Petrom Investor News

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Petrom Group: solid results[1] for January – March 2011 supported by favorable crude price environment

- **Strong Q1/11 results:** Petrom Group clean CCS EBIT was 31% higher compared to Q1/10, driven by favorable crude price environment; clean CCS net income was 9% higher; approved gross dividend per share of RON 0.0177, corresponding to a payout ratio of 46%
- **Operational highlights:** Quarterly Group total hydrocarbon production increased yoy, for the first time since privatization; downstream margins under pressure – high oil price burdens both refining and marketing margins, gas acquisition cost increased due to higher import quota and import prices
- **Outlook for 2011:** We expect the Romanian market to gradually come out of recession; E&P focus will be to largely offset natural decline and to unlock potential; R&M will pursue operational optimization and the Petrobrazi modernization; increased focus on G&P, which will start commercial operations in the power business in H2/11

Mariana Gheorghe, CEO of OMV Petrom S.A.: "During Q1/11, we continued to benefit from the favorable crude price environment and the effects of previously implemented cost savings measures. We decided to permanently close the Arpechim refinery, as the sale option we investigated in the past did not prove feasible. In E&P, for the first time since privatization, we managed to increase our quarterly daily production rates thanks to higher gas production in Romania and increased hydrocarbon volumes in Kazakhstan. In R&M, our operational performance was impacted by the high crude price environment and the persisting subdued demand which put pressure on volumes and margins. In G&P, the higher import quota and import gas prices burdened the results. With a new Executive Board structure, we are confident about steering the company through the challenges ahead, in a still volatile market environment."

Q4/10	Q1/11	Q1/10	Δ%	Key performance indicators (in RON mn)	2010	2009	Δ%
974	1,192	947	26	EBIT	2,986	1,620	84
1,085	1,298	942	38	Clean EBIT	3,537	2,315	53
972	1,193	913	31	Clean CCS EBIT [2]	3,325	1,870	78
781	840	803	5	Net income after minorities	2,201	860	156
779	841	775	9	Clean CCS net income after minorities [2]	2,457	1,056	133
0.0138	0.0148	0.0142	5	EPS (RON)	0.0389	0.0152	156
0.0138	0.0149	0.0137	9	Clean CCS EPS (RON) [2]	0.0434	0.0186	133
2,065	1,266	924	37	Cash flow from operations	4,630	2,726	70
-	-	-	n.a.	Dividend per share (RON)	0.0177	-	n.a.

[1] *The financials are unaudited and represent Petrom Group's (herein after also referred to as "the Group") consolidated results prepared according to IFRS; all the figures refer to Petrom Group, unless otherwise stated; financials are expressed in mn RON and rounded to closest integer value, so minor differences may result upon reconciliation; Petrom uses the National Bank of Romania exchange rates for its consolidation process*

[2] *Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries*

PETROM
Member of OMV Group

Financial highlights

January - March 2011 (Q1/11)

In Q1/11, results were driven by a continuously favorable crude price environment. **The Urals crude price**, the reference oil price for Romania, was 36% higher in Q1/11 compared to the level recorded in Q1/10. The **Group reported EBIT** of RON 1,192 mn was 26% above the level of Q1/10. **The net financial result** of RON (181) mn was lower than Q1/10 level of RON 14 mn, mainly due to FX losses incurred in Q1/11 as a result of RON appreciation against USD. **Net income after minorities** was RON 840 mn. **Clean CCS EBIT** increased by 31% to RON 1,193 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 107 mn and inventory holding gains of RON 105 mn. **Clean CCS net income after minorities** was RON 841 mn, 9% higher than the Q1/10 result.

Exploration and Production (E&P) clean EBIT stood at RON 1,261 mn, up by 42% compared to Q1/10, driven by increased oil and NGL prices which more than offset higher exploration expenses and the negative impact from hedging. At 186,000 boe/day, the Group's oil and gas production was 1% higher compared to Q1/10 due to higher gas production in Romania and a higher oil and gas production in Kazakhstan.

In **Refining and Marketing (R&M)**, clean CCS EBIT was below the Q1/10 level at RON (52) mn (Q1/10: RON (18) mn). Despite the positive contribution of the "one site" operating mode, with the Petrobrazi refinery running at an increased utilization rate, the result was burdened by lower marketing sales, increased pressure on margins and higher costs for own crude consumption due to the oil price increase.

In **Gas and Power (G&P)**, clean EBIT decreased by RON 39 mn compared to Q1/10 to reach RON 33 mn, burdened by increased costs for gas acquisition generated by a higher import quota, higher import prices and the negative effect resulting from the ANRE order, enforcing gas basket consumption to internal non-technological usage. At 1,542 mn cbm, consolidated gas sales volumes in Q1/11 were in line with Q1/10 levels.

Significant events in Q1/11

On **January 7**, Petrom announced the completion of the securities distribution to the persons entitled to receive free of charge shares issued by OMV Petrom S.A. in the share buy-back program approved at the EGMS of December 16, 2008. The number of securities distributed was 6,133,500 securities out of a purchased total of 6,195,500.

On **February 24**, Petrom announced the receipt of the valuation report from the appointed independent expert Pricewaterhouse Coopers Management Consultants S.R.L. establishing the sell-out price (RON 0.352/share – gross including any related fees and taxes) within the spin-off of OMV Petrom S.A.'s marketing activities to OMV Petrom Marketing S.R.L. Following the completion of the sell-out procedure on March 16, OMV Petrom S.A. had no shares to buy back from the shareholders that maintained the sell-out right request.

On **March 25**, Petrom announced the decision to permanently close the Arpechim refinery, as the sale option did not prove feasible. This decision will not adversely impact the supply of the Romanian fuel market. Following permanent closure of the refinery, a number of tanks, logistic infrastructure and auxiliary facilities will continue to be operated as a terminal.

On **March 25**, Petrom announced some changes in the management: (i) given Wolfgang Ruttenstorfer's waiver of the mandate as President of the Supervisory Board (SB), Gerhard Roiss, former Vice-president of Petrom SB, who has become CEO of OMV AG starting April 1, 2011, was appointed as President of the SB starting March 25, 2011; (ii) starting March 25, Manfred Leitner was appointed as interim member of the SB until the GMS held on April 26, 2011 which decided on his appointment as SB member; (iii) following the SB decision to integrate the E&P Services business division into the E&P business division, the responsibilities corresponding to Siegfried Gugu, EB member responsible for E&P Services, are taken over by the EB member responsible for E&P activities, Johann Pleininger. Furthermore, the refining and marketing activities will be coordinated at EB level by only one member, Neil Anthony Morgan. Thus, starting April 17, 2011, the Petrom EB will be composed of five members, appointed for a new period of four years, as follows: Mariana Gheorghe (President of the EB and CEO), Daniel Turnheim (CFO), Johann Pleininger (responsible for E&P), Neil Anthony Morgan (responsible for R&M), and Hilmar Kroat-Reder (responsible for G&P).

Outlook 2011

For 2011, we expect the key market drivers to remain highly volatile. We anticipate the oil price will trade broadly within a range of USD/bbl 90-110 and envisage continuing volatility of the relevant FX rates. We expect refining margins to recover somewhat, driven by improved demand for middle distillates. Marketing margins and volumes are expected to remain under pressure, given the high crude price environment and an envisaged slow economic recovery in our operating region. In Romania, we expect a relatively stable fuels market, with a potential increase, in line with the development of the economy. We expect total gas consumption in Romania to remain on a similar level as in 2010.

The Romanian economy is expected to come out of recession in 2011. Consumption growth should resume, albeit marginally, as real wage growth is expected to pick up. Consumer purchasing power should increase gradually throughout the year as inflation falls and economic recovery takes hold. Fiscal consolidation should continue in 2011 with public sector reform measures envisaged to take center stage. Political support for the continuation of economic reforms will be paramount for consolidating macroeconomic stability and re-launching economic growth.

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining our sound financial position, with an investment budget for 2011 amounting to RON 4.9 bn for OMV Petrom S.A. As approved at the AGM held on April 26, 2011, based on the strong 2010 results and financial position, we will distribute dividends for 2010 amounting to a gross value per share of RON 0.0177, corresponding to a payout ratio of 46% of consolidated net income. Furthermore, we will offer due support to the Romanian State in the planned Secondary Public Offering for a 9.84% stake it holds in Petrom.

