

ANNUAL REPORT 2008

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

SC PETROM SA

Headquarters	239 Calea Dorobantilor, district 1, postal code 010567, Bucharest
Telephone/fax:	0040-372-868930/ 0040-372-868544
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. Petrom S.A. are traded at the first tier of the Bucharest Stock Exchange	
• Total market value of the Petrom shares as of December 23, 2008	RON 10,252,583,608

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;
- Crude refining;
- Product sales through own distribution networks;
- The import and export of crude, petroleum products, equipment, machines and specific technologies;
- Surface and underground water management and distribution;
- Power production;
- Thermal energy and heated water production;
- Medical assistance services;
- Other activities established and detailed on in the Constitutive Act of the company.

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 SC Petrom SA was approved.

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

Effective February 1, 2008, Petromservice's oil service business and its relevant assets were integrated into Petrom and merged with the Drilling and Workover service units already existing in Petrom. Consequently, a new division, namely Exploration and Production Services (EPS), was set up to provide drilling, workover, maintenance and logistic services to E&P. EPS results are consolidated in E&P Financials.

Effective January 1, 2008 in order to reflect the activities in the Power area, the Gas division was rename Gas and Power. In addition, all chemicals were reported under the Gas and Power division.

The internal service centre Petrom Solutions, established in 2006, has been integrated into OMV Global Solutions framework which should provide group-wide services.

d) Asset acquisitions and/or alienation

On October 3, Petrom closed a transaction with the Association of Petrom's Employees for the acquisition of an additional stake of 20.87% in Petrom Aviation by way of a transaction on the Bucharest Stock Exchange. Following settlement of the transaction, Petrom increased its participation in the company to 69.37%. A mandatory public takeover offer was launched by Petrom (in December) to the remaining shareholders of Petrom Aviation in accordance with the applicable law. Following the completion of the offer (on February 5), Petrom increased its stake in Petrom Aviation to 93.14%.

Full integration of ISC Petrom Moldova SA following acquisition of the 35% of share capital not already owned by Petrom.

e) Main results of the company's evaluation

In **Exploration & Production** segment, a review of the situation at the end of 2008 resulted in the following:

- ▶ Romanian oil production level maintained at around 89,300 boe/d
- ▶ More than 270 wells drilled by year end, 100 wells more than in 2007
- ▶ Successful exploration and appraisal yielded 8 potential producing wells (out of 26 exploration and appraisal wells drilled)
- ▶ 2010 reserves replacement rate target achieved in 2008: 71% in Romania
- ▶ Well modernization finalized with 5,049 wells completed by year end
- ▶ Petrom has signed a farm-out agreement with ExxonMobil in order to initiate a common exploration campaign for the Black Sea deep offshore region
- ▶ Successful integration of Petromservice oil services business

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

- ▶ Significant energy efficiency improvement
- ▶ Further increase of middle distillates yield from 35% to 37% of product
- ▶ Significantly enhanced capabilities to produce EU specification fuels
- ▶ Good progress in improving the environmental legacy issues
- ▶ FCC (fluid catalytic cracking) gasoline post-treater in Petrobrazi within project schedule
- ▶ Compared with 2007, the average throughput per station increased by 34% to 4.3 mn liters
- ▶ Significant increase of non-oil business sales
- ▶ Full integration of ISC Petrom Moldova SA following acquisition of the 35% of share capital not already owned by Petrom
- ▶ Acquisition of an additional 20.87% stake in Petrom Aviation SA

In **Gas & Power** segment, the valuation of the activity at the end of 2008 highlighted the following issues:

- ▶ Consolidated our position in the Romanian gas market under a difficult business environment
- ▶ Optimized business model for the gas distribution activity successfully implemented in Petrom Distributie Gaze srl.
- ▶ Construction of the 860 MW power plant commenced
- ▶ Further steps to move into the field of green energy
- ▶ The sales volume generated by Doljchim in 2008 decreased by 27%, to 503 thousand tons, of which export sales represented approximately 45%.

