrobrazi. In March 2011 OMV Petrom S.A. announced the permanent closure of the Arpechim refinery. **Marketing** division delivers products to both Retail and Wholesale customers and operates in Romania, Bulgaria, Serbia and Moldova. OMV Petrom S.A. is the main player on the Romanian fuels market.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**26. SEGMENT INFORMATION (continued)**

**Operating segments:**

<b>December 31, 2012</b>	<b>E&amp;P</b>	<b>Gas &amp; Power</b>	<b>Refining &amp; Marketing</b>	<b>Corporate &amp; Other</b>	<b>Total</b>	<b>Consolidation</b>	<b>Consolidated total</b>
Intersegment sales	12,071.98	446.63	162.36	561.49	<b>13,242.46</b>	<b>(13,242.46)</b>	-
Sales with third parties	919.94	3,696.19	21,587.19	54.81	<b>26,258.13</b>	-	<b>26,258.13</b>
<b>Total sales</b>	<b>12,991.92</b>	<b>4,142.82</b>	<b>21,749.55</b>	<b>616.30</b>	<b>39,500.59</b>	<b>(13,242.46)</b>	<b>26,258.13</b>
<b>EBIT</b>	<b>5,466.57</b>	<b>359.80</b>	<b>137.52</b>	<b>(116.52)</b>	<b>5,847.37</b>	<b>(185.37)</b>	<b>5,662.00</b>
Total assets*	20,364.83	3,146.14	5,277.72	690.41	<b>29,479.10</b>	-	<b>29,479.10</b>
Investments in PPE/IA	3,829.92	288.93	903.26	52.90	<b>5,075.01</b>	-	<b>5,075.01</b>
Depreciation and amortization	1,897.06	90.36	530.72	90.01	<b>2,608.15</b>	-	<b>2,608.15</b>
Impairment losses	157.54	-	84.79	1.74	<b>244.07</b>	-	<b>244.07</b>

**Information about geographical areas:**

<b>December 31, 2012</b>	<b>Romania</b>	<b>Rest of CEE</b>	<b>Rest of world</b>	<b>Consolidation</b>	<b>Consolidated total</b>
Sales with third parties**	20,534.35	4,485.17	1,238.61	-	26,258.13
Total assets*	27,266.47	944.29	1,268.34	-	29,479.10
Investments in PPE/IA	4,866.43	33.28	175.30	-	5,075.01

Sales with third parties made in Rest of CEE include sales made in Bulgaria amounting to RON 2,937.71 million in 2012.

The key figure of operating performance for Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

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

\*\*) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**26. SEGMENT INFORMATION (continued)**

**Operating segments:**

<b>December 31, 2011</b>	<b>E&amp;P</b>	<b>Gas &amp; Power</b>	<b>Refining &amp; Marketing</b>	<b>Corporate &amp; Other</b>	<b>Total</b>	<b>Consolidation</b>	<b>Consolidated total</b>
Intersegment sales	11,172.10	436.24	161.96	576.91	<b>12,347.21</b>	<b>(12,347.21)</b>	-
Sales with third parties	571.34	3,190.68	18,795.16	56.47	<b>22,613.65</b>	-	<b>22,613.65</b>
<b>Total sales</b>	<b>11,743.44</b>	<b>3,626.92</b>	<b>18,957.12</b>	<b>633.38</b>	<b>34,960.86</b>	<b>(12,347.21)</b>	<b>22,613.65</b>
<b>EBIT</b>	<b>5,236.32</b>	<b>148.84</b>	<b>(187.37)</b>	<b>(78.98)</b>	<b>5,118.82</b>	<b>(183.06)</b>	<b>4,935.76</b>
Total assets*	18,716.01	2,930.96	5,079.04	729.25	<b>27,455.26</b>	-	<b>27,455.26</b>
Investments in PPE/IA	3,575.19	611.49	1,003.10	51.07	<b>5,240.85</b>	-	<b>5,240.85</b>
Depreciation and amortization	1,731.08	17.16	475.03	104.52	<b>2,327.79</b>	-	<b>2,327.79</b>
Impairment losses	410.14	-	89.31	2.97	<b>502.42</b>	-	<b>502.42</b>

**Information about geographical areas:**

<b>December 31, 2011</b>	<b>Romania</b>	<b>Rest of CEE</b>	<b>Rest of world</b>	<b>Consolidation</b>	<b>Consolidated Total</b>
Sales with third parties**	17,411.27	4,291.35	911.03	-	22,613.65
Total assets*	25,050.77	1,030.37	1,374.12	-	27,455.26
Investments in PPE/IA	5,010.38	74.47	156.00	-	5,240.85

Sales with third parties made in Rest of CEE include sales made in Bulgaria amounting to RON 2,939.46 million in 2011.