In order to protect the company's cash flow in 2011 and support this year's investment program, in January 2011, Petrom entered into oil price swaps, locking in a Brent price of approx. USD 97/bbl for a volume of 25,000 bbl/d. These hedged volumes are covered until the end of 2011. Against the backdrop of strong cash generation and a low gearing ratio, we did not request from our shareholders a renewal of the authorization granted at the AGM in 2010 to carry out a share capital increase, which expired on April 29, 2011.

At Petrom, we set as top priority to strive for high HSEQ standards including zero fatalities and to continue reducing the LTI rate.

In **E&P**, we will continue our efforts to largely offset the natural decline and enhance recovery rates whilst further pursuing strict cost management measures. The investment program will concentrate on drilling of development and production wells, surface facilities replacement, well workovers and optimization of water injection facilities. In addition, a key focus will be on making further progress with the integrated field redevelopment projects of selected key fields with engineering and implementation of the most advanced projects. After the successful start-up of our Hurezani gas delivery system, we will continue our progress by launching a major initiative to optimize the gas production systems in the Southwestern region of Romania. The joint venture with ExxonMobil in the deep water Neptun Block will enter a phase when the decision will be made on deepwater drilling. In 2011, we aim to maintain the reserves replacement rate in Romania at 70% through continuous revisions of mature fields and implementation of modern reservoir management techniques at field level. At the same time, we aim to complete the integration of E&P Services with E&P by mid-2011. In Kazakhstan, we will continue to further develop the Komsomolskoe field where we expect increased production levels following the measures taken to address production ramp-up difficulties we had experienced in the past.

In **R&M**, we will pursue stringent cost management and further streamlining of the business in order to support our operational performance. At Petrobrazi, we aim to optimize the refinery utilization and to continue the investment program, progressing with the modernization of the crude and vacuum distillation unit in order to begin operations in 2012. No major shutdown is scheduled for our Petrobrazi refinery. In line with the Supervisory Board decision, Arpechim refinery will be permanently closed. Over the next months, we will take the necessary steps in order to implement the permanent closure of the refinery and prepare the site as a crude and fuel terminal. Starting in Q1/11, we decided to adjust our indicator refining margin to match the current yield structure of the Petrobrazi refinery in order to reflect these structural changes in our Refining business. In Marketing, we seek to optimize our response to the market dynamics within a high crude price environment with high pressure on both volumes and margins.

In the **G&P** business, our focus is on successfully commissioning the two power projects currently under construction, marking the operational entry in the power business. The wind power plant in Dorobantu and the combined cycle gas fired power plant at Brazi are both scheduled to begin commercial operation in the second half of 2011. As both projects will still only be in the start-up phase in 2011, we do not expect a material contribution from the Power business this year. On January 19, ANRE, MECMA and ANRM jointly issued an order enforcing the gas basket consumption to internal non-technological usage that will also include our power project in Brazi. In line with our business principles, we are observing this regulation. However, we have taken all legal steps in order to contest the legality of the Order, which contradicts the Romanian Gas Law, European legislation and EU Internal Market principles. The implementation of this Order will negatively impact G&P results. However, we do not expect it to have a material impact on our Group results in 2011. At the end of Q1/11, the gas price for domestic producers in Romania stood at around 40% of the imported gas price. Under the precautionary Stand-By Arrangement with the IMF signed on March 25, 2011, the Romanian Government committed to present a roadmap for phasing out regulated prices in electricity and gas by September 2011. Further impetus for the Romanian gas market liberalization derives from the "reasoned opinion" letter sent by the EU on April 14, 2011 whereby the Romanian authorities were asked to provide justification on the regulated end-consumer price. In addition, the EU also sent a pre-infringement letter regarding the export ban imposed on natural gas contradicting the European principles of free trade.

At a glance

Q4/10	Q1/11	Q1/10	Δ%	in RON mn	2010	2009	Δ%
5,458	4,978	3,934	27	Sales [1]	18,616	16,090	16
720	1,261	890	42	EBIT E&P [2]	3,012	2,468	22
(123)	(53)	16	n.m.	EBIT R&M	106	(618)	n.m.
185	33	72	(54)	EBIT G&P	164	71	130
(51)	(21)	(21)	2	EBIT Co&O	(135)	(140)	(3)
242	(28)	(10)	182	Consolidation	(161)	(161)	0
974	**1,192**	**947**	**26**	**EBIT Group**	**2,986**	**1,620**	**84**
811	1,261	890	42	Clean EBIT E&P [2, 3]	3,544	2,685	32
(233)	(52)	(18)	189	Clean CCS EBIT R&M [3]	(104)	(675)	(85)
192	33	73	(54)	Clean EBIT G&P [3]	172	158	9
(41)	(21)	(21)	(1)	Clean EBIT Co&O [3]	(125)	(139)	(10)
242	(28)	(10)	182	Consolidation	(161)	(161)	0
972	**1,193**	**913**	**31**	**Clean CCS EBIT** [3]	**3,325**	**1,870**	**78**
902	1,011	961	5	Income from ordinary activities	2,605	1,169	123
779	841	807	4	Net income	2,190	833	163
781	840	803	5	Net income after minorities	2,201	860	156
779	841	775	9	Clean CCS net income after minorities [3]	2,457	1,056	133
0.0138	0.0148	0.0142	5	EPS (RON)	0.0389	0.0152	156
0.0138	0.0149	0.0137	9	Clean CCS EPS (RON) [3]	0.0434	0.0186	133
2,065	1,266	924	37	Cash flow from operations	4,630	2,726	70
0.0365	0.0224	0.0163	37	CFPS (RON)	0.0817	0.0481	70
2,299	2,349	2,403	(2)	Net debt	2,299	2,614	(12)
12	12	14	(14)	Gearing (%)	12	16	(25)
1,887	633	717	(12)	Capital expenditures	4,863	4,219	15
-	0	-	n.a.	Dividend per share	0.0177	-	n.a.
-	0	-	n.a.	ROFA (%)	12.5	7.5	66
-	0	-	n.a.	ROACE (%)	10.7	5.2	106
-	0	-	n.a.	ROE (%)	12.6	5.2	143
24,662	24,339	27,626	(12)	Petrom Group employees at the end of the period	24,662	28,984	(15)

[1] *Sales excluding petroleum excise tax;*
[2] *Excluding intersegmental profit elimination shown in the line "Consolidation";*
[3] *Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries;*

Exploration and Production (E&P)

Q4/10	Q1/11	Q1/10	Δ%	In RON mn	2010	2009	Δ%
2,404	2,880	2,279	26	Segment sales	9,534	8,249	16
720	1,261	890	42	EBIT [1]	3,012	2,468	22
(91)	0	0	n.a.	Special items	(532)	(217)	145
811	1,261	890	42	Clean EBIT [1]	3,544	2,685	32

Q4/10	Q1/11	Q1/10	Δ%	Key performance indicators	2010	2009	Δ%
16.99	16.78	16.68	1	Total hydrocarbon production (mn boe)	67.08	68.29	(2)
185,000	186,000	185,000	1	Total hydrocarbon production (boe/day) [2]	184,000	187,000	(2)
8.34	8.27	8.30	0	Crude oil and NGL production (mn bbl)	33.34	33.49	0
1.32	1.30	1.28	2	Natural gas production (bcm)	5.16	5.33	(3)
46.75	46.05	45.29	2	Natural gas production (bcf)	182.34	188.16	(3)
85.30	102.67	75.40	36	Average Urals price (USD/bbl)	78.29	61.18	28
69.80	90.14	69.85	29	Average Group realized crude price [3] (USD/bbl)	68.72	58.45	18
156.66	160.29	166.33	(4)	Average gas price for domestic producers in Romania (USD/1,000 cbm)[4]	155.44	162.38	(4)
164	114	35	223	Exploration expenditure (RON mn)	341	219	56
63	134	16	n.m.	Exploration expenses (RON mn)	187	275	(32)
18.02	16.66	16.65	0	OPEX (USD/boe) [5]	16.74	15.06	11

[1] *Excluding intersegmental profit elimination*
[2] *Production figures in boe/day are rounded*
[3] *Realized price includes hedging result*
[4] *For detailed information see G&P section at page 9*
[5] *Starting with 2010, the calculation of production cost per boe is based on net production available for sale (i.e. exclusive of own consumption/fuel production). In 2010, the impact of this change led to an increase of around USD 1.20 /boe for Petrom E&P Group*

January – March 2011 (Q1/11)

- **Significant EBIT increase compared to Q1/10, mainly driven by higher oil price environment, despite increased exploration expenses and negative impact from hedging**
- **Lower total production costs compared to Q4/10 further supported the result**
- **Group oil and gas production was 1% higher compared to Q1/10 driven by higher gas production in Romania and higher hydrocarbon production in Kazakhstan**

Segment sales increased by 26% compared to the same period of the previous year, supported by the favorable crude price environment and the stronger USD.

