

ANNUAL REPORT 2010

prepared in compliance with the requirements of the Regulation no 1/2006, Appendix 32, issued by the National Securities Commission

SC OMV PETROM SA

Headquarters	239 Calea Dorobantilor, district 1, postal code 010567, Bucharest
Telephone/fax:	0040-372-868930/ 0040-372-868518
Number and date of registration with the Trade Registry Office:	J40/8302/1997
Unique Registration Code	1590082
Fiscal attribute	RO
Subscribed and paid in share capital	RON 5,664,410,833.5
The tier, type, number and main characteristics of the securities issued by the company	
• Dematerialized nominative common shares registered with the Depozitarul Central SA Bucharest, as per Contract No. 13308/11.03.2008	
• Nominal Value, RON/share	0.1
• Number of shares	56,644,108,335
• The shares of S.C. OMV Petrom S.A. are traded at the first tier of the Bucharest Stock Exchange	SNP symbol
• Total market value of the Petrom shares as of December 30, 2010	RON 18,975,776,292

Unless otherwise specified, the figures and comments included in this report refer to S.C. OMV Petrom S.A. (herein after referred to as Petrom). The financials are audited and prepared according to Romanian Accounting Standards (RAS).

1. The Activity of the Company

1.1. a) The activity developed or which is to be developed by the company.

Petrom develops the following main activities:

- The exploration and production of crude and natural gas fields located onshore and offshore;
- Emergency works, commissioning and repair of wells;
- Crude refining;
- The distribution, transport, storing, marketing, bunkering of ships and the supply of airships with crude oil products;
- Wholesale and retail trade in merchandise and miscellaneous products;
- The import and export of crude, petroleum products, petrochemicals and chemicals, equipment, machines and specific technologies;
- Production, transmission, distribution, trade of electricity;
- Medical and social activity for its own employees and third parties;
- Other activities established and detailed on in the Constitutive Act of the company.

Petrom, a member of the OMV Group, is the largest oil and gas producer in Southeastern Europe. Our business segments are Exploration and Production, Refining and Marketing, and Gas and Power. They represent the core activities of the company and our main focus to increase efficiency.

Our Exploration and Production business explores for and extracts oil and natural gas in Romania and the Caspian region (Kazakhstan). Petrom accounts for almost the entire oil production and for approximately half of the gas production in Romania. Our domestic and international oil and gas production amounted to around 184,000 boe/d in 2010 while total proved oil and gas reserves were approximately 832 mn boe at the end of December 2010.

We run an upstream integrated refinery (Petrobrazi) with a nominal capacity of 4 mn t per year that processes exclusively equity crude to maximize its integration value. Given the challenging mid- to long-term outlook for the refining industry, we aim to divest our second refining asset Arpechim by 2012 at the latest. In line with the strategy to exit non-core businesses, Petrom sold the assets related to the petrochemical activities from Arpechim at the beginning of 2010. We supply our products through a network of more than 800 filling stations, both in Romania and in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. In Romania, Petrom is the number one downstream operator, with a total market share of 39% and operating 546 filling stations. We are also the leading provider of aviation fuel services in Romania and the number one player in the local LPG market.

We are an important player in the Romanian gas market, covering all gas market segments. In 2010, Petrom Group maintained its strong presence in all sectors of the gas market. In order to leverage the value of natural gas and ensure the sustainable development of the company, management decided to further expand the value chain and develop a power generation business utilizing both conventional and renewable energy sources. In 2010, the construction works on our key power projects - the Brazi gas fired power plant and the Dorobantu wind farm, progressed according to schedule.

Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only E&P) and Bulgaria, Serbia and Republic of Moldova (only Marketing).

The detailed structure of the consolidated companies in Petrom Group at December 31, 2010 is presented in appendix a) to the current report.

b) The date when the company was established

The company S.N.P. Petrom S.A. was established on October 27, 1997 and began its activity as of November 1, 1997, as per the Emergency Ordinance no. 49/1997 approved through Law no. 70/1998. In the General Extraordinary Meeting of Shareholders dated September 14, 2004 the change of the company's name from SNP Petrom SA to S.C. Petrom S.A. was approved. Starting January 1, 2010, the company name is OMV Petrom S.A., based on the Resolution of the Extraordinary General Meeting of Shareholders dated October 20, 2009. The Company's brand and logo remain unchanged.

c) Mergers or significant reorganizations of the company, the subsidiaries or the companies controlled achieved during the financial year.

Starting **February 1**, Petrom consolidated the gas supply and sales activities within Petrom Gas S.R.L., a 99.99% OMV Petrom S.A. owned company. Therefore, the sales activities within the gas division of Petrom were integrated into OMV Petrom Gas S.R.L.

Another core aspect in 2010 was the consolidation process of the Marketing activities of Petrom Group in Romania effective as of October 1st, 2010. The Extraordinary General Meetings of Shareholders (EGMS) held on **August 3, 2010** approved in substance the spin-off of the OMV Petrom marketing activities and the legal transfer to OMV Petrom Marketing S.R.L. (former OMV Romania Mineraloel SRL a company fully owned by Petrom), by means of universal title legal transfer of assets and liabilities pertaining to such activities. Likewise, the merger between M.P. Petroleum Distribuție SRL and OMV Petrom Marketing S.R.L. was effective as of October 1st, 2010. Thus, the marketing activities of Petrom Group in Romania, previously performed through three legal entities - OMV Petrom SA, M.P. Petroleum Distribuție SRL and OMV Romania Mineraloel SRL, were consolidated in a single entity, OMV Petrom Marketing SRL, 100% owned by Petrom. Enabling one organizational unit to steer all Marketing activities in Romania allows Petrom to benefit from an efficient coordination of this activity and pursue operations' optimization and increased efficiency of cost management. Moreover, it enables for more flexibility and promptitude in responding to market challenges, thus strengthening Petrom's market position.

d) Asset acquisitions and/or alienation

On **April 15**, Petrom announced the extension of its power production projects portfolio by acquiring S.C. Wind Power Park S.R.L. Wind Power Park owns a fully permitted wind power generation project in Dobrogea (Southeast Romania) with a designated capacity of 45 MW, which can be extended to 54 MW.

On **September 6**, Petrom announced the sale of the 74.9% stake in Ring Oil (Russia) to its minority partner Mineral and Bio Oil Fuels Limited (MBO). Petrom disposed off both the Ring Oil Holding and Trading LTD Company and its subsidiaries (LLC Management Corsarneft, LLC Artamira, OJSC Chalykneft, OJSC Karneft, Oil Company Renata, LLC Neftepoisk and CJSC Saratovneftedobycha).

e) Main results of the company's evaluation

Petrom, a member of the OMV Group, is the largest oil and gas producer in Southeastern Europe. Our business segments are Exploration and Production, Refining and Marketing, and Gas and Power. They represent the core activities of the company and our main focus to increase efficiency.