The key figure of operating performance for Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

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

\*\*) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**27. AVERAGE NUMBER OF EMPLOYEES**

	<u>December 31,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
<b>Total Petrom Group</b>	<b>22,255</b>	<b>23,909</b>
thereof:		
OMV Petrom S.A.	20,508	22,037
Subsidiaries	1,747	1,872

Note: The number of employees was calculated as average headcount of 12 months number of employees.

**28. RELATED PARTIES**

The terms of the outstanding balances receivable from/payable to related parties are typically 10 to 60 days. The balances are unsecured and will be settled in cash. There are no significant provisions for doubtful debts relating to these balances and no significant expense recognized in the consolidated income statement in respect of bad or doubtful debts. There are no guarantees given or paid to related parties as at December 31, 2012 and December 31, 2011. Dividends receivable are not included in the below balances and revenues.

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

	<b>Nature of transaction</b>	<u>Purchases</u>	<u>Balances payable</u>
<b>OMV Petrom S.A. - mother company</b>			
OMV Supply & Trading AG	Acquisition of petroleum products	957.61	0.16
OMV Refining & Marketing GmbH	Acquisition of petroleum products	505.53	38.08
OMV Trading GmbH	Acquisition of electricity and other	87.68	24.68
OMV Exploration & Production GmbH	Delegation of personnel and other	69.35	26.05
OMV Aktiengesellschaft	Delegation of personnel and other	29.85	7.00
OMV Solutions GmbH	Delegation of personnel and other	29.41	12.59
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	18.78	-
OMV Power International GmbH	Delegation of personnel and other	4.00	3.95
OMV Gas & Power GmbH	Delegation of personnel and other	1.41	0.01
Gas Connect Austria GmbH	Delegation of personnel and other	0.07	-
Congaz SA	Various services	0.02	-
OMV Austria Exploration & Production GmbH	Various services	0.07	0.06
OMV - International Services Ges.m.b.H.	Financial services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b><u>1,703.79</u></b>	<b><u>112.58</u></b>



**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**28. RELATED PARTIES (continued)**

	<b>Nature of transaction</b>	<b>Purchases</b>	<b>Balances Payable</b>
<b>Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	340.42	34.25
EconGas Hungária			
Földgázkereskedelmi Kft.	Acquisition of gas	183.25	-
OMV - International Services			
Ges.m.b.H.	Financial services	2.13	24.40
OMV Exploration & Production GmbH	Delegation of personnel	10.11	4.48
OMV Solutions GmbH	Delegation of personnel and other	11.14	0.44
Petrol Ofisi A.Ş.	Acquisition of petroleum products	7.42	1.42
OMV Hungária Ásványolaj Korlátolt			
Felelősségű Társaság	Acquisition of petroleum products	18.44	1.00
EconGas GmbH	Acquisition of gas	-	1.34
Congaz SA	Various services	1.30	0.11
Trans Gas LPG Services SRL	Various services	0.87	0.09
Petrom Nadlac SRL	Various services	0.52	0.09
OMV Aktiengesellschaft	Delegation of personnel and other	0.83	0.02
OMV Power International GmbH	Delegation of personnel and other	0.28	0.35
OMV Slovenija trgovina z nafto in			
naftnimi derivati, d.o.o.	Acquisition of petroleum products	2.14	-
Diramic Insurance Limited	Various services	0.95	-
<b>Total subsidiaries</b>		<b>579.80</b>	<b>67.99</b>
<b>Total Petrom Group</b>		<b>2,283.59</b>	<b>180.57</b>