In Q1/11, the average **Urals crude price** reached USD 102.67/bbl, 36% above Q1/10 level. The **average Group realized crude price** increased by only 29% to USD 90.14/bbl, reflecting the negative hedging result.

Clean EBIT increased by 42% compared to Q1/10 and reached RON 1,261 mn, mainly driven by the increased oil and NGL prices which more than offset higher exploration expenses and the negative impact from hedging. The result from hedging had a negative impact on EBIT amounting to RON (56) mn, in contrast to the positive level of RON 87 mn recorded in Q1/10. Reported **EBIT** was in line with clean EBIT as no special charges were recorded in Q1/11.

Exploration expenditures soared more than three times compared to Q1/10, amounting to RON 114 mn, as a result of higher activities. Exploration expenses amounted to RON 134 mn, significantly higher compared to Q1/10 (RON 16 mn) due to three unsuccessful exploration wells.

In Q1/11, **Group production cost** in USD/boe was stable compared to Q1/10 due to positive FX development (RON weakened by 4% against the USD), counterbalanced by increased personnel costs. Production costs in Romania increased by 2% to USD 16.28/boe compared to the Q1/10 level of USD 15.96/boe, due to lower production volumes, higher personnel and service costs, partly offset by the stronger USD against RON. In RON terms, domestic production costs increased from RON 47.48/boe in Q1/10 to RON 50.28/boe in Q1/11.

Group oil, gas and NGL production in Q1/11 amounted to 16.78 mn boe, higher by 1% compared to the same period of 2010, as a consequence of higher gas production in Romania and a higher oil and gas production in Kazakhstan.

Sales volumes increased by 1% in Q1/11 compared to Q1/10, in line with the production increase.

Total oil, gas and NGL production in Romania amounted to 15.75 mn boe, 1% lower compared to Q1/10. **Domestic crude oil production** was 7.33 mn bbl, 3% less compared to the level recorded in Q1/10, mainly due to the natural decline of production not fully compensated by new wells drilled and the workover program. **Domestic gas production** amounted to 8.41 mn boe, 1% higher compared to Q1/10, driven by the production start at new wells, including an offshore well located in Lebada Vest field, as well as good results from onshore workover operations. **Oil and gas production in Kazakhstan** increased by 27% to 1.03 mn boe in Q1/11, mainly due to the Komsomolskoe field being brought gradually on stream.

The intensified drilling program continued in Romania, with 31 new wells drilled, in contrast to 15 wells drilled in Q1/10.

After a successful optimization of E&P Services over the last 3 years, we entered the last phase with integration into E&P due to be finalized by mid-2011.

Compared to Q4/10, clean EBIT increased by 55%, mainly due to the higher crude price level, as average Urals crude price increased by 20%. The negative hedging result of RON (56) mn was a smaller burden on the EBIT line than in Q4/10 (RON (120) mn). Reported EBIT was higher by 75% as the Q4/10 result was negatively impacted by restructuring provisions. Group production costs in USD/boe decreased by 8% compared to Q4/10 level, which was affected by intensified workover activities in Q4/10. When expressed in mn boe, total Group oil, gas and NGL production was slightly below the Q4/10 level. However, when expressed in boe/day, Group average hydrocarbon production increased by 1% compared to Q4/10 due to higher daily average production rates in both Romania and Kazakhstan. Average Group crude oil and NGL production increased by 1% to approximately 92,000 boe/day, mainly due to the increase of average production rates in Kazakhstan as well as in Romania following successful workover activities. Average Group gas production also increased by 1% to approximately 95,000 boe/day as result of higher production in both Romania and Kazakhstan. In Romania, the increase of average gas production was based on new gas wells and successful workovers. Sales volumes in Q1/11 were stable compared to previous quarter. Segment sales in Q1/11 were higher by 20% compared to the previous quarter.

Refining and Marketing (R&M)

Q4/10	Q1/11	Q1/10	Δ%	in RON mn	2010	2009	Δ%
4,427	3,889	2,825	38	Segment sales	15,176	12,701	19
(123)	(53)	16	n.m.	EBIT	106	(618)	n.m.
(3)	(106)	6	n.m.	Special items	(1)	(389)	n.m.
114	105	29	265	CCS effect: Inventory holding gains/losses [1]	212	445	(53)
(233)	(52)	(18)	189	Clean CCS EBIT [1]	(104)	(675)	(85)

Q4/10	Q1/11	Q1/10	Δ%	Key performance indicators	2010	2009	Δ%
0.69	(0.88)	0.85	n.m.	Indicator refining margin (USD/bbl) [2]	0.33	0.02	n.m.
1.05	0.96	1.08	(11)	Refining input (mn t) [3]	4.15	5.46	(24)
49	81	52	57	Utilization rate refineries (%) [4]	49	65	(24)
1.04	0.91	0.95	(4)	Refining output (mn t) [5]	3.78	4.99	(24)
1.51	1.16	1.17	(1)	Total refined product sales (mn t) [6]	5.47	6.18	(11)
1.08	0.86	0.88	(2)	thereof Marketing sales volumes (mn t) [7]	4.16	4.67	(11)
801	794	811	(2)	Marketing retail stations	801	814	(2)

[1] Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries caused by increasing/decreasing crude oil prices
[2] The indicator refining margin is based on the international quotations for products [Augusta] and Urals crude and a standard yield set typical for Petrom's refineries until 2010. As of Q1/11 the indicator has been adapted to reflect the planned closure of the Arpechim refinery and the changes in the yield structure. Prior periods have not been restated.
[3] Figure includes crude and semi-finished products, in line with OMV Group reporting standard
[4] As of Q1/11, the Arpechim refinery is no longer reflected in the calculation. Prior periods have not been restated.
[5] Represents Refining sales volumes excluding traded goods sourced externally by Refining.
[6] Includes all products sold by Petrom Group. The figure also includes marginal petrochemical sales volumes for previous periods.
[7] As of Q1/10, the figure excludes export sales which are included in total refined product sales. Figures for previous periods have been restated.

January – March 2011 (Q1/11)

- **R&M clean CCS EBIT decreased compared to Q1/10, as the higher crude price environment burdened both refining and marketing margins in addition to sales volumes**
- **High utilization rate of Petrobrazi refinery of 81% (Q1/10: 64%)**
- **Total marketing sales volumes decreased by 2% compared to Q1/10 due to low demand whilst Group retail sales decreased by 5%**

Segment sales increased by 38% over Q1/10, due to the higher crude price levels.
Clean CCS EBIT was below Q1/10 level, mainly due to lower marketing sales, increased pressure on margins and higher costs for own crude consumption due to the oil price increase.
Net special charges were recorded at the amount of RON 106 mn, mainly relating to expected closure costs, following the Supervisory Board decision to permanently close the Arpechim refinery. The special charges do not include decontamination costs which will be determined only after obtaining the closure certificate from the Romanian authorities and which are expected to be covered by the indemnities provided under the privatisation contract. In addition to the net special charges of RON 106 mn, positive CCS effects of RON 105 mn led to a reported EBIT of RON (53) mn.
The Refining business had a positive development, capitalizing on optimized operations, with the Petrobrazi refinery running at an increased utilization rate of 81%. In contrast, during Q1/10, the Arpechim refinery was online for half of the quarter. The "one site" operating mode further contributed to fixed costs savings and improved process efficiency for the reported period.
The indicator refining margin, which starting in Q1/11 reflects the standardized yield structure of the Petrobrazi refinery only, was USD (0.88)/bbl compared to USD 0.85/bbl in Q1/10. The indicator refining margin was updated in order to reflect the structural changes in our Refining business, with the envisaged permanent closure of the Arpechim refinery. Although crack spreads were higher in Q1/11 compared to last year, the overall refining margin level remained low due to the higher cost of own crude consumption driven by the increased crude oil price.
The overall **utilization rate** stood at 81% and reflects only the Petrobrazi refinery utilization. The Arpechim refinery was not operated throughout Q1/11. In line with the Supervisory Board decision to permanently close the Arpechim refinery, the latter is no longer included in the utilization rate calculation starting

Q1/11. In comparison, the Petrobrazi standalone utilization rate in Q1/10, when Arpechim was still in use, stood at 64%. The total quantity of **refining input** was 11% lower compared to Q1/10, when the Arpechim refinery was online for half of the quarter.