1.1.1. General evaluation elements

Indicator	2006	2007	2008
Net profit, RON mn	2,285	1,778	1,022
Net turnover, RON mn	13,078	12,284	16,751
Operating expenses, RON mn	10,638	10,520	16,090
Market share retail, %	28	32	36
Liquidity (cash and cash equivalents), RON mn	3,451	753	261

The net profit decreased by 43% to RON 1,022 mn, while the operating expenses increased by 53%. The company's turnover increased by 36% in comparison with 2007, reaching RON 16,751 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/fast food/ bar and hotel/motel).

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 is the only producer, 95% of the crude oil being delivered to its own refineries, Arpechim and Petrobrazi and the rest to other refineries; the crude transportation is handled by Conpet.
- **Natural gas:** Natural gas is (1) used internally by other Petrom branches as consumption on site (E&P working points) 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.

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, natural gas and crude oil. In 2008, the net turnover of the company increased by 36%, compared to 2007 driven by the higher crude price levels, fuel sales (both domestic and export sales) and higher non-oil business sales. Please see the section 5 for a detailed analyze of the revenues by segments.

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

Indicator	Total value – RON			Percentage in revenues		
	2006	2007	2008	2006	2007	2008
Operating revenues	13,415,790	12,484,947	17,399,625	96.3	96.2	90
thereof Turnover	13,078,308	12,284,378	16,750,726	-	-	-

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

Financial revenues	517,245	498,297	1,931,762	3.7	3.8	10
Extraordinary revenues	-	-	-	-	-	-
TOTAL	13,933,035	12,983,244	19,331,387	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 as Petrom is crude oil, which is supplied mainly by E&P - 70%. The remaining of 30% was supplied by OMV Supply & Trading.

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	2007	2006	Δ 08/07 (%)	Δ 08/06 (%)	Δ 07/06 (%)
Fuel Sales, thousand tons	5,210	4,707	5,465	11	(5)	(14)
Net turnover, RON mn	16,751	12,284	13,078	36	28	(6)

Total marketing sales in 2008 amounted to 5,210 kt, up by 11% in comparison with 2007, mainly due to the increase in retail and export sales.

White product sales on the domestic market were 14% above the 2007 level, driven by higher demand, the upgrade of the filling station network and improved retail station management. Domestic gasoline sales were up by 12% compared to previous year, while domestic diesel sales increased by 16% compared to 2007.

Retail sales reached 1,967 mn liters, up by 29% higher compared to 2007. According to Petrom's estimates, the retail market share was 36% in 2008.

In 2008, total non-oil business turnover recorded a significant increase of 45% over the previous year [2007: RON 318 mn], due to portfolio and purchase process optimization.

In Retail, the modernization of the filling station network in Romania was completed as the full agency system was fully implemented. The total number of premium stations increased to 121 in 2008 [2007: 100 premium stations]. As a direct consequence, the average sales per filling station increased significantly in 2008, reaching an annual average throughput of 4.3 mn liters at the end of 2008, 34% higher compared to the 2007 average.

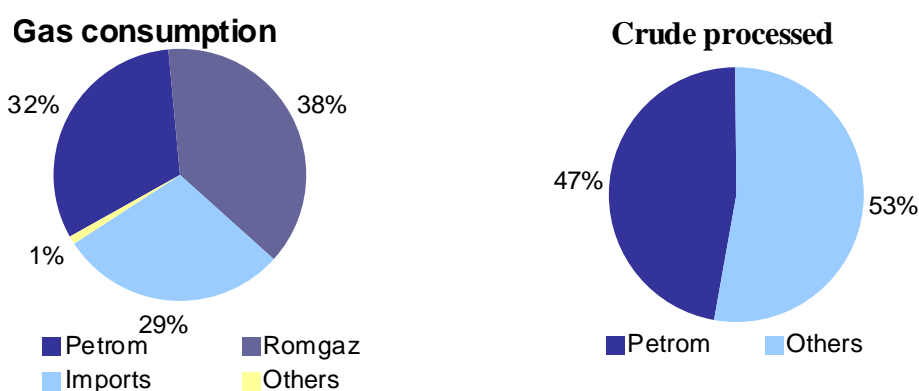
The closing of storages facilities initiated in 2005, reached the figure of 116 closed locations out of 146 at the end of 2008. Reconstruction of Jilava and Brazi started, as well as preparation works to reconstruct seven other terminals.