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances Receivable</b>
<b>OMV Petrom S.A. - mother company</b>			
OMV Supply & Trading AG	Sales of petroleum products	1,491.69	20.37
OMV Deutschland GmbH	Sales of propylene	232.57	34.83
OMV Solutions GmbH	Financial, IT and other services	44.74	8.64
OMV Trading GmbH	Sales of electricity and other	28.00	4.59
OMV Exploration & Production GmbH	Delegation of personnel and other	6.75	1.62
OMV Aktiengesellschaft	Delegation of personnel and other	3.76	4.24
OMV Refining & Marketing GmbH	Delegation of personnel and other	2.43	0.62
OMV Gas & Power GmbH	Delegation of personnel and other	0.20	0.06
OMV Abu Dhabi E&P GmbH	Various services	0.06	-
<b>Total OMV Petrom S.A.</b>		<b>1,810.20</b>	<b>74.97</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**28. RELATED PARTIES (continued)**

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances receivable</b>
<b>Petrom Group subsidiaries</b>			
OMV - International Services Ges.m.b.H.	Other services	2.83	13.44
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.49	0.70
OMV Aktiengesellschaft	Delegation of personnel and other	4.28	0.42
Petrol Ofisi A.Ş.	Sales of petroleum products	0.32	0.03
Linzer Agrotrade Romania	Sales of chemicals products	0.19	-
Trans Gas LPG Services SRL	Various services	0.03	-
<b>Total subsidiaries</b>		<b>12.14</b>	<b>14.59</b>
<b>Total Petrom Group</b>		<b>1,822.34</b>	<b>89.56</b>

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

	<b>Nature of transaction</b>	<b>Purchases</b>	<b>Balances Payable</b>
<b>OMV Petrom S.A. - mother company</b>			
OMV Supply & Trading AG	Acquisition of petroleum products	862.52	12.11
OMV Refining & Marketing GmbH	Acquisition of petroleum products	177.06	14.22
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	36.34	0.69
OMV Trading GmbH	Acquisition of electricity and other	53.74	16.97
OMV Exploration & Production GmbH	Delegation of personnel and other	28.93	7.02
OMV Solutions GmbH	Delegation of personnel and other	17.53	9.65
OMV Aktiengesellschaft	Delegation of personnel and other	18.79	13.31
OMV Austria Exploration & Production GmbH	Various services	2.48	-
OMV Deutschland GmbH	Various services	2.45	-
OMV Power International GmbH	Delegation of personnel and other	0.19	0.19
OMV Gas & Power GmbH	Delegation of personnel and other	0.98	-
Gas Connect Austria GmbH	Delegation of personnel and other	0.61	0.03
Congaz SA	Various services	0.03	0.01
Trans Gas LPG Services SRL	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>1,201.66</b>	<b>74.20</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**28. RELATED PARTIES (continued)**

	<b>Nature of transaction</b>	<b>Purchases</b>	<b>Balances payable</b>
<b>Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	114.16	6.77
EconGas Hungária			
Földgázkereskedelmi Kft.	Acquisition of gas	198.41	11.84
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	21.50	0.39
OMV Exploration & Production GmbH	Delegation of personnel	9.27	8.24
OMV Solutions GmbH	Delegation of personnel and other	7.32	1.22
OMV Aktiengesellschaft	Delegation of personnel and other	0.52	0.03
OMV - International Services Ges.m.b.H.	Financial services	1.03	24.00
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	Acquisition of petroleum products	3.26	3.23
OMV Power International GmbH	Delegation of personnel and other	1.75	0.87
Petrol Ofisi A.Ş.	Acquisition of petroleum products	4.99	0.92
Congaz SA	Various services	0.01	1.63
Trans Gas LPG Services SRL	Various services	0.17	0.02
Petrom Nadlac SRL	Various services	0.50	-
<b>Total subsidiaries</b>		<b>362.89</b>	<b>59.16</b>
<b>Total Petrom Group</b>		<b>1,564.55</b>	<b>133.36</b>