Total **refining output** in Q1/11 was 4% lower than in Q1/10 whilst **total refined product sales** were 1% lower.

Total group marketing sales stood at 863 kt, down 2% compared to Q1/10, driven by the decrease of retail sales volumes in a still weakened demand environment, burdened by the high oil price. Group retail sales represented 63% of total group marketing sales and decreased by 5% compared to Q1/10. Overall, Group commercial sales increased by 4% compared to Q1/10, driven by higher diesel and gasoline demand. The Group's **non-oil business turnover** increased by 3% compared to Q1/10. The total number of **retail stations** within the Group as of March 31, 2011 decreased by 2% compared to Q1/10, mainly due to retail network optimization in the Republic of Moldova.

Compared to Q4/10, clean CCS EBIT shows an improvement, however this is mainly attributable to the write-offs of storage tanks and spare parts that impacted the refining result in Q4/10. The marketing result was lower compared to the previous quarter due to lower seasonal sales and pressure on margins in the retail business.

Gas and Power (G&P)

Q4/10	Q1/11	Q1/10	∆%	in RON mn	2010	2009	∆%
1,081	1,041	942	11	Segment sales	3,065	2,969	3
185	33	72	(54)	EBIT	164	71	130
(7)	0	(1)	n.m.	Special items	(8)	(87)	(91)
192	33	73	(54)	Clean EBIT	172	158	9

Q4/10	Q1/11	Q1/10	∆%	Key performance indicators	2010	2009	∆%
1,662	1,542	1,549	0	Consolidated gas sales (mn cbm)	4,917	4,846	1
157	160	166	(4)	Average gas price for domestic producers in Romania (USD/1,000 cbm)	155	162	(4)
495	495	495	0	Average gas price for domestic producers in Romania (RON/1,000 cbm)[1]	495	495	0
376	396	334	18	Import gas price (USD/1,000 cbm)[1,2]	360	353	2

[1] In 2010, ANRE, the Romanian National Authority for Energy Regulation, ceased to publish the domestic and import prices taken into account for regulated end user/basket gas price calculation. Gas prices for domestic producers for 2010 and 2011 in the table above are the latest published by ANRE.
[2] For 2010 and 2011, the actual import gas prices published retrospectively by ANRE on a monthly basis are presented in the table. As of the date of this report, the latest available data is for February 2011; hence the Q1/11 figure is estimated. Import gas prices for 2009 have not been adjusted..

January – March 2011 (Q1/11)

- **Consolidated gas sales volumes in line with Q1/10**
- **EBIT affected by higher import quota and import prices**
- **Brazi and Dorobantu power projects make headway to start commercial operations in H2/11**

In Q1/11, natural gas consumption in Romania increased by 1% as compared to the same period of the previous year even if the facility granted to interruptible consumers[1] in mid-2009, allowing them to supply only cheap domestic gas, is no longer in force (expired at the end of October, 2010).

Petrom's **consolidated gas sales** volumes in Q1/11 were in line with Q1/10 levels.

Clean EBIT generated by the G&P business in Q1/11 was lower than in Q1/10, reflecting increased costs for gas acquisition generated by a higher import quota, higher import prices and the negative effect resulting from the ANRE order, enforcing gas basket consumption to internal non-technological usage.

The domestic gas price charged by Petrom remained unchanged at RON 495/1,000 cbm (or equivalent USD 160/1,000 cbm). The actual import price, which was retrospectively published by ANRE for January-February 2011, was USD 396/1,000 cbm.

In Q1/11, the average **import quota** set by ANRE for the Romanian gas market stood at 38% (with a maximum of 41% in February), while in Q1/10 the import quota averaged 29% (with a maximum of 35% in February).

The regulated end-user gas price for households and commercial customers in Romania, which represents the price ceiling on the market, remained unchanged since July 1, 2009, when it decreased by 5%. Consequently, the higher import quota and import gas prices put further pressure on the results.

In line with management's decision to exit the **chemicals business,** Petrom continued the implementation of Doljchim closure. We will further progress with the dismantling and decontamination of the plant in compliance with European environmental and safety standards.

The Brazi power plant construction project progressed in Q1/11. The civil construction works, as well as testing of the main components and systems continued: works for the cooling tower basin were finished and preparation for hydro testing was started; gas receiving station pressure tests and leak tests with nitrogen were done.

The Dorobantu wind project is on track: the transformer station cold commissioning and the foundation works for ten wind turbines were finished, while for the remaining turbines construction is in progress in different stages; medium voltage network trench digging is ongoing and cable pulling was started.

Compared to Q4/10, clean EBIT decreased, as Q4/10 benefited from a reversal of provisions for outstanding receivables and from higher gas sales volumes and margins. In Q1/11, Romanian total gas consumption increased by 19% as compared to Q4/10. At the beginning of 2011, only small volumes of domestic gas were left in the Romanian storages due to high demand in Q4/10 and high volumes of imported gas injected during summer 2010. As such, the increase in consumption in Q1/11 was sourced from higher import quantities. Petrom consolidated gas sales decreased by 7%, since Petrom sells mainly

[1] Interruptible consumers are those considered to contribute to securing the operation of the Gas National Transmission and Distribution Systems, by accepting reduction or even interruption in gas supply in order to protect supply to households.

domestic gas and only limited volumes from storage were available – Petrom's total remaining volume in the storages at the end of March 2011 was zero, although the quantities injected into Romanian underground storages in 2010 were higher than in the previous year (708 mn cbm in 2010 versus 549 mn cbm in 2009).

Financial highlights

Group interim financial statements and notes (condensed, unaudited)

Legal principles and general accounting policies

The interim condensed consolidated financial statements for the three months ended March 31, 2011 have been prepared in accordance with IAS 34 Interim Financial Statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2010.

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended December 31, 2010. The valuation methods in effect on December 31, 2010, remain unchanged. The detailed structure of the consolidated companies in Petrom Group at March 31, 2011 is presented in the appendix 1 to the current report.

The interim consolidated financial statements for Q1/11 are unaudited and an external review by an auditor was not performed.

Changes in the consolidated Group

During Q1/11, there was no change in the consolidated Group structure.

Seasonality and cyclicality

Seasonality is of particular significance in G&P and R&M; for details please refer to the relevant section in the business segments.

In addition to the interim financial statements and notes, further information on main factors affecting the interim financial statements as of March 31, 2011, is given as part of the description of Petrom Group's business segments performance.

Exchange rates

Petrom uses the National Bank of Romania (NBR) exchange rates in its consolidation process. Income statements of subsidiaries are translated to RON using average exchange rates published by the National Bank of Romania, detailed below.

Statements of the financial position of foreign subsidiaries are translated to RON using the closing rate method based on exchange rates published by the National Bank of Romania, detailed below.