Our achievements in 2010 in **Exploration & Production** segment were as following:

- ▶ Petrom annual average production amounted to more than 173,900 boe/day
- ▶ Romanian reserves replacement rate increased to 72% from 70% in 2009

- ▶ Lost time injury rate for the Petrom Group E&P employees maintained below 0.3, significantly better than industry benchmark
- ▶ Engineering and execution of seven field re-development projects started and progressed
- ▶ Hurezani gas compressor station successfully finalized with first gas delivery in May 2010
- ▶ Production enhancement contracts concluded with Petrofac and PetroSantander for 18 fields in Ticleni and Arad areas
- ▶ Partnership concluded with Hunt Oil Company for joint exploration of the onshore blocks Adjud and Urziceni Est
- ▶ Successful offshore multistage drilling campaign achieved in the Lebada Est and Lebada Vest fields
- ▶ Further streamlining of the organization

In **Refining & Marketing** segment the valuation of the activity at the end of the year highlighted the following issues:

- ▶ Significant improvement of the results driven by downstream optimization and cost control efficiency
- ▶ Efficient response to the prevailing market challenges with flexible utilization of our refining and logistic assets
- ▶ Finalized construction of the Brazi terminal, the second one under the terminal modernization program
- ▶ Finalized divestment of the Arpechim petrochemical business
- ▶ DuPont 2010 Safety Award given for a broad-based program implemented in Petrom Refining, aimed at increasing awareness and creating a stronger safety culture
- ▶ Successful consolidation of marketing activities in Romania in a single entity, OMV Petrom Marketing SRL
- ▶ Implemented rebranding of PetromV filling stations in Romania into OMV or Petrom

In **Gas & Power** segment, the main achievements were:

- ▶ Maintained a strong position in the Romanian gas market within a difficult business environment
- ▶ Consolidation of the gas supply and sale activities of OMV Petrom S.A. and OMV Petrom Gas S.R.L. in one company, OMV Petrom Gas S.R.L.
- ▶ Acquisition of a wind power project and start of construction works
- ▶ Finalization of CCPP Brazi gas pipeline and gas receiving station
- ▶ Start of tests of CCPP Brazi main components and systems
- ▶ Exit from the non-core chemical business by stopping also the methanol production at Doljchim

1.1.1. General evaluation elements

Indicator	2008	2009	2010
Net profit, RON mn	1,022	1,368	1,799
Net turnover, RON mn	16,751	12,842	13,953
Operating expenses, RON mn	16,090	12,009	11,428
Liquidity (cash and cash equivalents), RON mn	261	280	1,416

The net profit increased by 32% to RON 1,799 mn, while the operating expenses decreased by 5% compared to 2009. The company's turnover increased by 9% in comparison with 2009, reaching RON 13,953 mn.¹

1.1.2. Evaluation of the company's technical expertise

a) Main products and services

As Petrom is an integrated oil and gas company, covering the full chain of upstream and downstream activities, the number of products is significant. However, they can be grouped in a few main categories representative for the company's activity:

- Crude;
- Natural gas;
- Petroleum products: gasoline, diesel, heavy fuel oil, kerosene, LFO, mineral oils, bitumen;
- Petrochemicals: benzene, polyethylene, propylene;
- Fertilizers: urea, ammonium nitrate, ammonia, methanol, nitric acid.

Petrom also provides exploration and production services and services in connection with the activity of sales within the filling stations (car wash and service, restaurant etc.).

b) Main outlets for each product or service and the distribution methods.

Petrom is present on relevant markets as a producer and supplier of crude oil and natural gas, petroleum products, petrochemicals and fertilizers.

- **Crude:** Petrom accounts for almost the entire oil production in Romania which is delivered to its own refineries, Arpechim and Petrobrazi; the crude transportation is handled by Conpet.
- **Natural gas:** Petrom accounts for approximately half of the gas production in Romania. The natural gas produced in Romania is (1) used internally by other Petrom working points as consumption on site (in E&P) or as a raw material (Doljchim and Arpechim); (2) sold to industrial and residential customers. For the delivery of the natural gas, Petrom uses the national pipeline system of Transgaz and also its own network.
- **Petroleum products, petrochemicals and fertilizers:** These products are sold to both Romanian and international markets. In line with our decision to exit the non-core business of chemicals, we stopped the methanol production at the Doljchim chemical plant since mid of October 2010.

c) The weight of each product or service type in the income and the total turnover of the company during the last three years.

Most part of Petrom revenues resulted from the sale of petroleum products and natural gas. The Company's net turnover in 2010 increased by 9% to RON 13,953 mn compared to 2009, mainly due to price environment.

¹ Please see section 5 for a detailed analysis of the financial statements

The weight of each revenue category in total revenues is presented in the table below:

Indicator	Total value – RON mn			Percentage in revenues		
	2008	2009	2010	2008	2009	2010
Operating revenues	17,399	13,206	14,629	90	92	94
thereof Turnover	16,751	12,842	13,953	-	-	-
Financial revenues	1,932	1,119	911	10	8	6
Extraordinary revenues	-	-	-	-	-	-
TOTAL	19,331	14,325	15,540	100	100	100

d) New products

Not applicable.

1.1.3 Evaluation of the provision of technical and material resources (domestic and imports)

The main feedstock for an integrated oil company such as Petrom is crude oil, which is supplied by E&P.

1.1.4. Evaluation of the sale activity

a) Description of the sales evolution on the domestic and/or international market and the medium and long-term estimates

	2008	2009	2010	Δ 10/09 (%)	Δ 10/08 (%)	Δ 09/08 (%)
Total refined product sales (kt) ¹	6,495	6,180	5,472	(11)	(16)	(5)
thereof Marketing sales volumes (kt) ²	4,508	4,668	4,157	(11)	(8)	4

¹ Includes all products sold by Petrom Group. The figure also includes marginal petrochemical sales volumes for previous periods.

² As of 2010, the figure excludes export sales which are included in total refined product sales. Figures for previous periods have been restated

Total refined product sales include total sales of products refined by Petrom (including exports) as well as traded goods sourced externally by the Supply & Trading function in Refining. In 2010, total refined products sales amounted to 5,472 kt, down by 11% compared to the previous year.

Petrom Group total marketing sales amounted to 4,157 kt in 2010, lower by 11% in comparison with 2009 due to persisting unfavorable market conditions.

Weakening economic conditions burdened the marketing business in 2010 and Petrom Group's retail sales decreased by 7% compared to the previous year, reaching 3,337 mn liters. Retail sales on domestic market reached 2,581 mn liters in 2010, decreasing by 5% compared to 2009, in line with the overall retail market evolution.

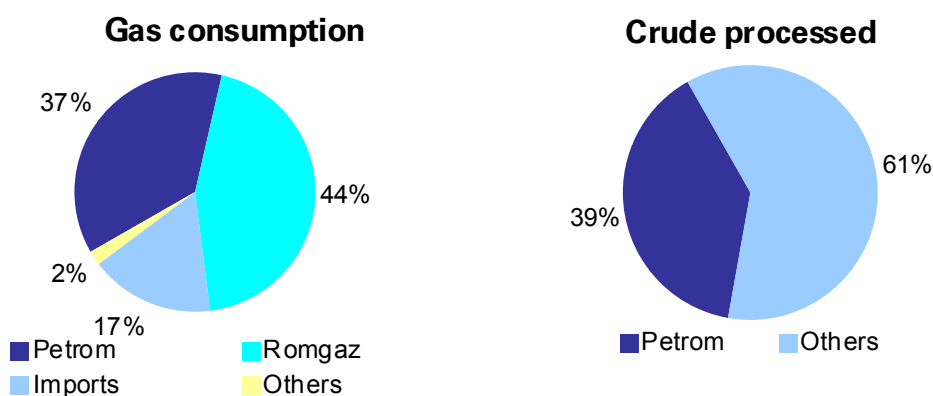
The sustained investments in Petrom's retail network in the last years, several retail marketing campaigns and the rebranding of the PetromV filling stations ensured an optimum network configuration that enabled us to successfully withstand the severe economic conditions and maintain our position on the market.

Commercial domestic sales amounted to 1,492 kt, 18% below 2009 level, mainly driven by the significant decrease in Heavy Fuel Oil sales compared to a 2009 level inflated by the Russian-Ukrainian gas crisis that forced the district heating power plants to use HFO as substitute for gas.