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances receivable</b>
<b>OMV Petrom S.A. - mother company</b>			
OMV Supply & Trading AG	Sales of petroleum products	1,096.10	2.74
OMV Deutschland GmbH	Sales of propylene	276.30	32.10
OMV Solutions GmbH	Financial, IT and other services	34.59	15.30
OMV Aktiengesellschaft	Delegation of personnel and other	12.82	6.55
OMV Trading GmbH	Sales of electricity and other	12.62	2.73
OMV Exploration & Production GmbH	Delegation of personnel and other	7.23	1.17
OMV Refining & Marketing GmbH	Delegation of personnel and other	1.45	0.25
Petrol Ofisi A.Ş.	Sales of petroleum products	0.18	-
OMV Finance Limited	Financial, IT and other services	0.07	0.01
OMV Southeast Caspian Upstream GmbH	Various services	0.02	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.08	0.08
OMV Power International GmbH	Delegation of personnel and other	0.04	-
<b>Total OMV Petrom S.A.</b>		<b>1,441.50</b>	<b>60.93</b>

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**28. RELATED PARTIES (continued)**

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances receivable</b>
<b>Petrom Group subsidiaries</b>			
OMV - International Services Ges.m.b.H.	Other services	31.77	10.45
OMV Aktiengesellschaft	Delegation of personnel and other	2.87	0.37
OMV Trading GmbH	Delegation of personnel and other	-	0.01
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.18	0.25
OMV Hrvatska d.o.o.	Sales of petroleum products	0.15	-
Linzer Agrotrade Romania	Sales of chemicals products	0.12	-
OMV Finance Limited	Financial, IT and other services	0.01	-
OMV BH d.o.o.	Sales of petroleum products	0.07	-
OMV Slovensko s.r.o.	Sales of petroleum products	0.01	-
OMV Power International GmbH	Delegation of personnel and other	0.03	0.03
Trans Gas LPG Services SRL	Various services	0.07	-
<b>Total subsidiaries</b>		<b>39.28</b>	<b>11.11</b>
<b>Total Petrom Group</b>		<b>1,480.78</b>	<b>72.04</b>

***Ultimate parent***

As disclosed in Note 1, OMV Petrom S.A.'s major shareholder is OMV Aktiengesellschaft, being the ultimate parent of the Group and it is based in Austria. The majority of OMV Aktiengesellschaft shares are held by Österreichische Industrieholding AG (ÖIAG – 31.5%) and International Petroleum Investment Company (IPIC, Abu Dhabi – 24.9%).

***Key management remuneration***

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

At December 31, 2012 there are no loans or advances granted by the Group to the members of the Supervisory Board.

As at December 31, 2012, the Group does not have any obligations regarding pension payments to former members of the Supervisory Board.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2012**

Company Name	Share interest percentage	Consolidation treatment*	Activity	Country of incorporation
<b>Subsidiaries (&gt;50%)</b>				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
ICS Petrom Moldova S.A.	100.00%	FC	Fuel distribution	Moldova
OMV Petrom Marketing S.R.L.	100.00%	FC	Fuel distribution	Romania
Tasbulat Oil Corporation BVI	100.00%	NC	Holding company	British Virgin Islands
OMV Petrom Wind Power SRL	99.99%	FC	Eolian power production	Romania
OMV Petrom Gas S.R.L.	99.99%	FC	Gas distribution	Romania
Petromed Solutions S.R.L.	99.99%	FC	Medical services	Romania
Petrom Distributie Gaze S.R.L.	99.99%	FC	Gas distribution	Romania
Petrom LPG S.A.	99.99%	FC	LPG distribution	Romania
Petrom Aviation S.A.	99.99%	FC	Airport services	Romania
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
OMV Srbija DOO	99.90%	FC	Fuel distribution	Serbia
Petrom Nadlac S.R.L.	98.51%	NC	Fuel distribution	Romania
Kom Munai LLP	95.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
Petrochemicals Arges S.R.L.	95.00%	NC	Refining petrochemicals production	Romania
Trans Gas LPG Services S.R.L.	80.00%	NC	LPG transportation related services	Romania
Petrom Exploration & Production Limited	50.00%	FC	Exploration and production services	Isle of Man
<b>Associated companies (20-50%)</b>				
Franciza Petrom 2001 S.A.	40.00%	NAE	Oil products distribution	Romania
Brazi Oil & Anghelescu Prod Com S.R.L.	37.70%	NAE	Oil products distribution	Romania
Fontegas Peco Mehedinti S.A.	37.40%	NAE	Fuel distribution	Romania
Congaz S.A.	28.59%	EM	Natural gas distribution	Romania
Asociatia romana pentru relatia cu investitorii	20.00%	NAE	Public relations and public representation	Romania

\*) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

NC Not – consolidated subsidiary (companies of relative insignificance individually and collectively to the consolidated financial statements)

NAE Other investment recognized at cost (associated companies of relatively little importance to the assets and earnings of the consolidated financial statements).