Q4/10	Q1/11	Q1/10	Δ%	NBR FX rates	2010	2009	Δ%
4.288	4.224	4.115	3	Average EUR/RON FX rate	4.211	4.238	(1)
3.155	3.091	2.974	4	Average USD/RON FX rate	3.180	3.047	4
4.285	4.098	4.073	1	Closing EUR/RON FX rate	4.285	4.228	1
3.205	2.912	3.023	(4)	Closing USD/RON FX rate	3.205	2.936	9

Income statement (unaudited)

Q4/10	Q1/11	Q1/10	Consolidated statement of income in RON mn	2010	2009
5,457.57	4,978.09	3,933.80	Sales revenues	18,615.69	16,089.73
(118.59)	(145.91)	(112.01)	Direct selling expenses	(436.61)	(364.02)
(3,747.59)	(2,961.07)	(2,393.29)	Production costs of sales	(12,790.98)	(11,256.27)
1,591.39	**1,871.11**	**1,428.50**	**Gross profit**	**5,388.10**	**4,469.44**
163.87	114.08	146.80	Other operating income	513.85	408.70
(310.93)	(247.83)	(270.75)	Selling expenses	(1,218.63)	(1,277.45)
(56.76)	(52.69)	(47.99)	Administrative expenses	(231.17)	(225.34)
(62.69)	(133.74)	(15.68)	Exploration expenses	(186.59)	(274.60)
(351.15)	(359.29)	(293.78)	Other operating expenses	(1,280.05)	(1,480.28)
973.73	**1,191.64**	**947.10**	**Earnings before interest and taxes (EBIT)**	**2,985.51**	**1,620.47**
(0.73)	1.19	2.49	Income from associated companies	6.72	6.07
(113.46)	(64.03)	(107.74)	Net interest expense	(537.00)	(416.01)
41.98	(117.70)	119.20	Other financial income and expenses	150.09	(41.11)
(72.21)	**(180.54)**	**13.95**	**Net financial result**	**(380.19)**	**(451.05)**
901.52	**1,011.10**	**961.05**	**Profit from ordinary activities**	**2,605.32**	**1,169.42**
(122.66)	(170.13)	(153.65)	Taxes on income	(415.67)	(336.14)
778.86	**840.97**	**807.40**	**Net income for the period**	**2,189.65**	**833.28**
780.65	**840.19**	**802.99**	**thereof attributable to owners of the parent**	**2,201.22**	**860.24**
(1.79)	0.78	4.41	thereof attributable to non-controlling interests	(11.57)	(26.96)
0.0138	**0.0148**	**0.0142**	**Basic earnings per share in RON**	**0.0389**	**0.0152**

Statement of comprehensive income (unaudited)

Q4/10	Q1/11	Q1/10	Δ %	Consolidated statement of comprehensive income in RON mn	2010	2009	Δ %
778.86	**840.97**	**807.40**	**4**	**Net income for the period**	**2,189.65**	**833.28**	**163**
(12.78)	42.91	(45.98)	n.m.	Exchange differences from translation of foreign operations	(39.12)	26.40	n.m.
0.00	0.00	0.00	n.a.	Unrealized gains/(losses) on available-for-sale financial assets	0.00	15.20	n.m.
66.75	(375.52)	0.67	n.m.	Unrealized gains/(losses) on hedges	215.00	(789.97)	n.m.
(10.68)	60.08	(0.11)	n.m.	Income tax relating to components of other comprehensive income	(34.40)	123.96	n.m.
43.29	**(272.53)**	**(45.42)**	**n.m.**	**Other comprehensive income for the period, net of tax**	**141.48**	**(624.41)**	**n.m.**
822.15	**568.44**	**761.98**	**(25)**	**Total comprehensive income for the period**	**2,331.13**	**208.87**	**n.m.**
824.52	565.19	763.42	(26)	thereof attributable to owners of the parent	2,349.68	232.29	n.m.
(2.37)	**3.25**	**(1.44)**	**n.m.**	thereof attributable to non-controlling interests	(18.55)	(23.42)	(21)

Notes to the income statement

January – March 2011 (Q1/11)

Consolidated sales increased by 27% compared to Q1/10, amounting to RON 4,978 mn, mainly driven by the positive crude price environment, partially offset by the negative impact from oil price hedges. R&M represented 77% of total consolidated sales, G&P accounted for 19% and E&P for approximately 4% (sales in E&P being largely intra-group sales rather than third party sales).

The **Group's EBIT** amounted to RON 1,192 mn, 26% higher compared to the result recorded in Q1/10 (RON 947 mn), mainly driven by the higher oil prices which more than offset lower margins and higher exploration expenses. **Clean CCS EBIT** stood at RON 1,193 mn, 31% higher than the RON 913 mn recorded in Q1/10. The Clean CCS EBIT is stated after eliminating net special expenses of RON 107 mn (RON 106 mn thereof recorded in R&M) and inventory holding gains of RON 105 mn (also recorded in R&M).

The **net financial result** of RON (181) mn was substantially below Q1/10 (RON 14 mn). The significant appreciation at closing rates (March 31, 2011 compared to December 31, 2010) of RON against USD had a negative impact on the net financial result, leading to FX losses related to the USD loans given by Petrom to its Kazakh subsidiaries. As the USD is the functional and reporting currency of the Kazakh subsidiaries, FX effects resulting in Petrom are not compensated by a corresponding effect in Kazakhstan. The negative effect described above was partially compensated by lower interest charges as a consequence of loan reimbursements in Q1/11.

The profit from ordinary activities amounted to RON 1,011 mn, and the **corporate income tax** expense stood at RON 170 mn. **Current taxes** on the Group's income were RON 191 mn, while **deferred tax** income amounted to RON 21 mn. **The effective corporate tax rate** was 17% (Q1/10: 16%).

Net income after minorities (i.e. net income attributable to owners of the parent) was RON 840 mn, above the RON 803 mn in Q1/10. **Clean CCS net income after minorities** was RON 841 mn. **EPS** was RON 0.0148 in Q1/11, versus RON 0.0142 in Q1/10, while **clean CCS EPS** was RON 0.0149, compared to RON 0.0137 in Q1/10.

Compared to Q4/10, sales decreased by 9%, mainly driven by the decline in refined products sales volumes and by lower gas sales volumes. EBIT was 22% higher compared to Q4/10, as the positive impact of higher crude prices more than offset higher exploration expenses. Clean CCS EBIT increased by 23%. The net financial result of RON (181) mn was significantly below the level recorded in Q4/10 (RON (72) mn), mainly as a result of FX losses incurred by Petrom in relation with the USD loans given to its Kazakh subsidiaries, partially offset by lower interest charges. Further to the profit from ordinary activities, **corporate income tax** amounted to RON 170 mn. **The effective corporate tax rate** was 17% (Q4/10: 14%), mainly influenced by corporate taxes in Romania. **Net income after minorities** was RON 840 mn, above the Q4/10 value of RON 781 mn. At RON 841 mn, clean CCS net income after minorities also increased versus Q4/10 (RON 779 mn).

Statement of financial position, capital expenditure and gearing (unaudited)

Consolidated statement of financial position in RON mn	March 31, 2011	Dec 31, 2010
Assets		
Intangible assets	1,284.21	1,369.49
Property, plant and equipment	23,618.78	23,777.15
Investments in associated companies	41.84	40.65
Other financial assets	2,436.56	2,492.84
Other assets	38.55	45.23
Non-current assets	**27,419.94**	**27,725.36**
Deferred tax assets	**802.74**	**734.11**
Inventories	2,472.10	2,500.12
Trade receivables	1,490.96	1,397.98
Other financial assets	122.44	138.72
Other assets	445.77	603.08
Cash and cash equivalents	437.43	1,588.60
Non-current assets held for sale	77.62	77.29
Current assets	**5,046.32**	**6,305.79**
Total assets	**33,269.00**	**34,765.26**
Equity and liabilities		
Capital stock	18,983.37	18,983.37
Reserves	67.40	(497.79)
Stockholders' equity	**19,050.77**	**18,485.58**
Non-controlling interests	(23.29)	(26.54)
Equity	**19,027.48**	**18,459.04**
Provisions for pensions and similar obligations	299.65	297.16
Interest-bearing debts	2,362.46	3,465.51
Provisions for decommissioning and restoration obligations	5,664.98	5,917.85
Other provisions	942.80	842.32
Other financial liabilities	155.77	178.38
Non-current liabilities	**9,425.66**	**10,701.22**
Deferred tax liabilities	**21.95**	**26.70**
Trade payables	2,160.68	3,453.35
Interest-bearing debts	396.35	391.05
Provisions for income taxes	377.65	214.64
Other provisions	627.91	739.07
Other financial liabilities	630.95	302.10
Other liabilities	600.37	478.09
Current liabilities	**4,793.91**	**5,578.30**
Total equity and liabilities	**33,269.00**	**34,765.26**

Notes to the statement of the financial position as of March 31, 2011

Capital expenditure decreased to RON 633 mn (Q1/10: RON 717 mn) due to substantially lower CAPEX in G&P, since construction works of the power plant in Romania are in the final stage. The lower G&P investments were partially offset by the increased investments in E&P and R&M.

Investments in E&P activities (RON 488 mn) represented 77% of total CAPEX for the first three months of 2011 and were focused on development wells, workover activities and sub-surface operations.

Approximately 7% of investments were realized in **G&P** (RON 45 mn), mainly related to the Brazi power plant, with the remainder representing construction works for the Dorobantu wind park.