In 2010, total **non-oil business (NOB)** turnover recorded an increase of 11% over the previous year, due to the portfolio and purchase process optimization. The marketing campaign unfolded in the first half of 2010 contributed significantly to the increase of NOB turnover.

b) Description of the competition within the company's field of activity, of the market share, of the company's products or services and of its main competitors

According to the Romanian Energy Regulatory Authority (ANRE) figures, 97.4% of the Romanian natural gas production is ensured by two companies, Romgaz and Petrom, while the rest of 2.6% comes from private operators, Amromco, Aurelian Oil&Gas, Lotus Petrol, Foraj Sonde and Wintershall Medias. Romanian natural gas consumption is covered 83% from domestic production, while the rest of 17% is supplied from Russia.



Source: ANRE

Source: NIS

The Romanian refining sector consists of 10 refineries. Five of them are not operational: Astra, Darmanesti, Petrolsub, Steaua Romana (Omnimpex) and Rafo (Balkan Petroleum). The rest of five refineries: Arpechim and Petrobrazî (owned by Petrom), Petromidia and Vega (Kaz Munay Gas), Petrotel (Lukoil), have a total operational capacity of 15.65 mn tonnes. In 2010, the refineries processed a total quantity of approximately 10 mn tonnes of crude, according to the data provided by the National Institute of Statistics (NIS).

Petrom has a strong position on the domestic market, both in terms of market share and number of filling stations. At the end of 2010, Petrom was operating 546 filling stations. According to company's estimations, Petrom and its affiliates had a total market share of 39% on the Romanian fuel market in 2010.

c) Description of any significant dependency of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income

Given the wide range of products, Petrom has a large base of customers. Therefore, there are no clients which can materially affect the activity of the company. In addition, as a member of OMV Group, Petrom has broadened its customers' base with some of the affiliated companies within the Group. Transactions with affiliated companies are made on arm's length basis.

1.1.5. Evaluation of issues related to the company's employees/staff

a) The number and the expertise of the company's employees.

The number of company employees as of December 31, 2010 was 22,739. The majority of the employees are affiliated to F.S.L.I. PETROM, while a reduced number of employees are affiliated to "Lazar Edeleanu" union.

b) The relationship between management and employees as well as of any conflict elements which characterize this relationship

The dialog between unions and management continued on a regular basis. The key elements of the framework outlining the relationship between management and employees consist in the Collective Labor Agreement, Internal Rules and Parity Commissions. All the steps of the reorganization process that the company has entered were discussed and agreed by both parties.

The defective wording of stipulations from the Collective Labour Agreement of Petrom resulted in a chain of labour litigations through which several employees requested the payment of bonuses allegedly unpaid to them. These litigations are in progress at various stages, in Bucharest and across the country. Petrom's defence is based on the argument that the respective bonuses were included and maintained in the base salary of the employees therefore the claims are unjustified.

Throughout 2010, Petrom continued to receive claims relating to this matter but in a decreased number comparing with the previous years. Following the management assessment of the potential liabilities with respect to ongoing cases, the provision of RON 1.3 bn, booked in 2008 to cover the risk in line with prudence principles, was not increased. Petrom has taken all possible action and committed all necessary resources to defend itself against these lawsuits, and also to prevent a further increase in litigation.

1.1.6. Evaluation of issues related to the impact of the issuer's main activity on the environment

Today's energy and climate change aspects represent major challenges for the oil and gas industry. The industry has a primary responsibility to contribute to the security of energy supply as energy demand grows, and fossil resources are limited. Yet in order to mitigate climate change, greenhouse gas (GHG) emissions must be reduced in all economic sectors.

Energy Management

In 2010 Petrom continued its focus on energy management with the aim of continuous improvements of energy efficiency. Thus, total energy consumption in Petrom, was 50.6 PJ, which compared to 61.36 PJ, consumption in 2009, shows the results of our active energy management activities).

Energy Efficiency in upstream activities

Petrom E&P has recently launched an Energy Efficiency Program focusing on the utilization of gas. The Gas-to-Power (G2P) and Combined Heat and Power (CHP) represent two categories of projects aiming at the utilization of gas from marginal natural gas fields in locations with significant distance to infrastructure. The gas will be used in high efficiency engines or turbines to produce electric power and thermal energy for Petrom E&P operations. The main benefits are:

- ▶ Increased efficiency by utilizing the generated heat for internal processes such as heating for oil separation, thus reducing gas consumption of boiler plants
 - ▶ Reduction of GHG emissions
 - ▶ Avoidance of flaring and venting, so a reduction of air emissions
- The Energy Efficiency Program in E&P contributes to Petrom's economic competitiveness as operator and to extended economic life of extraction fields. Petrom plans to install G2P/CHP projects with an installed capacity of c.13 MW in 2011

Energy Efficiency in downstream activities

Petrom Refining underwent the international benchmark studies by Solomon Associates which showed that the Energy Intensity Index (EII) of the fuels part of the refineries has been reduced significantly (petrochemicals are not part of the study). For Petrom refineries (covering Arpechim and Petrobazi), EII declined by 20% between 2004 and 2010.

In 2010, the Petrom Refining division established and certified (according to EN 16001:2009 requirements) an Energy Management System as part of the existing integrated management system. This will lead to a better control and management of energy consumption.

Carbon management

Following OMV Group's Carbon Strategy and targets, Petrom is committed to promote projects that both secure energy supply and reduce the environmental impact related to climate change. In addition to the energy efficiency projects mentioned above, such initiatives cover renewable energy and innovative solutions for reduction of greenhouse gases emissions during production.

In this respect, Petrom focused on two important projects:

- ▶ Wind Park Project - The project capacity is 45 MW which can be extended to 54 MW, considering the high potential of the wind area in Southeast Romania. Total investments in 2010 amount to around EUR 100 mn. The construction of the wind park was started in 2010 and is estimated to be finalized in the second half of 2011
- ▶ Near Zero Emission Power Plant Project - As part of the OMV Group's carbon strategy, in 2010 Petrom carried out a feasibility study for a zero emissions power plant concept. The aim is to fully engineer a new combustion technology which will use CO₂ rich gas and produce CO₂ free electricity

Greenhouse Gas Accounting

Petrom's direct emissions of carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) were 4.7 mn tonnes i equivalent CO₂n 2010 (2009: 4.1 mn t; 2008: 5 mn t).

Direct Emissions

Petrom's extensive investment programs will lead to significant reduction of GHG emissions. Apart from this, structural changes in our company contribute to achieve further reduction of GHG emissions. For example, the restructuring process in Petrom Refining, including shutting down some production facilities in Arpechim and selling petrochemical plant, mainly contributed to a reduction of 50% CO₂ emissions in 2010, compared to 2007.

In order to obtain a better GHG emissions management, new metering devices for fuels streams have been installed in Petrobrazii refinery to improve the data quality for CO₂ emissions monitoring and reporting under the EU ETS. Also related to GHG emissions management, we tackle awareness aspects. For example, Petrom E&P started an idea competition for GHG reduction. At the same time, it reviewed reporting standards in order to develop a more robust baseline that will enable it to properly quantify measures that have been implemented. We expect that facilities upgrade projects at Petrom, particularly in the E&P division, will result in further significant reductions in GHG emissions by 2015 compared with the current baseline (2010).

Emissions Trading

Petrom is subject to the European Union Emission Trading Scheme (EU ETS), with 16 installations in Romania operating under trading the scheme in 2010.

During 2009-2010, an assessment of the production efficiency was performed and it was decided that old ETS installations with low efficiency be shut down. All necessary legal forms were completed and according to legal requirements two installations were taken out of ETS. Another two low efficiency installations are expected to be taken out from the scheme in 2011 after all legal steps have been followed. Consequently, emissions reduction, as well as supplementary allocations and stoppages, resulted in a surplus of 2.3 mn allowances for OMV Petrom SA at the end of 2010. According to the trading strategy fully aligned with that of OMV Group, the allowances will be used to cover the necessary amount for new entrants not covered by the National New Entrants Reserve but put in operation during 2010.