The subsidiaries which are not consolidated have very low volumes of business; the total sales, net income/losses and equity of such companies represent less than 1% of the consolidated totals.

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**30. CASH FLOW STATEMENT INFORMATION**

**a) Drawings and repayments of borrowings**

During 2012 Petrom Group has repaid borrowings and finance lease obligations amounting to RON 1,232.74 million (2011: RON 2,632.97 million) and has drawn borrowings amounting to RON 754.59 million (2011: RON 1,433.74 million).

**b) Acquisition of subsidiaries**

During 2012 and 2011 Petrom Group did not acquire any company.

**c) Disposal of subsidiaries**

During the year ended December 31, 2012, Petrom Group disposed Korned LLP company from E&P segment. During 2011 Petrom Group did not dispose of any company.

Net assets of disposed subsidiaries at the date of disposal were as follows:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Other assets short term	0.21	-
Other provisions long term	(1.24)	-
Trade payables	(0.26)	-
Other liabilities short term	(4.24)	-
<b>Net assets disposed off</b>	<b>(5.53)</b>	<b>-</b>

Gain / (Loss) on disposal of subsidiaries:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Proceeds on disposal of subsidiaries	0.10	-
Net assets disposed off	5.53	-
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	(12.88)	-
Exchange differences related to net investment in a foreign subsidiary, recycled from equity on disposal of subsidiary	5.17	-
<b>Loss on disposal of subsidiaries</b>	<b>(2.08)</b>	<b>-</b>

Net cash flow on disposal of subsidiaries:

	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Net consideration received in cash and cash equivalents	0.10	49.02
Less cash and cash equivalents balances disposed off	-	-
<b>Net cash inflow on disposal of subsidiaries</b>	<b>0.10</b>	<b>49.02</b>

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**30. CASH FLOW STATEMENT INFORMATION (continued)**

In addition to the consideration of RON 0.10 million related to the disposal of Korned LLP, the Group received an advance of RON 9.82 million for Petrom LPG S.A. from Crimbo Gas International, therefore the total cash inflow on disposal of subsidiaries during 2012 amounted to RON 9.92 million.

During 2011, in relation with sale of Ring Oil Holding & Trading Ltd, an amount of RON 59.25 million was received, comprising RON 49.02 million from sale of shares and a reimbursement of loan in amount of RON 10.23 million.

**d) Exploration cash-flows**

The amount of cash outflows in relation to exploration activities incurred by Petrom Group for the year ended December 31, 2012 is of RON 374.51 million (2011: RON 495.71 million), out of which the amount of RON 172.26 million is related to operating activities (2011: RON 108.75 million) and the amount of RON 202.25 million represents cash outflows for exploration investing activities (2011: RON 386.96 million).

**31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES**

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

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

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

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

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

The following overview presents the measurement of financial instruments (assets and liabilities) recognized at fair value. In accordance with IFRS 7, the individual levels are defined as follows:

Level 1: Using quoted prices in active markets for identical assets or liabilities.

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

**Fair value hierarchy as at December 31, 2012**

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

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)**

Fair value hierarchy as at December 31, 2011

Financial instruments on liability side	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	9.43	142.63	-	<b>152.06</b>
Other derivatives	(0.05)	-	-	<b>(0.05)</b>
<b>Total</b>	<b>9.38</b>	<b>142.63</b>	<b>-</b>	<b>152.01</b>

**32. COMMITMENTS AND CONTINGENCIES**

**Commitments**

As at December 31, 2012 the total commitments engaged by Petrom Group for investments is of RON 935.34 million (2011: RON 1,323.57 million), out of which RON 904.58 million related to property, plant and equipment (2011: RON 1,250.16 million) and RON 30.76 million for intangible assets (2011: RON 73.41 million). These commitments do not include the commitment for the financial lease of a hydrogen plant presented in Note 15.