R&M investments accounted for 14% of total investments in the first quarter of 2011 (RON 88 mn). Investments were mainly related to the two major projects in the Petrobrazi refinery, namely the modernization of the crude and vacuum distillation unit, as well as of the coker installation. In addition, investment funds were directed also into the rehabilitation of storage tanks for oil products, the redesigning of the fire fighting network in refining and the construction of the Isalnita terminal in Romania.

CAPEX for the Corporate & Other (**Co&O**) segment was RON 12 mn, mainly referring to finalization works at "Petrom City" in Bucharest, the company's new headquarters inaugurated in December 2010; small investments were also directed to IT projects.

Compared to year-end 2010, **total assets** decreased by RON 1,496 mn to RON 33,269 mn. The change was mainly driven by the net decrease in tangible and intangible assets by RON 244 mn mainly due to depreciation and the foreign exchange rate effect on foreign investments, and also by the reduction in cash and cash equivalents by RON 1,151 mn.

Equity amounted to RON 19,027 mn as of March 31, 2011 and increased slowly by 3% compared to the end of 2010 (RON 18,459 mn), as a result of the net profit generated in the current period. The Group's **equity ratio**[1] increased to 57% at March 2011, 8% higher than the level of December 2010 (53%).

Short and long-term interest bearing debts decreased from RON 3,857 mn in December 2010 to RON 2,759 mn as of March 31, 2011 due to significant reimbursements made by OMV Petrom SA during Q1/11 for the first and the second club deal loans, undertaken in October 2008 and in December 2009, respectively.

Partial repayments of trade payable balances and the appreciation of RON exchange rates further contributed to the decrease of total liabilities by RON 2,060 mn. The appreciation of the RON exchange rates also led to the decrease of the decommissioning and restoration obligation position by RON 253 mn in comparison with the level recorded at the end of 2010 as these are mostly denominated in EUR.

While the reduction of interest-bearing debt liabilities was compensated by the decrease in cash and cash equivalents, Petrom Group's **net debt**[2] shows a slight increase to RON 2,349 mn, compared to RON 2,299 mn at the end of 2010. As of March 31, 2011, the **gearing ratio**[3] decreased to 12.35%, from 12.45% in December 2010, positively influenced by the net profit recorded in Q1/11.

[1] *Equity ratio is calculated as Equity/(total assets) x 100*
[2] *Net debt is calculated as interest bearing debts including financial lease liability less cash and cash equivalents*
[3] *Gearing ratio is calculated as Net debt/(equity) x 100*

Cash flows (unaudited)

Q4/10	Q1/11	Q1/10	Summarized statement of cash flows (in RON mn)	2010	2009
901.52	1,011.10	961.05	Profit before taxation	2,605.32	1,169.42
(74.53)	(20.30)	(161.79)	Net change in provisions	(325.37)	(221.25)
3.59	(10.46)	(7.62)	Losses/(gains) on the disposal of non-current assets	(9.48)	(72.26)
711.29	676.18	513.72	Depreciation, amortization including write-ups	2,811.62	2,466.27
(26.49)	183.18	(28.06)	Other adjustments	(18.31)	377.62
1,515.38	**1,839.70**	**1,277.30**	**Sources of funds**	**5,063.78**	**3,719.80**
259.26	(20.27)	172.72	(Increase)/decrease in inventories	4.01	128.99
(303.97)	(69.02)	161.80	(Increase)/decrease in receivables	(523.01)	(147.55)
620.02	(465.71)	(562.63)	(Decrease)/increase in liabilities	559.36	(652.48)
(45.82)	8.89	(13.31)	Net interest received/(paid)	(108.72)	(28.69)
20.41	(27.56)	(111.69)	Tax on profit paid	(365.60)	(293.91)
2,065.28	**1,266.03**	**924.19**	**Net cash from operating activities**	**4,629.82**	**2,726.16**
(1,091.11)	(1,433.67)	(746.48)	Intangible assets and property, plant and equipment	(4,322.07)	(4,402.65)
28.14	24.02	89.25	Proceeds from sale of non-current assets	135.30	141.46
0.00	0.00	(1.78)	Investments, loans and other financial assets	(1.78)	198.65
0.00	0.00	(30.13)	Acquisition of subsidiaries and businesses net of cash acquired	(68.41)	(8.68)
(3.53)	0.00	0.00	Proceeds from sale of subsidiaries, net of cash disposed	(6.93)	0.00
(1,066.50)	**(1,409.65)**	**(689.14)**	**Net cash used in investing activities**	**(4,263.89)**	**(4,071.22)**
(403.98)	(986.55)	321.37	(Decrease)/increase in borrowings	832.43	1,163.78
(0.03)	(0.04)	(0.08)	Dividends paid	(0.28)	(14.68)
(404.01)	**(986.59)**	**321.29**	**Net cash from financing activities**	**832.15**	**1,149.10**
1.52	(20.96)	(1.16)	Effect of exchange rate changes on cash and cash equivalents	6.52	7.46
596.29	**(1,151.17)**	**555.18**	**Net (decrease)/increase in cash and cash equivalents**	**1,204.60**	**(188.50)**
992.31	1,588.60	384.00	Cash and cash equivalents at beginning of period	384.00	572.50
1,588.60	**437.43**	**939.18**	**Cash and cash equivalents at end of period**	**1,588.60**	**384.00**

Notes to the cash flows

In Q1/11, **free cash flow** (defined as net cash from operating activities less net cash used in investing activities) showed an outflow of funds of RON 144 mn (Q1/10: inflow of RON 235 mn). **Free cash flow less dividend payments** resulted in a cash outflow of RON 144 mn (Q1/10: inflow of RON 235 mn).

The inflow of funds from profit before tax, adjusted for non-cash items such as depreciation, net change of provisions and other non-cash adjustments was RON 1,840 mn (Q1/10: RON 1,277 mn); **net working capital,** interest and taxes generated a cash outflow of RON 574 mn (Q1/10: outflow of RON 353 mn).

Cash flow from investing activities (outflow of RON 1,410 mn; Q1/10: outflow of RON 689 mn) mainly includes payments for investments in intangible assets and property, plant and equipment.

Cash flow from financing activities shows an outflow of funds amounting to RON 987 mn (Q1/10: inflow of RON 321 mn), mainly coming from the decrease in loans in OMV Petrom S.A. The net outflow reflects the loan reimbursements occurred during Q1/11, as OMV Petrom S.A. fully reimbursed the second club deal loan, undertaken in December 2009 (amounting to RON 350 mn) and partially reimbursed the amounts drawn from the first club deal, undertaken in October 2008 (amounting to RON 110 mn and EUR 125 mn).

Condensed statement of changes in equity (unaudited)

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2011	**18,983.37**	**(555.42)**	**57.65**	**(0.02)**	**18,485.58**	**(26.54)**	**18,459.04**
Total comprehensive income for the period	-	840.19	(275.00)	-	565.19	3.25	568.44
Dividends distribution	-	-	-	-	-	-	-
Purchase of own shares	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-
March 31, 2011	**18,983.37**	**284.77**	**(217.35)**	**(0.02)**	**19,050.77**	**(23.29)**	**19,027.48**

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2010	**18,983.37**	**(2,756.64)**	**(47.20)**	**-**	**16,179.53**	**11.30**	**16,190.83**
Total comprehensive income for the period		802.99	(39.57)		763.42	(1.44)	761.98
Dividends distribution							
Purchase of own shares				(1.78)	(1.78)		(1.78)
Distribution of own shares							
Change non-controlling interests		0.01			0.01	(0.01)	
March 31, 2010	**18,983.37**	**(1,953.65)**	**(86.77)**	**(1.78)**	**16,941.17**	**9.86**	**16,951.03**

[1] Other reserves contain mainly exchange differences from the translation of foreign operations and unrealized gains and losses from hedges and available-for-sale financial assets.

Dividends

At the Annual General Meeting held on April 26, 2011, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2010 in the amount of RON 1,003 mn. The payment of the dividends will be made starting with June 1, 2011.