Sustainable resource management

Our sustainable resource management activities are aimed at professionally minimizing the impacts of our operations on the ecosystem. These efforts include efficient use of water, proper waste treatment and disposal, sensitivity to areas of high biodiversity, and prevention of harmful emissions.

Water Management

We use water in industrial processes, for cooling, steam generation, etc. The water supply is represented by surface and underground water sources as well as by municipal networks. Large amounts of formation waters had to be managed in Exploration and Production (E&P) operations: 37 million cubic meters in 2010.

Since 2005, Petrom Refining has considerably reduced its total water consumption and improved its wastewater management systems. Due to restructuring and optimization activities, the total water consumption of Petrom Refining decreased by 46%.

Water Management at Petrobrazî Refinery

The rehabilitation of the sewage system will minimize the amount of treated waste water by segregation of waste water streams based on their level of contamination, safe collection, avoidance of any leakage into the ground and any infiltration of underground water into the sewage system.

The revamp of the waste water treatment plant with a planned investment value of EUR 10.6 mn will lead to a better quality of the discharged waste water and a reduced amount of the resulted sludge.

The project focuses on an efficiency increase in the mechanical stage, optimization of the denitrification stage and modernization of the chemical substances dosing unit and stream monitoring.

Waste Management

Petrom activities generate solid and liquid wastes, including oily sludge, hazardous waste, spent catalysts, and construction debris.

In 2010, Petrom E&P continued to clean-up the 44 sludge pits containing about 450,000 cbm of sludge. The three phases (water, oil and solids) are separated. Then, the water is re-injected in the residual and technological wells, oil is reintroduced in the production process, and residual solids are treated by thermal desorption before final disposal. During the implementation of its Waste Infrastructure Program needed for the clean-up of contaminated soil, abandonment of over 10,000 oil wells and hundreds of production facilities, Petrom E&P is building a total of 15 bioremediation plants, 8 landfills and 8 temporary waste storage facilities. Construction of one combined landfill and bioremediation plant and one bioremediation plant will be finalized on 2011.

State of the art waste treatment facilities were installed by Petrom's contractors near to both the Arpechim and Petrobrazî refineries in 2010, and they started to treat the waste from the refineries' sludge lagoons. These facilities enable land remediation integrated with waste and water management.

Remediation

Clean-up of Petrobrazî Site

The project is aimed at dismantling old, unused installations, pipes and railway lines at the Petrobrazî site. Clean soil, gravel and vegetation were left behind on the intervention sites. During the dismantling of old unused installations, more than 10,000 tonnes of scrap iron and over 560,000 tonnes of concrete were recycled. More than 800 people from 16 Romanian and international companies worked on the project.

Remediation of Dambovnîc and Suseni Lakes at Arpechim

The Dambovnîc and Suseni lakes were artificially created between 1965 and 1969 for Arpechim refinery discharges. The Dambovnîc lake is located at about 6 km distance South of Arpechim and is connected with the Suseni Lake through a discharge channel of 5.8 km. Solid suspensions and sludge deposits were historically accumulated in the lakes which are both currently under Petrom land ownership.

Site conditions have been improved by way of bioremediation, combining ex-situ biopile remediation of contaminated sediments and in-situ bioremediation of water. This method uses natural aerobic bacteria, which have not been genetically modified, and are therefore not dangerous to humans. Contaminated sediments removed from the Dambovnic Lake are constructed into engineered piles and aerated with perforated pipes; floating dams and aeration systems are installed in Dambovnic and Suseni Lakes and a wetland area will be constructed in the Western part of Dambovnic Lake.

At Dambovnic Lake's first Compartment, biopile construction started in 2010. About 85% of a total estimated volume of 40,000 cbm of contaminated sediments to be bioremediated has been moved from this compartment to the biopile in 2010. At Dambovnic Lake's second Compartment, water diversion and site preparation for biopile construction started in 2010. In Dambovnic Lake's third and fourth compartments and in Suseni Lake, floating dams and aeration systems for water bioremediation were installed in 2010.

Disposal of hazardous waste at Arpechim

A project of EUR 0.7 mn was contracted for the disposal of the hazardous waste generated by Arpechim's past activities. The objective of the project is to minimize both waste quantities and risks to the workforce, to local communities, and to the environment. The hazardous waste was accumulated in two triazine waste storage basins and in one acrylonitrile waste storage site. The first triazine storage basin (1500 tons of waste) was emptied in the period April-August 2010, the waste being subsequently removed and disposed of. An additional 400 tons out of 2000 tons of triazine (from the second storage basin) and 500 tons of acrylonitrile from the Arpechim site have been removed and disposed off in 2010. Waste is disposed by high-temperature incineration in two commercial, third-party hazardous waste incinerators. Site remediation and waste management operations began in 2010 and are currently in progress. Site conditions will be improved to meet international refinery standards and national legislation.

Drilling Mud

Drilling waste management was greatly improved by changing the chemicals and drilling fluids used. This allowed us to stop the discharge of fluids as cuttings become potentially recyclable. Petrom is the first oil company to drill an extended reach well offshore in the Black Sea, using – also for the first time – low aromatic synthetic oil base drilling fluid (non-water base mud). The rig and the equipment were installed in a way to ensure zero discharge of cuttings or fluids into the Black Sea.

Spills and Leakages

In 2010, Petrom recorded 6 significant hydrocarbon spills (>1,000 liters) and 2,199 minor releases (2009: 16 and 2,591 respectively). The amount of hydrocarbons spilled was 126,415 liters. (2009: 90,674 liters).

Spills were mostly caused by corrosion of aging infrastructure, and sometimes by safety or security incidents. Programs to improve pipeline integrity will continue. Anti-corrosion measures were optimized with new trucks and revised monitoring and treatment procedures. The impact of spills on adjacent soils, water bodies, or local communities was limited and immediately controlled and cleaned up.

Air Emissions

The main air emissions from Petrom activities consist of sulphur dioxide (SO₂), nitrogen oxides (NO_x), non-methane volatile organic carbon compounds (NM-VOCs) and particulates.

In the Petrobrazi refinery, air emissions were reduced by the installation of Low NO_x burners in process plants (coker, isomerisation plant). Ongoing modernization of the tank farm is expected to result in a significant reduction of volatile organic compound emissions.

Biodiversity

Before we launch new projects and operations, biodiversity issues are addressed through environmental impact assessments and permitting processes. Developments in the vicinity of protected areas or areas where protected species exists need to be undertaken with special attention

to these vulnerable resources. Subsequently, they are closely monitored to ensure that no adverse impacts occur as a result of Petrom's operations.

1.1.8. Evaluation of the company's risk management activity

As an integrated oil and gas company with international operations, Petrom's operations extend from hydrocarbon exploration and production and processing through to marketing of mineral products and gas. Furthermore, Petrom is on its way to becoming an integrated energy player through its power projects portfolio - Brazi gas-fired power plant and Dorobantu wind farm.

Comprehensive risk management system

The Enterprise Wide Risk Management (EWRM) system in Petrom has been designed to identify and counteract uncertainty through the risk management process. The system comprises a dedicated and representative risk organization working under a robust internal regulation framework, well integrated into the OMV risk management umbrella.

Petrom as any blue chip energy company, is continuously reassessing its existing inventory of risks, identifies its new exposures and adds value to the business by properly enforcing the best available and cost efficient countermeasures. Some of the risks currently managed within Petrom's system are focused on market risks, financial risks, project risks, process risks, health safety and security risks, tax risks, compliance risks, personnel risks, legal risks and reputational risks.

Through the existing risk management process, Petrom secures its long term sustainability and lowers the uncertainty over its strategic objectives and financial targets.