**Other contingencies**

Cash and bank accounts as at December 31, 2012 include an amount of RON 84.89 million representing cash restricted, mainly in relation with cash collaterals (2011: RON 102.98 million, mainly related to several litigation cases).

**Litigations**

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

**Contingent liabilities**

Petrom Group has contingent liabilities representing performance guarantees in amount of RON 25.64 million as at December 31, 2012 (2011: RON 19.76 million).



**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**33. INTERESTS IN JOINT VENTURES**

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

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

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

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

**34. RISK MANAGEMENT**

**Capital risk management**

Petrom Group continuously manages its capital adequacy to ensure that its entities will be optimally capitalized in balance with their risks exposure in order to maximize the return to stakeholders. The capital structure of Petrom Group consists of equity attributable to equity holders of the parent (comprising issued capital, reserves and revenue reserves as disclosed in the "Consolidated Statement of Changes in Equity") and debt (which includes the short and long term borrowings disclosed in Note 14). Capital risk management at Petrom Group is part of the value management and it is based on permanent review of the gearing ratio of the group.

The gearing ratio of Petrom Group calculated as net debt/ (equity)\*100 was 7% as at December 31, 2012 (December 31, 2011: 9%) showing a decreasing exposure to leverage risk. Net debt is calculated as interest-bearing debts including financial lease liability, less cash and cash equivalents.

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

**Significant accounting policies**

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

**Financial risk management objectives and policies**

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

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

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**34. RISK MANAGEMENT (continued)**

**Risk exposures and responses**

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

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

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

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

**Commodity Market Price Risk**

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

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

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

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

**Foreign exchange risk management**

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

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

**34. RISK MANAGEMENT (continued)**

**Foreign currency sensitivity analysis**

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

	<b>Assets</b>		<b>Liabilities</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Thousand USD	562,544	654,005	57,076	96,566
Thousand EUR	98,409	107,413	612,937	705,019

**Translation risk** arises on the consolidation of subsidiaries preparing their financial statements in other currencies than in Romanian lei but also from the consolidation of assets and liabilities naturally denominated in foreign currency. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

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

+10% Sensitivity increase in the foreign currencies rates

	<b>Thousand USD Impact (i)</b>		<b>Thousand EUR Impact (ii)</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Profit/ (Loss)	50,547	60,010	(51,453)	(59,761)
Other equity	-	(4,266)	-	-

-10% Sensitivity decrease in the foreign currencies rates

	<b>Thousand USD Impact (i)</b>		<b>Thousand EUR Impact (ii)</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Profit/ (Loss)	(50,547)	(60,010)	51,453	59,761
Other equity	-	4,266	-	-

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

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

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

In June 2011, OMV Petrom Gas S.R.L. concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 where OMV Petrom Gas sold USD 29.97 million with monthly pricing and settlement, locking in the RON/USD average rate. This instrument was aimed to protect the cash flows from planned sales of gas to domestic clients during November 2011 – February 2012 against depreciation of USD versus RON, as gas purchases were linked to USD/RON exchange rate, while the sales formula price is linked to USD/RON exchange rate. During the year 2012 these forward contracts were realized, resulting in an expense of RON 8.50 million in OMV Petrom GAS S.R.L.

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
(all amounts are expressed in million RON, unless otherwise specified)

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**34. RISK MANAGEMENT (continued)**

**Interest rate risk management**

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

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates (with all other variables held constant).

**Analysis for change in interest rate risk**

**Variable rate borrowings:**

	<b>Balance as at</b>		<b>Effect of 1% change in interest rate</b>	
	<b>December 31, 2012</b>	<b>December 31, 2011</b>	<b>December 31, 2012</b>	<b>December 31, 2011</b>
Short term borrowings	517.72	449.54	5.18	4.50
Long term borrowings	1,735.00	2,197.25	17.35	21.97

**Counterparty Credit Risk management**

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

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

**Liquidity risk management**

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

**S.C. PETROM S.A. AND SUBSIDIARIES**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2012**  
**(all amounts are expressed in million RON, unless otherwise specified)**

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**35. SUBSEQUENT EVENTS**

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

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

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

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

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