Segment reporting

Intersegmental sales

Q4/10	Q1/11	Q1/10	∆%	in RON mn	2010	2009	∆%
2,338.30	2,686.22	2,037.41	32	Exploration and Production	8,861.74	7,551.45	17
43.19	40.58	29.53	37	Refining and Marketing	126.31	81.30	55
77.42	110.79	49.58	123	Gas and Power	185.69	199.63	(7)
110.01	136.81	104.30	31	Corporate and Other	485.70	469.65	3
2,568.92	**2,974.40**	**2,220.82**	**34**	**Total**	**9,659.44**	**8,302.03**	**16**

Sales to external customers

Q4/10	Q1/11	Q1/10	∆%	in RON mn	2010	2009	∆%
65.46	193.31	241.96	(20)	Exploration and Production	672.66	697.67	(4)
4,384.06	3,848.69	2,795.73	38	Refining and Marketing	15,050.18	12,619.55	19
1,003.15	930.50	892.33	4	Gas and Power	2,879.68	2,768.87	4
4.91	5.59	3.78	48	Corporate and Other	13.17	3.64	262
5,457.57	**4,978.09**	**3,933.80**	**27**	**Total**	**18,615.69**	**16,089.73**	**16**

Total sales

Q4/10	Q1/11	Q1/10	∆%	in RON mn	2010	2009	∆%
2,403.76	2,879.53	2,279.37	26	Exploration and Production	9,534.40	8,249.12	16
4,427.25	3,889.27	2,825.26	38	Refining and Marketing	15,176.49	12,700.85	19
1,080.57	1,041.29	941.91	11	Gas and Power	3,065.37	2,968.50	3
114.92	142.40	108.08	32	Corporate and Other	498.87	473.29	5
8,026.50	**7,952.49**	**6,154.62**	**29**	**Total**	**28,275.13**	**24,391.76**	**16**

Segment and Group profit

Q4/10	Q1/11	Q1/10	∆%	in RON mn	2010	2009	∆%
720.24	1,260.61	889.88	42	EBIT Exploration and Production	3,012.12	2,467.73	22
(122.72)	(52.76)	16.25	n.m.	EBIT Refining and Marketing	106.30	(618.27)	n.m.
184.63	33.30	71.81	(54)	EBIT Gas and Power	163.85	71.37	130
(50.58)	(21.14)	(20.78)	2	EBIT Corporate and Other	(135.48)	(139.71)	(3)
731.57	**1,220.01**	**957.16**	**27**	**EBIT segment total**	**3,146.79**	**1,781.12**	**77**
242.16	(28.37)	(10.06)	182	Consolidation: Elimination of intercompany profits	(161.28)	(160.65)	0
973.73	**1,191.64**	**947.10**	**26**	**Petrom Group EBIT**	**2,985.51**	**1,620.47**	**84**
(72.21)	**(180.54)**	**13.95**	**n.m.**	**Net financial result**	**(380.19)**	**(451.05)**	**(16)**
901.52	**1,011.10**	**961.05**	**5**	**Petrom Group profit from ordinary activities**	**2,605.32**	**1,169.42**	**123**

Assets[1]

in RON mn	March 31, 2011	Dec 31, 2010
Exploration and Production	17,385.84	17,604.91
Refining and Marketing	4,590.28	4,657.06
Gas and Power	2,152.53	2,016.25
Corporate and Other	774.34	868.42
Total	**24,902.99**	**25,146.64**

[1] *Segment assets consist of intangible assets and property, plant and equipment*

Other notes

Significant transactions with related parties

Business transactions in the form of supplies of goods and services take place on a constant and regular basis with companies from OMV Group such as OMV Supply & Trading AG and OMV Refining & Marketing GmbH.

Subsequent events

On **April 26,** the Ordinary and Extraordinary General Meeting of Shareholders was held. At the Ordinary General Meeting of Shareholders (OGMS), OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2011 was approved, with investments estimated at RON 4.9 bn. The OGMS also approved a gross dividend of RON 0.0177/share for the financial year 2010, in the total amount of RON 1,003 mn, corresponding to a 46% payout ratio. The OGMS acknowledged Wolfgang Ruttenstorfer's waiver of his mandate as member of the Petrom's Supervisory Board and approved the appointment of Manfred Leitner (member of the OMV Executive Board) in his place. Moreover, the OGMS approved upon the request of the Ministry of Economy, Trade and Business Environment ("MECMA"), by revoking Marian Turlea as member of Petrom's Supervisory Board. Furthermore, the OGMS approved MECMA's proposal to appoint Constantin Dascalu, personal advisor to the Minister of Economy, Trade and Business Environment as new member of the Supervisory Board for a mandate effective until April 28, 2013., The OGMS also approved the appointment of Ernst & Young Assurance Service S.R.L. as the new financial auditor for 2011, replacing Deloitte Audit S.R.L.

The Extraordinary General Meeting of Shareholders (EGMS) approved the change of the company's headquarters as of May 23, 2011. The new headquarter is: 22 Coralilor Street, Sector 1, Bucharest ("Petrom City"). The EGMS also acknowledged the finalization of the procedure to distribute Petrom shares to the entitled persons and empowered the Executive Board to further decide upon the destination of the remaining 62,000 Petrom shares.

Declaration of the management

The condensed interim financial statements for the first quarter 2011 have been prepared in accordance with the International Financial Reporting Standards and offer a true and fair view of Petrom Group's assets, liabilities, financial positioning and profit and statements of operations and the information presented in this report gives a true and fair view of important events that have occurred during the first three months of the financial year and their impact on the condensed interim financial statements.

Bucharest, May 11, 2011

The Executive Board

Mariana Gheorghe
Chief Executive Officer

Daniel Turnheim
Chief Financial Officer

Johann Pleininger

Hilmar Kroat-Reder

Neil Morgan

Further information

EBIT breakdown

EBIT

Q4/10	Q1/11	Q1/10	Δ%	in RON mn	2010	2009	Δ%
720	1,261	890	42	Exploration and Production [1]	3,012	2,468	22
(123)	(53)	16	n.m.	Refining and Marketing	106	(618)	n.m.
185	33	72	(54)	Gas and Power	164	71	130
(51)	(21)	(21)	2	Corporate and Other	(135)	(140)	(3)
242	(28)	(10)	182	Consolidation	(161)	(161)	0
974	**1,192**	**947**	**26**	**Petrom Group reported EBIT**	**2,986**	**1,620**	**84**
(112)	(107)	5	n.m.	Special items	(551)	(695)	(21)
(136)	(0.7)	(0.4)	47	thereof: Personnel and restructuring	(139)	(212)	(35)
10	0	(0.4)	n.m.	Unscheduled depreciation	(446)	(301)	48
7	0	3	n.m.	Asset disposal	16	16	0
0	0	0	n.a.	Provision for litigation	0	0	n.a.
8	(106)	3	n.m.	Other	18	(198)	n.m.
114	105	29	265	CCS effects [2]: Inventory holding gains/(losses)	212	445	(53)
972	**1,193**	**913**	**31**	**Petrom Group clean CCS EBIT**	**3,325**	**1,870**	**78**
811	1,261	890	42	thereof: Exploration and Production	3,544	2,685	32
(233)	(52)	(18)	189	Refining and Marketing	(104)	(675)	(85)
192	33	73	(54)	Gas and Power	172	158	9
(41)	(21)	(21)	(1)	Corporate and Other	(125)	(139)	(10)
242	(28)	(10)	182	Consolidation	(161)	(161)	0

[1] *Excluding intersegmental profit elimination shown in the line "Consolidation"*
[2] *Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries caused by increasing/decreasing crude oil prices*

EBITD

Q4/10	Q1/11	Q1/10	Δ%	in RON mn	2010	2009	Δ%
1,150	1,788	1,271	41	Exploration and Production [1]	5,103	4,082	25
121	69	121	(43)	Refining and Marketing	694	117	n.m.
187	35	73	(53)	Gas and Power	171	83	106
(19)	5	11	(53)	Corporate and Other	(9)	(12)	(25)
242	(28)	(10)	182	Consolidation	(161)	(161)	0
1,680	**1,868**	**1,466**	**27**	**Petrom Group**	**5,797**	**4,109**	**41**

[1] *Excluding intersegmental profit elimination shown in the line "Consolidation"*

Financial Ratios (presented in accordance with National Securities Commission Instruction No. 1/2006 requirements)

Financial Ratio	Formula	Value
Current ratio	Current Assets/Current Liabilities	1.05
Gearing Ratio	Net debt/Equity*100	12.35%
Days in receivables	Receivables average balance/Turnover*90	26.11
Fixed assets turnover [1]	Turnover/Fixed assets	0.84

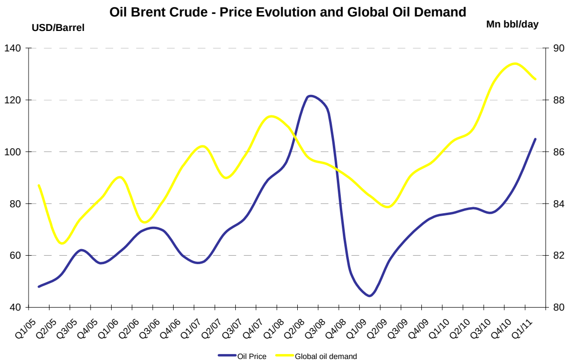
[1] *Fixed assets turnover is calculated based on turnover for Q1/11*(360/90) days.*

Business environment

The recovery of the global economy has continued to broaden across sectors. Survey data in Q1/11 tend to indicate a cautious optimism over the course of the economy in the short term. The world economy is forecast to grow by 4.5% in 2011, marginally down from 5% in 2010. However, downside risks to the global outlook have risen lately. Intensifying geopolitical turmoil in North Africa and the Middle East together with the repercussions of the catastrophe in Japan has increased global uncertainty. Reignited fears over the sovereign debt crisis in the eurozone have also caused anxiety over the overall risk to the eurozone financial system and the future course of the policy response.