In line with its strategy, in 2008 Petrom further strengthened its retail presence in the neighboring countries (Bulgaria, Republic of Moldova and Serbia). At the end of 2008, Petrom operated 269 filling stations abroad: 115 in the Republic of Moldova, 95 in Bulgaria and 59 in Serbia. Moreover, Petrom's affiliates enjoyed an increasing retail market share: 31% in Moldova, 21% in Bulgaria and 19% in Serbia.

Investments in the marketing business are focused on operations' optimization and efficiency increase. Marketing sales volumes and margins are expected to decline in 2009.

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

98% of the natural gas is produced by two companies, Romgaz and Petrom, while the rest of 2% represents the production of private operators, Amromco Ploiesti, Aurelian Oil&Gas, Toreador and Wintershall. The Romanian consumption of natural gas is covered 72% from domestic production, while the rest of 28% is supplied from Russia.



The Romanian refining sector consists of 10 refineries. Four of them are not operational: Astra, Darmanesti, Vega and Petrolsub. The rest of six refineries: Arpechim and Petrobrazi (owned by Petrom), Petromidia (Rompetrol), Petrotel (Lukoil), Rafo (Balkan Petroleum) and Steaua Romana (Omnimpex) have a total operational capacity of 19.2 mil tons. In 2008, the refineries have processed a total quantity of 13 mil tons of crude.

Petrom has a strong position on the domestic market, both in terms of market share and number of filling stations. According to Petrom's estimations, the company retail market share at the end of December 2008 was 36%.

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.

If a domestic client decides to change the supplier, Petrom is able to find other customers to do business with. For the products exported, the company organizes auctions, where are participating more bidders so that Petrom is able to choose the best offers with respect to price and payment terms.

In addition, as a member of OMV Group, Petrom has broadened its customers' base with some of the affiliated companies within the Group.

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, 2008 was 33,311.

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 manager and employees as well as of any conflict elements which characterize this relationship

The relations between the management and the employees are normal, without the occurrence of collective actions to challenge the management.

The dialogue between unions and management continued on a regular basis. All the steps of the reorganization process that the company has entered were discussed and agreed by both parties.

The defective wording of one stipulation from the Collective Labour Agreement of Petrom resulted in a chain of labour litigations through which several employees requested the payment of Easter and Christmas bonuses allegedly unpaid to them. These litigations are in progress on various stages, in Bucharest and across the country. Petrom's defence is based on the argument that the respective bonuses were included in the base salary of the employees, starting with 2003.

Throughout 2008, as Petrom continued to receive numerous claims relating to this matter, the management assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows by booking the provision of RON 1.3 bn in order to cover risk, in line with prudence principles. Insofar, Petrom has taken all possible actions and committed all necessary resources in order 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

Environmental management at Petrom is guided by a cautious approach aiming to minimize the environmental impact of our processes and products. Therefore, the GHG intensity is measured systematically in order to provide the required information for developing a strategic sustainability path and a specific carbon strategy.

Examples of projects impacting the GHG reductions include a cogeneration plant in E&P (nearing completion with estimated CO₂ emissions reductions of 303,800 tons/year) and a project to reduce nitrous oxides (N₂O) in Chemicals (initiated by mid-2008 with estimated CO₂ equivalent emissions reductions of 260,000 tons/year).

Among the measures that assist in facing the challenge of sustainable development and limiting climate change, one obvious solution is to use energy more efficiently. Energy efficiency is a core interest in all our business divisions.

Significant improvements in energy efficiency are being realized progressively in Petrom E&P in the course of modernizing the existing infrastructure. For instance, several hundred boilers will be replaced in the next few years, making a significant impact on energy efficiency and GHG emissions. In addition to boilers replacements, cogeneration and gas to power are another two directions to address energy efficiency aspects.