Objectives

The general objective of Petrom's risk management system is to provide a professional risk mitigation process by decreasing the uncertainty of Petrom's objectives, through the very best available risk management techniques for securing the sustainability of the organization. Few of the main specific objectives of the system are to closely monitor and safeguard Petrom's exposure to market risk, credit risk, liquidity risks and cashflow risk and enforce proper countermeasures for limiting their effects.

Organization

Petrom risk management system is fully embedded in the business and all personnel have the general responsibility of identifying and reporting risks. Formally, there are four levels of management in a pyramid type risk organisation. The first layer are the risk owners represented in all areas of activity, second levels are the divisional risk coordinators who manage and coordinate the risk process and all risk owners in their division, the risk manager represented by the Corporate Risk Management department who manages all divisional risk coordinators and the entire risk management process. The top level is represented by Petrom's Executive Board who approves the risk reports in accordance with its objectives, risk appetite and steers the process effectively.

Process

Risk Management in Petrom is a continuous cycle where all risks (existent and new) are identified, analyzed, evaluated and managed or treated through the following steps "avoid", "decrease" and/or "accept". Each phase of the risk management process is documented and recorded into a risk register. Risk control and mitigation of identified and assessed risks takes place at all organizational levels using clearly defined risk policies and responsibilities. Most risks are managed locally in the business units. However, the management of some key risks is strictly governed by Corporate Directives, for example those relating to health, safety, security and environment, legal matters and compliance, human resources and corporate social responsibility with special emphasis on human rights and market price risks.

Risk treatment consists of proactive countermeasures implemented for decreasing the risk's occurrence likelihood but also reactive countermeasures which reduce the risk's impact. This is done either through transfer (insurance policies), financial mitigation (e.g. hedging) or risk retention. The

treatment of risks focuses on reaching the optimal risk appetite of the company under economically efficiency constraints.

A special focus is awarded to the market and financial risks such as crude oil risk, gas price risk, FX risks, interest rate risk, price risk, credit risk, liquidity risk and cashflow risk. These risks are closely monitored by the entire risk organisation and treated as high risks. Petrom does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

Various financial instruments are used for the purposes of managing exposure to currency, commodity price and interest rate movements, being evaluated at OMV Group level, considering Petrom's needs and being approved by Petrom's Executive Board.

Hedging wise, in order to protect the company's cash flow in 2010, Petrom entered into crude oil hedges for a volume of 38,000 bbl/d (approximately 41% from total production) securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero cost collar), whereby the Group would not be able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume.

Part of the continuous examination of options to ensure financial stability, Petrom has decided at the end of January 2011 to hedge for the third consecutive year part of its crude production by entering into oil price swaps, locking in a Brent price of around USD 97/bbl for a production volume of 25,000 bbl/day, which counts for approximately 30% from the planned crude oil production 2011.

Settlement takes place quarterly for the difference between the fixed price and the arithmetic average of the Brent Commodity Reference Price.

With regard to hazard risks, Petrom is an integrated company with a wide asset base, most of these assets being hydrocarbon production and process plants. Therefore relevant hazard risks (e.g. explosions, earthquakes, etc.) were identified and incident scenarios were developed and assessed. In addition to the operational preventive and proactive countermeasures, Petrom's policy is to transfer these risks through high rating insurance placements to the international insurance market.

Decision risk wise, in addition to the EWRM process, all executive decisions of the company are going through an individual risk assessment process prior their approval. This way, all executive approvals are made based on a transparent view over the risks associated with each decision.

For any newly identified exposures, the risk management cycle is triggered ad-hoc and the new risk is analysed, evaluated and mitigated in accordance with the risk management process and company's risk appetite.

Regularly, all risks are reported on a Petrom Group consolidated basis for Executive Board's approval and for Audit Committee's information. Further, the consolidated Petrom Group regular risk reports are submitted to the OMV Enterprise Operating Risk Committee for including them in the risk profile presented to OMV's Executive Board and Supervisory Board.

Results

The awareness and understanding of the companies' risk profile as well as risk management skills improved substantially throughout Petrom. With regard tools and techniques Petrom follows the best international practices in risk management and uses stochastic models (Monte Carlo simulation) to quantify the range of potential deviations from the company's planned Cash Flow under a 95% confidence level and a 3 year horizon. All risks are analysed based on their historical trends and volatilities and quantified based on their future most likely estimates.

In 2010, 175 risks were analysed, evaluated, managed and reported, ten of them representing more than 90% of the total exposure (mainly market price, business processes risks, financial risks).

Petrom being in continuous development, all new business processes are fully integrated in the process, with systematic understanding and analysis of the risks. Based on the consolidated risk report the risk profile has been approved by Petrom's Executive Board in accordance with company's risk appetite.

Risk Management Audit

For a healthy process, Petrom's risk management process uses back testing and is also regularly audited by internal audit. These audit reports are used for the risk management system's benchmarking and steering purposes.

Another important role played by the Internal Audit with regard to the risk management process is supporting the quality of the process. This is done by providing assurance services on risk management process, giving assurance that risks are evaluated correctly, assessing the reporting process of the risks as well as checking the existence and implementation of the relevant risk management guidelines.

1.1.9. Estimates of the company's activity

a) Factors which affect or could affect the company's cash position

Due to the significant improvement in the price environment, cash flows generated from operations were higher. As the Company sustained the high pace of investments in strategic projects with a strong economic impact, additional financing was needed. As a result, the **indebtness ratio**² reached 21.40% at the end of December 2010 (19.99% at the end of 2009).

b) Capital expenditures

Investments ¹ , RON mn	2008	2009	2010
Exploration & Production	4,524	2,806	2,742
Refining & Marketing	1,297	559	611
Gas & Power ²	386	353	1,443
Corporate & Others	197	427	131
Total	6,404	4,145	4,927

¹ Investments include acquisition of shares by Petrom in other companies

² As of January 1, 2008, Chemicals are included in Gas & Power

Investments for OMV Petrom SA in 2010 amounted to RON 4,927 mn, 19% increase compared to 2009.

Investments in E&P accounted for 56% of the total figure of 2010, mainly due to the drilling of development and production wells, well workovers, production facilities and infrastructure. Approximately 12% of total investments were realized by R&M. In Refining, investments were mainly related to the rehabilitation of storage tanks for oil products, crude distillation unit revamping and the cycle end turnaround project in Petrobrazi.

The modernization of oil terminals is in progress as Brazi terminal construction was finalized and Isalnita storage facility will become operational in 2011. Small investments were directed for signage, rebranding and the modernization of filling station complementary equipment at various sites. Further investments were directed in the first two EuroTruck – Commercial Road Transport dedicated stations on A1 and A2 motorways.

Investments in G&P mainly comprised investments in the Brazi power plant, including the connection pipeline to the National Gas Transmission System and the construction of the wind power generation plant acquired in Dobrogea, estimated to be finalized in the second half of 2011. Corporate investments decreased compared to previous year mainly due to the partial finalization of the construction works at Petrom City.

² Indebtness ratio is calculated as Long term debt/(equity) x 100, according to Romanian National Securities Commission's regulations in force

c) Factors which significantly affect the income generated by the company's main activity.

Petrom's EBIT amounted to RON 3,202 mn and was well above the level of 2009, primarily as a result of higher prices and a favorable refining margin environment.

E&P segment EBIT increased by RON 1,148 mn, from RON 2,366 mn in 2009 to RON 3,514 mn in 2010, driven mainly by the favorable oil price development.

EBIT of **R&M** this year reflects improvements as a result of flexible refinery operations and optimization of supply in refinery, resulting in an increase of RON 691 mn from RON (828) mn in 2009 to RON (137) mn in 2010. Furthermore, the result was supported by an adjustment in the internal transfer price regime between E&P and R&M, which was made at the beginning of 2010 in order to properly reflect the high integration value of Petrom's refineries.