Global inflationary pressures have continued to rise as jumps in oil and non-oil commodity prices have started to feed through supply chains. Euro-area inflation rose to 2.7% at the end of Q1/11, the same as in the US. The more expensive energy and food items accounted for almost three quarters of the rise in the US March inflation.

According to the IEA preliminary data, **world oil demand** rose by 2.7% in Q1/11 compared to Q1/10. Global demand reached 88.8 mn bbl/d in Q1/11, slightly down from a revised value of 89.4 mn bbl/d in Q4/10. Non-OECD demand was up by 2.0 mn bbl/d or nearly 5% compared to Q1/10, while growth in the OECD countries was 0.3 mn bbl/d or 0.7%.



Global oil output rose by 2.2 mn bbl/d or 2.5% year on year to 88.7 mn bbl/d. Although oil supply in Libya was reduced by some 70% compared to its previous pre-crisis level, oil production rose in both OPEC and non-OPEC countries. OPEC's production was 29.8 mn bbl/d of crude and 5.7 mn bbl/d of NGL, while non-OPEC supply increased to 53.2 mn bbl/d.

In Q1/11, the average Brent price was USD 105.43/bbl, 37% higher compared to the same period a year ago. The monthly average **Brent price** rose at an accelerating pace throughout the first quarter of 2011 as increasing geopolitical strains in North Africa and the Middle East threatened oil supply. The average Urals price also broke the USD 100/bbl barrier reaching USD 102.67/bbl in Q1/11, around 36% higher compared to Q1/10.

The macroeconomic outlook of the Romanian economy showed signs of further stabilization in Q1/11. A new 2-year IMF precautionary stand-by arrangement worth EUR 3.5 bn was approved by the IMF Executive Board at the end of March. This should provide the framework for continuing the implementation of structural and public sector reforms in the economy. Meanwhile, the Romanian economy has started to show signs of bottoming out of the recession it has been mired in over the last two years. Preliminary data show GDP falling by 1.3% in 2010 with Q4/10 output in marginally positive territory. The economy is now forecast to expand by 1.5% in 2011.

The recovery trend has accelerated in Q1/11, particularly in the industry sector. The industrial production exhibited double-digit growth rates in both January and February 2011, with manufacturing strongly driving the whole sector results. Investments are expected to pick up slowly over the year as the outlook of the economy improves and the companies' cash flows become subject to diminishing uncertainty. During January-February 2011, foreign direct investments more than doubled compared to the same period a year ago, reaching EUR 0.3 bn.

Domestic consumption, however, would recover more slowly as consumers' purchasing power continues to diminish. Average net wages are expected to remain virtually flat in Q1/11 after negative growth recorded in the second half of last year. Real wages continued to fall, dropping by 6.5% at an annual rate, at the end of February, the largest slide in more than a decade. Demand for private sector credit remained weak, with real non-government credit falling by 5.3% in annual terms at the end of Q1/11.

Annual **CPI inflation** rose above 8% at the end of Q1/11, as global energy and non-energy commodity prices jumped over fears of increasing geopolitical tensions. The monetary policy stance of the Romanian authorities remained loose with NBR's benchmark interest rate maintained in Q1/11 at 6.25%, below the inflation rate.

In Q1/11, the RON fell against both the EUR and the USD, by almost 3% and 4% respectively, compared to Q1/10. With the economy showing signs of stabilization and macroeconomic risks diminishing, the attractiveness of the Romanian economy has started to strengthen once again. This pushed up demand for domestic currency as investments in RON-denominated assets gathers pace. Although exchange rate volatility rose slightly during Q1/11, the exchange rate risk remained subdued.

Q4/10	Q1/11	Q1/10	Δ%	European Central Bank average FX-rates	2010	2009	Δ%
4.289	4.221	4.114	3	Average EUR/RON FX-rate	4.212	4.240	(1)
3.160	3.088	2.976	4	Average USD/RON FX-rate	3.185	3.048	4
1.358	1.368	1.383	(1)	Average EUR/USD FX-rate	1.326	1.395	(5)

Stock watch

Evolution of Petrom share price, BET, ROTX and BET-NG indices (April 2010 – March 2011)

After a stable performance in Q4/10, Petrom's share price embarked on a steadily increasing trend in Q1/11, driven by the favorable crude price environment, outperforming the local capital market. SNP share price quotation increased steadily since the first trading day on January 3, which also marked its quarterly low of RON 0.341, to its quarterly maximum of RON 0.44 on March 25. The closing share price on March 31 stood at RON 0.428, increasing by 28% in comparison with the last trading day of 2010 (RON 0.335/share on December 30). In the same time frame, BET, the reference index for the BSE market, increased by 13%, while BET-NG, the energy and utilities sector index, increased by 7%.

ISIN: ROSNPPACNOR9	Market capitalization, March 31	RON 24.2 bn
Bucharest Stock Exchange: SNP	Market capitalization, March 31	EUR 5.9 bn
Reuters: SNPP.BX	Closing price, March 31 (RON/share)	0.4280
Bloomberg: SNP RO	Year's high, March 25 (RON/share)	0.4400
	Year's low, January 3 (RON/share)	0.3410
	Number of shares	56,644,108,335

Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
ANRM	National Agency for Mineral Resources
bbl	barrel(s), i.e. 159 liters
bcf	billion cubic feet; 1,000 standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
boe	barrels of oil equivalent
bn	billion
bcm	billion cubic meters
BSE	Bucharest Stock Exchange
cbm	cubic meters
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Co&O	Corporate and Other
CAPEX	Capital expenditure
CCS	Current cost of supply
CFPS	Cash Flow Per Share
HSEQ	Health, Safety, Security, Environment and Quality
EB	Executive Board
EBIT	Earnings before interest and tax
EBITD	Earnings before interest, taxes and depreciation
EGMS	Extraordinary General Meeting of Shareholders
E&P	Exploration and Production
EPS	Earnings per share
EUR	Euro
FX	Foreign Exchange
G&P	Gas and Power
GDP	Gross Domestic Product
GMS	General Meeting of Shareholders
IEA	International Energy Agency
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IMF	International Monetary Fund
IT	Information Technology
kt	thousand tons
MECMA	Ministry of Economy, Trade and Business Environment
mn	million
LTI	Lost Time Injury indicator
NBR	National Bank of Romania
NGL	Natural Gas Liquids
n.a.	not applicable
n.m.	not meaningful i.e. deviation exceeds (+/-)500% or comparison is made between positive to negative values
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
OPEX	Operating Expenditures
ROACE	Return On Average Capital Employed = NOPAT/Average Capital Employed
ROE	Return On Equity = Net Profit/Average Equity
ROFA	Return On Fixed Assets = EBIT/Average Fixed Assets
ROTX	Romanian Traded Index (made up of 15 Romanian blue chip stocks traded at Bucharest Stock Exchange)
RON	Romanian leu
R&M	Refining and Marketing
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
SB	Supervisory Board
t	metric tons
USD	United States dollar

Appendix 1

Consolidated companies in Petrom Group at March 31, 2011

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)	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.	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%

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Next release:

The next results announcement for Q2 and January – June 2011 will be released on August 10, 2011, presenting Petrom Group consolidated results prepared according to IFRS.