Improvement in energy efficiency is a key element of the transformation process in Petrom Refining and our efforts throughout the year have contributed to a significant improvement in energy efficiency performance. In 2008, we undertook a series of energy efficiency improvement programs which included reduction of utilities consumption, optimization of the refineries' steam networks, repairs of steam tracing networks, replacement of steam traps and increasing boiler efficiency.

Overall, the cumulative effect of the programs implemented during 2008 returned very good results and we managed to reduce own-crude consumption to 11.5%, comparing to 12.5% in 2007.

1.1.8. Evaluation of the company's risk management activity

To identify risk factors, Petrom has taken the most appropriate and conservative approach towards risks, assessing likelihoods and impact based on Mid Term Plan financial indicators in line with OMV. Every business unit brings their approaches into discussion on corporate level. Descriptions of risks which impact EBIT within a three-year timeframe are included in the Risk Monitor tool and are continuously monitored and optimized, as part of OMV Group Risk Management process. The key non-financial and financial risks identified are foreign exchange risks (mainly those associated to the fluctuations of the USD), market price risk, liquidity risk, business processes risks, personnel risks, legal and compliance risks and political as well as environmental risks. In two Risk Reports dated May and October 2008, the risk awareness of Petrom and its affiliates is demonstrated and effectively communicated through one integrated report, presented twice per year to the OMV Operating Risk Committee, further reviewed by the Executive Risk Committee of OMV.

Risks are monitored at corporate level and also at business division level. In order to mitigate some of the risks, appropriate insurances were contracted where possible and applicable.

Also, to protect Petrom's cash flow from the negative impact of falling oil prices, hedging instruments have been used to partly secure the cash earnings in the E&P segment for approximately 40,000 bbl/d in 2009. To achieve this goal, put spreads were used, where a price floor of USD 80/bbl is secured as long as the oil price is above USD 65/bbl. Should average oil prices per quarter stay below USD 65/bbl in 2009, the hedge would pay out USD 15/bbl to actual oil prices. The put spreads were financed via calls in order to avoid initial cash outlay (zero cost structure), whereby Petrom will not be able to profit from oil prices above approximately USD 110/bbl in 2009 for the above stated volume.

In terms of USD currency exposure, Petrom has relatively balanced USD-denominated inflows and outflows, which create a natural hedge. As such, and taking into account the liquidity of the Romanian market, it is unnecessary to make FX hedges. However, market as well as currency risks are constantly monitored.

As Petrom moves forward, the focus is on incorporating the risk management process and in doing so risk awareness, risk analysis and risk control measures form part of the daily workload of each business area and help to support the Company's strategy and business targets.

Similarly, risks associated with climate change are evaluated in a business context during the planning phases for major projects and when strategic business decisions are formulated. Also, our intention is to apply consistent methodologies for treating risks incidental to operations of new affiliates, which need to be aligned with Petrom as part of the overall operating procedure, using insurance as a countermeasure, wherever this would be most efficient.

1.1.9. Estimates of the company's activity

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

During the year ended December 31, 2008 positive cash inflows from operations and the loans received were fully used to cover a significant portion of the higher investment expenditure and dividend payments, which resulted in a decrease of the net cash position at the end of the year.

b) Capital expenditures

Investments*, RON mn	2006	2007	2008
Exploration and Production**	1,336	2,465	4,524
Refining & Marketing	1,298	1,004	1,297
Gas & Power	1	32	386
Chemicals	5.5	16	-
Corporate & Others	297	303	197
Total	2,937	3,820	6,404

**investments include increases of Petrom share participations*

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

The investments made by Petrom SA in 2008 amounts to RON 6,404 mn, a 68% increase compared to 2007.

Investments in E&P represent 71% of the total figure for 2008, mainly due to the continued focus on development and production drilling and to the ongoing well modernization program but also as a result of the acquisition of the oil services business of Petromservice. Approximately 20% of the total investments were allocated to R&M. In Refining, investments were mainly related to the fluid catalytic cracking (FCC) gasoline post treater project in Petrobrazi.