In the **G&P** segment, EBIT was RON 84 mn, higher than the RON 7 mn result mainly driven by higher demand from the fertilizer industry and the colder winter

2. Tangible Assets of the Company

2.1. The location and the main features of the production equipment owned by the company

OMV Petrom S.A. develops its activities in all the counties of the country, in Bucharest and in the Black Sea Continental Shelf, but also in Russia, Kazakhstan and the neighboring countries (Republic of Moldova, Bulgaria and Serbia).

Exploration & Production:

In Romania, Petrom holds exploration licenses for 15 onshore and 2 offshore blocks, with a total area of 59,100 km² (of which 13,730 km² is offshore) and operates 255 commercial oil and gas fields.

In **Kazakhstan**, Petrom holds exploration and production licenses for the fields Tasbulat, Aktas, Turkmenoi (TOC fields), Komsomolskoe and Kultuk.

In Russia, given the current economic environment and following a prioritization of its investment projects, Petrom sold its 74.9% stake in Ring Oil to its minority partner Mineral and Bio Oil Fuels Limited. The sale of our assets in Russia was a logical step towards a tighter regional focus.

Refining:

Petrom operates two integrated petrochemicals and refining complexes, Arpechim and Petrobrazi, with a total operational capacity of 8 millions tones /year.

In response to the market challenges, in 2010 we adapted our operations towards more flexible refining assets utilization. To capitalize on upstream integration and process 100% domestic crude, we stopped crude imports and optimized operations by keeping the Arpechim refinery in economic shut-down for nearly nine months. Consequently, we increased the utilization rate at our higher conversion refinery at Petrobrazi.

Marketing:

Petrom is the main player on the Romanian fuels market. At the end of 2010, Petrom Group operated a total of 801 filling stations, of which 546 in Romania and 255 filling stations abroad: 102 in the Republic of Moldova, 94 in Bulgaria and 59 in Serbia.

Doljchim:

The chemical fertilizer plant has a production capacity of approx.1.4 millions tones p.a. of chemical products (ammonia, nitric acid, ammonium nitrate, urea and methanol).

At the end of 2009, the management decided to permanently close down the fertilizers plants in Doljchim. In 2010, only the methanol plant was still in operation and ran on an "as needed" basis, according to the company's integration needs. Methanol production was stopped since mid of October 2010.

OMV Petrom SA

Fixed assets, tangible assets, RON mn (Net Book Value)	Balance at 1.01.2010	Balance at 31.12.2010
Lands	260	225
Buildings and constructions	8,068	10,284
Machinery and equipment	3,133	3,259
Other equipment and furniture	91	25
Advances and tangible assets in progress	4,277	4,977
Total fixed assets, tangible assets	15,829	18,770

2.2. The degree of wear-out for fixed assets

The wear-out is reflected in the depreciation of the assets.

OMV Petrom SA

Fixed assets, tangible assets, RON mn (Accumulated depreciation)	Balance at 1.01.2010	Balance at 31.12.2010
Lands	-	-
Buildings and constructions	3,004	3,881
Machinery and equipment	1,446	1,624
Other equipment and furniture	72	20
Total fixed assets, tangible assets	4,522	5,525

2.3. Potential issues related to ownership rights over the company's tangible assets.

The company received notifications regarding the restitution of the assets confiscated by the state between March 6, 1945 and December 22, 1989, which falls under the incidence of the Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2010 are the following – 1,126 notifications were transmitted to Petrom, out of which:

- ▶ 16 buildings were restored;
- ▶ 1,075 notifications were rejected;
- ▶ 27 notifications were redirected towards other entities;
- ▶ 8 notifications (files) are currently under analysis.

As per Article 7.2, in conjunction with the provisions of Article 26 of the Methodological Norms for the application of Law no. 10/2001, approved through Government Decision no. 498/2002, the City Halls or the notified Prefectures are under the obligation to identify the owning entity and to direct the notifications to these entities for resolution. At the same time, those who submitted the notifications are communicated that the requested asset is not under administration of these entities and also the name of the entity in charge to solve the notification. Due to the fact that up to this date is still in progress the activity of solving notifications within the City Halls' and Prefectures' Commissions, part of the notifications received may be further directed to Petrom.

3. The Market of the Securities issued by the Company

3.1. The markets in Romania and in other countries where the securities issued by the company are traded

Petrom shares are traded on the Bucharest Stock Exchange as of September 3, 2001.

3.2. Description of the company's dividend policy for the last 3 years.

On March 17, 2009, the Supervisory Board decided to accept management's proposal that no dividends should be distributed for 2008 in order to ensure the necessary funds to finance an already reduced investment budget compared to the previous year. The dividend proposal was subject to the approval of the Ordinary General Meeting of Shareholders, on April 28, 2009 and approved with majority of votes.

On March 25, 2010, the Supervisory Board endorsed management's proposal that no dividends should be distributed for 2009 given the higher liquidity level required to sustain our investment needs. The dividend proposal was subject to approval by the General Meeting of Shareholders, on April 29, 2010 and approved with majority of votes.

On March 24, 2011, the Supervisory Board endorsed management's proposal to distribute dividends of RON 0.0177 per share, resulting in a payout ratio of 46%. The dividend proposal is subject to further approval by the General Meeting of Shareholders, on April 26, 2011.

3.3 Description of any activity involving the company's purchasing its own shares

In order to comply with article 168 paragraph 5 of the Collective Labor Agreement applicable in 2008, Petrom bought back and distributed to the entitled persons - former and current employees of Petrom between **14.12.2004 and the date of the approval by National Securities Commission of the simplified prospectus** (Entitled Persons) a number of 100 ordinary, nominal and dematerialized shares, traded on the first tier of the Bucharest Stock Exchange having a nominal value of 0.1 RON each, issued by Petrom.

In accordance with the simplified prospectus, the period for the effective allocation of the free of charge shares to the Entitled Persons is 25.02.2010 and 31.12.2010. The actual transfer of the shares ownership was made within the period of the effective allocation of the free of charge shares provided in the simplified prospectus, namely between 23.06.2010 and 16.12.2010.

On January 7, 2011, Petrom announced by way of an ad-hoc report the finalization of the distribution process to the Entitled Persons. Out of total share purchased of 6,195,500, a total number of securities of 6,133,500 were distributed to 61,335 Entitled Persons.

3.4. Where the company owns subsidiaries, mention of the number and the nominal value of the shares issued by the parent company and held by the branches

Petrom has subsidiaries, but none of them own shares issued by the parent company.

3.5. Where the company has issued bonds and /or other debt securities, presentation of the way in which the company fulfilled its obligations towards the holders of such securities

Not applicable.

4. Company administration

4.1. Presentation of the company's administrators and the following information for each administrator:

a) CV (family name, first name, age, skills, professional expertise, position and length of employment)

On April 17, 2007, Petrom's Extraordinary General Meeting of Shareholders approved the change of the Company's management system into a two tier system, whereby the Company is managed by the Executive Board, under the control and supervision of the Supervisory Board, consisting of nine members.