The marketing division investments focused on the modernization and extension of the filling stations network and oil terminals. Investments in G&P mainly comprised investments in the Brazi power plant.

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

Petrom's **EBIT** amounted to RON 1,309 mn, 33% below the result recorded in 2007 of RON 1,965 mn, due to the high level of one-off items booked throughout the year, namely provisions for litigations and restructuring and the impairment of Arpechim refinery net book value.

E&P segment made a positive contribution with an EBIT increase of RON 380 mn, from RON 2,848 mn in 2007 to RON 3,228 mn in 2008, driven by the favorable crude oil price development. This positive impact was partly offset by the contribution to the Social Gas Fund, based on the protocol signed in March 2008 by Petrom with the Ministry of Economy and Finance. Under the terms of this protocol, Petrom voluntarily contributed to the Social Gas Fund RON 80 mn, which was fully funded by E&P.

EBIT of **R&M** this year reflects improvements as a result of process optimization, reduced costs and higher deliveries to both domestic and foreign markets. Despite these improvements, however, the result of R&M in 2008 was lower compared to 2007 because of the impairment recorded in Arpechim. This was the major factor behind the EBIT decrease of RON 830 mn for R&M, from RON (1,065) mn in 2007 to RON (1,895) mn in 2008.

In the **G&P** segment, EBIT was RON 104 mn, lower than the RON 182 mn result recorded in 2007 [aggregated results of Gas and Chemicals in 2007] mainly because 2007 benefited from the reversal of Doljchim environmental provision valued at RON 120 mn. As of 2008, Doljchim reports as part of this segment.

2. Tangible Assets of the Company

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

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:

Petrom holds exploration licenses for 15 onshore and 2 offshore blocks in Romania, with a total area of 59,100 km² (of which 13,730 km² is offshore) and operates 270 commercial oil and gas fields

The production is ensured by 776 wells for natural gas production and 9,072 wells for oil production.

Refining:

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

Marketing:

Petrom is the main player on the Romanian fuels market, with a wide network consisting of 24 terminals and about 448 operating filling stations at the end of 2008..

Doljchim:

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

Fixed assets, tangible assets, RON (Net Book Value)	Balance at 1.01.2008	Balance at 31.12.2008
Lands	192,944,167	214,188,582
Buildings and constructions	4,432,121,870	6,588,916,459
Machinery and equipment	2,407,088,781	2,372,378,280
Other equipment and furniture	69,548,752	93,219,526
Advances and tangible assets in progress	3,462,629,207	4,386,971,350
Total fixed assets, tangible assets	10,564,332,777	13,655,674,197

2.2. The degree of wear-out for fixed assets

Due to the change of the reporting system this information cannot be computed anymore. The wear-out is reflected in the depreciation of the assets.

Fixed assets, tangible assets, RON (Accumulated depreciation)	Balance at 1.01.2008	Balance at 31.12.2008
Lands	-	-
Buildings and constructions	1,836,494,522	2,496,520,433
Machinery and equipment	974,753,575	1,149,389,159

Other equipment and furniture	37,078,435	51,561,701
Total fixed assets, tangible assets	2,848,326,532	3,697,471,293

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

The company received notifications regarding the restitution of the assets abusively taken over 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, 2008 are the following:

- 1110 notifications were transmitted to Petrom, out of which:
 - ▶ 13 buildings were restored;
 - ▶ 1045 notifications were rejected;
 - ▶ 27 notifications were redirected towards other entities;
 - ▶ 15 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. In 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.

For the year 2006, the General Meeting of Shareholders held on April 17, 2007 approved the payment of dividends amounting to RON 1,013.9 mn (RON 0.0179 per share), resulting in a payout ratio of 44%. This has been made possible due to the strong results supported by favourable oil prices.

For the year 2007, Petrom's Annual General Meeting on April 22, 2008 approved the payment of a dividend of RON 0.0191 per share (RON 1,081.9 mn in total) to its shareholders for 2007, resulting in a payout ratio of 61%.

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.

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

During 2008, Petrom did not repurchase or hold, at any moment, any of its own shares.

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 these 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.

By the legal claim subject of the file nr. 2907/3/2008 of the Bucharest Court, AVAS requested the partial annulment of the Extraordinary General Meeting of Shareholders of Petrom S.A., dated November 27, 2007, concerning the approval of the revised investments budget for 2007. The court scheduled the first hearing on March 6, 2008.

This was solved amiably as follows:

Resolution no 7: The rejection of the request submitted by AVAS is approved with majority of votes as the transaction was concluded with the observance of the exclusive and full powers of the Executive Board and Supervisory Board in accordance with the law and the Article of Incorporation and therefore it meets the legal requirements.

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 dual board structure, whereby the Company is managed by an Executive Board, which is supervised by a Supervisory Board, consisting of nine members. The Supervisory Board structure in 2008 was as follows:

Name	Age (years)	Position	Other information
Wolfgang Ruttensstorfer	59	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	57	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	54	Member, Chief Financial Officer of OMV	Graduated Liverpool University Since April 1, 2002, he is member of the Executive Board and CFO of OMV
Helmut Langanger	59	Member, Member of the OMV Executive Board, responsible for Exploration and Production	Graduated Leobon University and obtained a Bachelor's Degree in Economics in Vienna. Started to work at OMV in 1974
Werner Auli	48	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
Kevin E. Bortz	49	Member, Director of Natural Resources Team within EBRD	Graduated Indiana University of Pennsylvania and holds a Master of International Affairs at Columbia University, New York. He started working for BERD in 1993
Victor Paul Dobre	57	Member, Secretary of State for the Relation with Prefectures, Ministry of Administration and Interior	Graduated the Mechanics Faculty, Galati – Ships Section
Emanoil Negut	41	Member, Secretary of State in the Government's Controlling	Graduated the Academy of Economic Studies, Faculty

Cristian Marian Olteanu	31	Authority within the Prime Minister's Office Counsellor of the President of the Authority for State Assets Recovery, representative of the Property Fund	of Economics and Agricultural Accounting Graduated the Bucharest University – Faculty of Political and Administrative Sciences
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Victor-Paul Dobre – Member until December 2008

Following his election as member of the Romanian Parliament, Mr. Victor-Paul Dobre resigned from this position as member of Petrom's Supervisory Board.

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.

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

None of the members of the Board of Directors held at any moment in 2008 shares issued by the company.

e) The list of related parties to the company

Please see appendix c.

4.2. Executive Board

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

The Executive Board who ran in 2008 the daily 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)
Tamas Mayer	Member of the Executive Board, responsible for Marketing
Neil Anthony Morgan	Member of the Executive Board, responsible for Refining and Petrochemicals

On July 1, 2008, Jeffrey Rinker, who was the board member of Petrom responsible for Refining and Petrochemicals between the beginning of 2006 and July 2008, was appointed Senior Vice President at OMV Group level, responsible for Joint Ventures & Strategic Projects in Refining. In addition, Mr. Rinker will retain certain responsibilities related to Petrom Refining at least until the end of the transition period in 2011.

Each member of the Executive Board was granted representation powers and signature rights. The Executive Board members mandate is for four years.

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.

Not applicable.

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

Claim filled by SC Foraj Sonde Braila SA against SC Petrom SA and its former Board of Directors and Censors. The litigation is registered under the court file no 5896/3/2007, currently in recourse (final appeal) before the High Court of Cassation and Justice, the next hearing being scheduled for 15.09.2009. In first and second instance, the Bucharest Tribunal and the Bucharest Court of Appeal dismissed the claim.

Claim filled by the plaintiff Popescu Ion against the Romanian Government and the National Agency for Mineral Resources. The plaintiff requested for the annulment of the Annex no 22 of the G.D. no 1705/2006 by which the public property assets have been inventoried. The plaintiff pretends that among these assets there is a piece of land which belongs to him, and that this land has been granted under concession to Petrom. For this reason, he called before the court SC Petrom SA and Mr. Wolfgang Ruttenstorffer – President of the Board of Directors. The litigation is registered under the court file no 43035/3/2007 currently in recourse (second appeal) before the High Court of Cassation and Justice, the next hearing being scheduled for 13.05.2009. In first instance, the Bucharest Court of Appeal rejected the claim.