The Members of the Supervisory Board appointed by the Ordinary General Meeting of Shareholders are the following:

Name	Age (years)	Position	Other information
Wolfgang Rutenstorfer	61	CEO and Chairman of the OMV Executive Board	Doctorate at the University of Economics and Business Administration in Vienna Started to work at OMV in 1976
Gerhard Roiss	59	Deputy Chairman of OMV Executive Board and responsible for Refining and Marketing including petrochemicals and Chemicals	Economics studies in Vienna, Linz and Stanford, USA. Started to work at OMV in 1990
David Davies	56	Chief Financial Officer of OMV	Graduated Liverpool University Since April 1, 2002, he is member of the Executive Board and CFO of OMV
Jacobus Geradus Huijskes (replacing Helmut Langanger)	46	Member of the OMV Executive Board, responsible for Exploration and Production, starting July 1, 2010	Studied mechanical engineering at Delft University of Technology in Netherland and started to work at OMV in 2010
Werner Auli	51	Member, Member of the OMV Executive Board, responsible for Gas	Graduated Technical University of Vienna and he is a Doctor of Technical Sciences. He started working for OMV in 1987
Riccardo Puliti	49	Member, Business Group Director in charge of the energy and natural resources sectors within EBRD, appointed in the Petrom Supervisory Board following the EBRD's proposal	He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for EBRD in 1996

Marian Turlea	49	Member, Head of Minister Cabinet in the Ministry of Economy, appointed following the Ministry of Economy's proposal	Graduated the Polytechnic University of Bucharest, Department of Road Transportation
Gheorghe Ionescu	58	Member, appointed following the Ministry of Economy's proposal	Graduated the Polytechnic Institute of Pitești, Department of Mechanical Engineering, and the Academy of Economic Studies. He holds a master degree in financial and economic administration granted by Conservatoire National d'Art et Metieres of Paris
Joseph Bernanrd Mark Mobius (replacing Daniel Costea)	75	Executive Chairman, Templeton Asset Management Ltd; appointed in the Petrom Supervisory Board following the Property Fund's proposal	Mr. Mobius earned Bachelors and Masters degrees from Boston University, and a PhD in economics and political science from the Massachusetts Institute of Technology

b) Any agreements, understanding or family connection between the respective Director and another person who is responsible for appointing of the respective person in the position of Director.

There are no such agreements and understandings. Members of the Supervisory Board are not appointed by certain persons or certain shareholders. They are appointed by the Ordinary General Shareholders Meeting based on shareholders' votes and in compliance with the statutory requirements relating to quorum and majority

c) The participation of the director at the share capital of the company.

Petrom does not have knowledge of any member of the Supervisory Board holding shares issued by the Company throughout the year under review.

d) The list of related parties to the company

Please see annexes b.

4.2. Executive Board

a) Terms of office for the person who is member of the executive management

The Executive Board members who managed in 2010 the business activity of the company is shown in the table below.

Name	Position
Mariana Gheorghe	Chief Executive Officer of Petrom, President of the Executive Board
Reinhard Pichler	Chief Financial Officer
Johann Pleininger	Member of the Executive Board responsible for Exploration and Production
Siegfried Gugu	Member of the Executive Board, responsible for Exploration and Production Services
Gerald Kappes	Member of the Executive Board, responsible for Gas & Power (including Chemicals)
Rainer Schlang succeeded Tamas Mayer starting February 1st, 2010	Member of the Executive Board, responsible for Marketing
Neil Anthony Morgan	Member of the Executive Board, responsible for Refining and Petrochemicals

The Executive Board members mandate is for four years. Starting 1 January 2011, by resolution of the Supervisory Board of the Company, the Executive Board has two new members: Daniel Turnheim, Chief Financial Officer and Hilmar Kroat-Reder, responsible for Gas and Power and Chemicals activity. The two new members of the Executive Board of the Company are replacing Reinhard Pichler and Gerald Kappes respectively.

b) Any agreement, understanding or family connection between that person and another person who is responsible for appointing him/her member of the executive management

There are no such agreements or understandings.

c) The participation of the respective person at the share capital of the company.

Petrom does not have knowledge of any member of the Executive Board holding shares issued by the Company throughout the year under review.

4.3. The potential litigations and administrative procedures in which the persons presented under Sections 4.1 and 4.2 were involved over the last 5 years

Petrom does not have knowledge of the existence of such litigation or administrative procedure having a significant impact on the management and operation of the Company.

5. Analysis of the Financial Condition

Financial highlights, RON mn	Year ended December 31		
	2008	2009	2010
Sales	16,751	12,842	13,953
EBIT	1,309	1,197	3,202
EBITDA	3,565	2,950	5,189
Net profit	1,022	1,368	1,799
Non-current assets	19,806	22,243	26,624
Current assets	5,121	4,470	5,478
Non-current liabilities	7,912	9,096	11,004
Current liabilities	3,446	3,561	4,903
Shareholders' Equity	13,569	14,056	16,195
Net cash flow from operating activities incl. change in Working Capital	4,383	2,657	3,854

The return on average capital employed (ROACE) ratio was 13% in 2010 (2009: 9%).

Ratio	Formula	2008	2009	2010
ROFA	EBIT / Average Fixed Assets, %	5	6	13
ROACE	NOPAT / Average Capital Employed, %	7	9	13
ROE	Net Profit / Average Equity, %	8	10	12
Current ratio	Current Assets / Current Liabilities	1.5	1.26	1.12
Quick ratio	(Current Assets - Inventories) / Current Liabilities	0.8	0.67	0.75

Key operating statistics, %	Year ended December 31		
	2008	2009	2010
Revenues growth (yoy)	39	(24)	9
EBIT margin	8	9	23
EBITDA margin	21	23	37
Net profit margin	6	11	13

The Company's **net turnover** in 2009 increased by 9% to RON 13,953 mn compared to 2009, mainly due to higher price levels.

Operating expenses decreased by 5% compared to 2009, to RON 11,428 mn, mainly due to lower quantities of imported crude oil and lower impact from restructuring provisions, as well as due to decrease in salaries costs and related contributions (lower number of employees compared to 2009).

EBIT per segments of activity, RON mn	Year ended December 31		
	2008	2009	2010
Exploration & Production	3,139	2,366	3,515
Refining & Marketing	(1,895)	(828)	(137)
Gas & Power ¹	104	7	84
Corporate & Others	(128)	(181)	(134)
EBIT Consolidation ²	89	(167)	(126)
Total	1,309	1,197	3,202

¹ Starting 2008, the Gas division was renamed Gas and Power, in order to reflect the activities in the Power area. In addition, as of January 1, 2008, Chemicals are included in the G&P segment

² EBIT Consolidation result represents the intersegmental margin elimination which was reported until 2008 under E&P result; for reasons of comparability 2008 numbers are adjusted accordingly

The Company's **financial result** decreased in 2010 to RON (986) mn from RON 500 mn in 2009, mainly attributable to impairment of loans given to subsidiaries in Kazakhstan (Kom Munai and Tasbulat), increase in decommissioning cost and to negative realization of hedges.

Corporate tax charge registered an increase mainly due to higher gross profit.

As a result of its business activities, Petrom contributed RON 7,435 mn to the State budget, 11% higher than in 2009. Profit tax stood at RON 416 mn, royalties amounted to RON 603 mn and social contributions reached RON 397 mn Petrom's contribution to the State budget via indirect taxes was mainly represented by excise and custom duties (RON 4,067 mn) and also employees related taxes (RON 427 mn) and VAT (RON 1,367 mn).

Net profit increased by 32% in 2010 compared to 2009 mainly due to the positive impact of the operational result.

Balance sheet

Total assets amounted to RON 32,102 mn as of December 31, 2010, up by 20% compared to the end of 2009 (RON 26,714 mn), mainly as a result of investments realized in 2010 and of the reassessment of decommissioning provision further to the alignment with MOF 3055/2009 provisions.

Non-current assets increased by 20% to RON 26,624 mn, mainly driven by change in decommissioning assets and significant investments related to E&P for the development and modernization of wells, surface facilities and production equipment, as well as to Power, R&M and Corporate projects, compensated by a decrease in financial assets further to the partial impairment of loans given to Tasbulat and Kom Munai.

Total current assets, including pre-payments, increased by 23% to RON 5,478 mn compared to RON 4,471 mn at the end of 2009, mainly as a result of higher cash at the end of the year and due to increase in receivables. The inventories decreased compared with 2009, mainly due to lower quantities of materials further to the implementation of an optimized acquisition process.

Total liabilities (including provisions and deferred income) increased by 26% to RON 15,907 mn as of December 31, 2010, mainly due to an increase in long-term loans and increase in decommissioning provision.

Shareholders' equity amounted to RON 16,195 mn as of December 31, 2010 and increased by 15% from the end of 2009 (RON 14,056 mn), as a result of the net profit generated in the current year and the realisation of hedges.

Cash flow

The cash flow statement of Petrom was prepared using the indirect method, whereby adjustments were made for other noncash transactions.

Net cash flow from operating activities increased with RON 1,197 mn or 45%, from RON 2,657 mn in 2009, to RON 3,854 mn.

Net cash outflow from investment activities increased with RON (92) mn or 2% from RON (4,058) mn in 2009 to RON (4,150) mn in 2010.

Net cash inflows from financing activities increased with RON 12 mn or 1% from RON 1,420 mn in 2009 to RON 1,432 mn in 2010.

In conclusion, during the year ended December 31, 2010 the Company maintained the investments at a high level. Investments were financed by positive cash flow from operations and additional loans.

We confirm to the best of our knowledge that the financial statements for 2010 financial year prepared in accordance with the Romanian Accounting Standards give a true and fair view of the assets, liabilities, financial position and profit and loss account of Petrom, whilst the information presented in this report reflect fairly and completely the company's activity.

Chairman of the Supervisory Board
Wolfgang Ruttenstorfer



Chief Executive Officer
Mariana Gheorghe



Chief Financial Officer
Daniel Turnheim



6. Annexes

a. List of consolidated companies in Petrom Group at December 31, 2010

Parent company			
OMV Petrom S.A.			
Subsidiaries			
EXPLORATION & PRODUCTION		REFINING & MARKETING	
Tasbulat Oil Corporation LLP (Kazakhstan)	100.00%	OMV Petrom Marketing S.R.L. (Romania) ¹	100.00%
Korned LLP (Kazakhstan)	100.00%	Aviation Petroleum S.R.L. (Romania)	100.00%
Kom Munai LLP (Kazakhstan)	95.00%	Petrom Aviation S.A. (Romania)	100.00%
Petrom Exploration & Production Ltd.	50.00%	Petrom LPG S.A. (Romania)	99.99%
		ICS Petrom Moldova S.A. (Republic of Moldova)	100.00%
GAS & POWER		OMV Bulgaria OOD (Bulgaria)	99.90%
OMV Petrom Gas S.R.L. ²	99.99%	OMV Srbija DOO (Serbia)	99.90%
Petrom Distributie Gaze S.R.L.	99.99%		
Wind Power Park S.R.L.	99.99%		
CORPORATE & OTHER			
		Petromed Solutions S.R.L.	99.99%
Associated company, accounted for at equity			
Congaz S.A. (Romania)			28.59%

¹ Formerly named OMV Romania Mineraloel S.R.L. (name changed as of March 17, 2010)

² Formerly named Petrom Gas S.R.L. (name changed as of March 1, 2010)

b. The list of the persons affiliated to the company

Code of Company	OMV Group consolidated subsidiaries - including Petrom consolidated subsidiaries as of 31 December 2010
AWPIP	Adria-Wien Pipeline GmbH
AGGM	AGGM Austrian Gas Grid Management AG
AMIC	Amical Insurance Limited
AVIPET	Aviation Petroleum S.R.L.
BOGL	Baumgarten-Oberkappel Gasleitungsgesellschaft m.b.H.
HUB	Central European Gas Hub AG
DIRA	Diramic Insurance Limited
ECONDE	EconGas Deutschland GmbH
ECOGAS	EconGas GmbH
ECONHU	EconGas Hungária Földgázkereskedelmi Kft.
ECONIT	EconGas Italia S.r.l.
EGBV	EGBV Beteiligungsverwaltung GmbH
MOLDO	ICS Petrom Moldova SA
KONAI	Kom Munai LLP
KORNED	Korned LLP
ISERV	OMV - International Services Ges.m.b.H.
OBAY	OMV (BAYERN) Exploration GmbH
OEGYPT	OMV (EGYPT) Exploration GmbH
OFARO	OMV (FAROE ISLANDS) Exploration GmbH
OIRAN	OMV (IRAN) onshore Exploration GmbH
OIRE	OMV (IRELAND) Exploration GmbH
ONOR	OMV (NORGE) AS
OPK	OMV (PAKISTAN) Exploration Gesellschaft m.b.H.
OSLOEX	OMV (SLOVAKIA) Exploration GmbH
OTN	OMV (Tunesien) Exploration GmbH
OTNPR	OMV (Tunesien) Production GmbH
OTNSID	OMV (Tunesien) Sidi Mansour GmbH
OUK	OMV (U.K.) Limited
YEM2	OMV (Yemen Block S 2) Exploration GmbH
YEALMA	OMV (YEMEN) Al Mabbar Exploration GmbH
OAUST	OMV Australia PTY LTD
OEPA	OMV Austria Exploration & Production GmbH
OBIH	OMV BH d.o.o.
OBINA	OMV Bina Bawi GmbH
OYEM70	OMV Block 70 Upstream GmbH
BULG	OMV Bulgaria OOD
OTCH	OMV Česká republika, s.r.o.
OCTS	OMV Clearing und Treasury GmbH

OMVD	OMV Deutschland GmbH
OTHOLD	OMV Enerji Holding Anonim Şirketi
OMVEP	OMV Exploration & Production GmbH
OEPL	OMV Exploration & Production Limited
OFIN	OMV Finance Limited
OFS	OMV Finance Services GmbH
OFE	OMV Future Energy Fund GmbH
OGI	OMV Gas & Power GmbH
GERMY	OMV Gas Germany GmbH
OGG	OMV Gas GmbH
OGSG	OMV Gas Storage Germany GmbH
OGSA	OMV Gas Storage GmbH
GASTR	OMV Gaz Ve Enerji Limited Şirketi
OHRVAT	OMV Hrvatska d.o.o.
OHUN	OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság
INSB	OMV Insurance Broker GmbH
OKH	OMV Kraftwerk Haiming GmbH
MAURI	OMV Maurice Energy GmbH
NZEA	OMV New Zealand Limited
OLIB	OMV OF Libya Limited
OGEX	OMV Oil and Gas Exploration GmbH
OILEXP	OMV Oil Exploration GmbH
OILPRO	OMV Oil Production GmbH
PETEX	OMV Petroleum Exploration GmbH
PETGAS	OMV Petrom Gas SRL
ROMAN	OMV Petrom Marketing SRL
PETROM	OMV Petrom SA
OPI	OMV Power International GmbH
OMVRM	OMV Refining & Marketing GmbH
OROVİ	OMV Rovi GmbH
BORASC	OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş.
OSARTA	OMV Sarta GmbH
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
OMVSK	OMV Slovensko s.r.o.
SNO	OMV Solutions GmbH
OSERB	OMV SRBIJA d.o.o.
OSUP	OMV Supply & Trading AG
OUPİ	OMV Upstream International GmbH
AUS	OMV Wärme VertriebsgmbH
PEIV	PEI Venezuela Gesellschaft mit beschränkter Haftung
OFISI	Petrol Ofisi A.Ş.
PIL	Petroleum Infrastructure Limited

PETAV	Petrom Aviation SA
PDGAZ	Petrom Distributie Gaze SRL
PEPL	Petrom Exploration & Production Ltd.
PETLPG	Petrom LPG SA
PETMED	Petromed Solutions SRL
OPEI	Preussag Energie International GmbH
TASBU	Tasbulat Oil Corporation LLP
VIVTS	VIVA International Marketing- und Handels-GmbH
WINDPP	Wind Power Park SRL.