5. Analysis of the Financial Condition

Financial highlights, RON mn	Year ended December 31		
	2006	2007	2008
Sales	13,078	12,284	16,751
EBIT	2,777	1,965	1,309
EBITDA	3,596	3,111	3,565
Net (loss)/profit	2,285	1,778	1,022
Fixed assets	13,093	16,375	19,806
Current assets	6,366	4,786	5,121
Non-current liabilities	4,878	5,396	7,912
Current liabilities	2,258	2,580	3,446
Shareholders' Equity	12,325	13,184	13,569
Net cash flow from operating activities incl. change in Working Capital	2,955	2,485	4,383

Indebtness ratio at the end of 2008 was 11.09% (2007: 0.22%). The increase is due to the long-term loans taken on in 2008 (RON 1,468 mn) in order to finance major investment programs.

The return on average capital employed (ROACE) ratio was 7% in 2008 (2007:16%). The decrease in this ratio is caused by the decrease in net operating profit after tax as a result of higher provisions and impairments combined with the effect of the increase in capital employed due to higher long-term loans.

Ratio	Formula	2006	2007	2008
RoFA	NOPAT / Average Fixed Assets, %	17	11	5
ROACE	NOPAT / Average Capital Employed, %	21	16	7
ROE	Net Profit / Average Equity, %	20	14	8
Current ratio	Current Assets / Current Liabilities	2.8	1.9	1,5
Quick ratio	(Current Assets - Inventories) / Current Liabilities	2.2	1.1	0,8

Key operating statistics, %	Year ended December 31		
	2006	2007	2008
Revenues growth (yoy)	22	(7)	39
EBIT margin	21	16	8
EBITDA margin	28	25	21
Net profit margin	17	14	6

The Company's net turnover increased by 36% to RON 16,751 mn compared to 2007 driven by the higher crude price levels, fuel sales (both domestic and export sales) and higher non-oil business sales.

Operating expenses increased by 53% compared to 2007, to RON 16,090 mn, mainly due to the increase in raw material costs caused by higher prices of imported crude oil and materials (mainly biofuels) and higher staff costs. Provisions for risks and charges increased compared to 2007, as Petrom booked

significant provisions for litigation. Operating expenses also increased due to higher depreciation, as a result of greater investment and impairment booked for the Arpechim refinery.

EBIT per segments of activity, RON mn	Year ended December 31		
	2006	2007	2008
Exploration and Production	3,744	2,848	3,228
Refining and Marketing	(1,136)	(1,065)	(1,895)
Gas & Power*	118	123	104
Chemicals (Doljchim)	51	59	-
Corporate & others**	-	-	(128)
Total	2,777	1,965	1,309

**The reporting of gas results started in 2006, previously included in E&P*

The Company's financial result improved to RON 296 mn from RON 185 mn in 2007, mainly due to higher dividends received and foreign exchange gains.

Although gross profit decreased in 2008 by RON 544 mn to RON 1,605 mn, the corporate tax charge increased due to significant non-deductible expenses related to impairments and provisions.

Total assets amounted to RON 25 bn as of December 31, 2008, up by 18% compared to the end of 2007 [RON 21 bn], mainly as a result of the increase in tangible, intangible, financial assets and inventories, offset by a decrease in accounts receivable and a lower net cash and bank position. The higher cash outflows for investments, loans granted to subsidiaries and dividend payments to the State, OMV and minority shareholders led to a lower net cash position at December 31, 2008.

Non current assets increased by 21% to RON 20 bn, mainly driven by significant investments related to E&P: the acquisition of the oil services business of Petromservice, the development and modernization of wells, surface facilities and production equipment partly offset by a decrease in financial assets mainly resulting from the disposal of the umbrella funds [investment in mutual funds and other financial instruments through umbrella funds].

Inventories increased compared with the previous year because of higher materials and gas quantities.

The increase in inventories was surpassed by the decrease in current assets such as cash and receivables. As a consequence, total current assets including prepayments increased by 7% to RON 5,121 mn compared to the end of 2007 [2007: RON 4,785 mn].

The economic environment for the last months of 2008 brought a decrease in receivables compared to the same period last year. The main influence is the decrease in price accompanied by a decrease in quantities.

Total liabilities increased by 42% to RON 11,358 mn as of December 31, 2008, mainly due to an increase in long and short terms loans and higher provisions.

Shareholders' equity amounted to RON 13,569 mn as of December 31, 2008, up by 3% from the end of 2007 [RON 13,184 mn], as a result of net profit RON 1,022 mn generated in the current year, effect from strategic hedge operation RON 518 mn, the reduction attributable to distributed dividends RON 1,082 mn and the reversal of the fair value related to the umbrella funds sold in Q1/08 amounting RON 74 mn.

As a result of the business activities, Petrom contributed RON 6,476 mn to the State budget, 14% higher than in 2007. Income tax stood at RON 583 mn, royalties amounted to RON 725 mn and social contributions reached RON 509 mn. Petrom's contribution to the State budget via indirect taxes was mainly represented by excise [RON 3,325 mn] and VAT [RON 691 mn].

Cash flow from operating activities increased by RON 1,898 mn or 76%, from RON 2,486 mn to RON 4,383 mn.

The reconciliation of gross income for the year to net cash from operating activities (before changes in working capital) resulted in a net upward adjustment of RON 2,892 mn for 2008 [2007: RON 725 mn]. The main increase in adjustments for non-monetary items comes from depreciation and amortization RON 1,171 mn for 2008 [2007: RON 860 mn], impairment of fixed assets amounting RON 1,085 mn in 2008 [2007: RON 284 mn] and net increase in provisions for litigations amounting RON 693 mn in 2008 [2007: RON 180 mn].

Operating cash outflows were also generated by payments of income tax of RON 684 mn [2007: RON 263 mn]. Cash flow generated by working capital movements shows a positive result due to the increase in payables, and decrease in receivables.

Net cash outflow from investment activities was RON 5,528 mn [2007: RON 3,761 mn].

The increase was mainly attributable to capital expenditure on both tangible and intangible assets amounting to RON 6,218 mn [2007: RON 3,638 mn] and also due to greater outflow on financial assets of RON 686 mn [2007: RON 359 mn], representing mainly loans given to subsidiaries. In 2008, investing activities also included additional proceeds mainly received from the sale of financial investments held in umbrella funds.

Cash inflows from financing activities amounted to RON 654 mn [2007: outflows of RON 1,423 mn].

In 2008 cash inflows from financing activities resulted from loans received during the year amounting to RON 1,768 mn, exceeding the amount of dividend payments amounting to RON 1,114 mn [2007: RON 1,423 mn].

In conclusion, during the year ended December 31, 2008 positive cash inflows from operations and the loans received during the year were fully used to cover a significant portion of the higher investment expenditure and dividend payments, which resulted in a decrease of the net cash position at the end of the year.

6. Annexes.

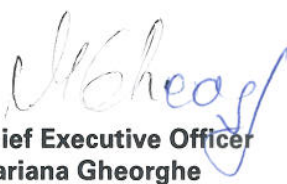
Please find attached the following documents:

- a) The Constitutive Act of SC Petrom SA.
- b) The list of the subsidiaries and of the companies controlled by Petrom;
- c) The list of the persons affiliated to the company
- d) The resignation of Mr. Victor-Paul Dobre from this position as member of Petrom's Supervisory Board.

The financial statements for 2008 have been prepared in accordance with the Romanian Accounting Standards and offer a fair and appropriate image with the situation of Petrom's assets, liabilities, financial positioning and profit and statements of operations, whilst the information presented in this report reflect fairly and completely the company's activity.



President of the Supervisory Board
Wolfgang Ruttenstorfer



Chief Executive Officer
Mariana Gheorghe



Chief Financial Officer
Reinhard Pichler