

ANNUAL REPORT 2009

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
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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 24, 2009	RON 14,104,382,975

1. The Activity of the Company

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

Petrom develops the following main activities:

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

Starting January 1, 2010, the company name is OMV Petrom S.A., following the Decision of the Extraordinary General Meeting of Shareholders held on October 20, 2009. The Company's brand and logo remain unchanged.

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

Not applicable.

d) Asset acquisitions and/or alienation

On **December 18**, Petrom finalized negotiations with Oltchim, regarding the transfer of assets related to the petrochemical activities of Arpechim. The transaction took effect at the beginning of 2010, after the necessary authorizations from fiscal and competition authorities were obtained.

In **December**, Petrom finalized the acquisition of Korned LLP in Kazakhstan.

e) Main results of the company's evaluation

In **Exploration & Production** segment, a review of the situation at the end of 2009 resulted in the following:

- ▶ Domestic oil production at 86,420 boe/d
- ▶ Successful production start-up of Delta offshore project and Lebada Vest 4
- ▶ Deep offshore exploration project in Neptun Block in partnership with ExxonMobil started with the largest 3D seismic survey ever undertaken in Romania
- ▶ New gas processing plant in Midia commissioned
- ▶ Construction works for the Hurezani gas de-bottlenecking project commenced and are progressing according to schedule
- ▶ First energy efficiency pilot project completed

- ▶ Significant cost reductions achieved thanks to strict cost management and implementation of EPS turnaround program
- ▶ Production start-up of the Komsomolskoe field in Kazakhstan
- ▶ Acquisition of Kultuk oil field in Kazakhstan
- ▶ First exploration success registered in Russia: well Lugovaya 1

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

- ▶ Significant improvement in HSEQ performance
- ▶ Successful start-up of the new FCC Gasoline Hydrotreater - Post Treatment unit in Petrobrazi
- ▶ Further increase of middle distillates yield from 37% to 38% of refinery product slate
- ▶ Improved flexibility in refinery operation in adaptation to the challenging economic environment
- ▶ Average throughput per station increased by 12% over 2008 to a level of 4.8 mn liters
- ▶ Despite stagnant market conditions and a 30% decrease of new car registrations in Romania, retail sales increased by 12% compared to 2008 while our retail market share reached 40%
- ▶ Substantial non-oil business sales increase: 9% over 2008 thanks to effective marketing techniques
- ▶ Good progress of operations at Petrom Moldova: full agency system was implemented in 102 filling stations while Chisinau Terminal started operations in December 2009
- ▶ Reopening of the first modernized terminal - Jilava - compliant with OMV standards, European requirements and HSEQ principles
- ▶ Further consolidation of our aviation-related business

In **Gas & Power** segment, the valuation of the activity at the end of 2009 highlighted the following issues:

- ▶ Consolidation of our position in the Romanian gas market under a difficult business environment
- ▶ Construction of the 860 MW power plant continued according to schedule and budget
- ▶ Further steps to move into the field of renewable energy

1.1.1. General evaluation elements

Indicator	2007	2008	2009
Net profit, RON mn	1,778	1,022	1,368
Net turnover, RON mn	12,284	16,751	12,842
Operating expenses, RON mn	10,520	16,090	12,009
Market share retail, %	32	36	40
Liquidity (cash and cash equivalents), RON mn	753	261	280

The net profit increased by 34% to RON 1,368 mn, while the operating expenses decreased by 25% compared to 2008. The company's turnover decreased by 23% in comparison with 2008, reaching RON 12,842 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 of crude in Romania and being delivered to its own refineries, Arpechim and Petrobrazi; 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.

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

Most part of Petrom revenues resulted from the sale of petroleum products and natural gas. The Company's net turnover in 2009 declined by 23% to RON 12,842 mn compared to 2008, mainly due to lower price levels and volumes.

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

Indicator	Total value – RON			Percentage in revenues		
	2007	2008	2009	2007	2008	2009
Operating revenues	12,484,947	17,399,625	13,206,183	96.2	90	92
thereof Turnover	12,284,378	16,750,726	12,842,384	-	-	-
Financial revenues	498,297	1,931,762	1,119,379	3.8	10	8
Extraordinary revenues	-	-	-	-	-	-
TOTAL	12,983,244	19,331,387	14,325,562	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 - 85%. The remaining of 15% 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

	2007	2008	2009	Δ 09/08 (%)	Δ 09/07 (%)	Δ 08/07 (%)
Fuel Sales, thousand tons	4,707	5,210	4,823	(7)	2	10
Net turnover, RON mn	12,284	16,751	12,842	(23)	4	36

Total marketing sales in 2009 amounted to 4,823 kt, lower by 7% in comparison with 2008, due to lower export sales as a result of the optimization of our refineries' operations in response to current unfavorable market conditions.

White product sales on the domestic market were 3% above the 2008 level, driven by the upgrade of the filling station network and improved retail station management. **Domestic gasoline sales** were up by 11% compared to 2008 while **domestic diesel sales** were relatively flat and **aviation fuels sales** recorded a 6% decrease over the previous year.

Despite static market conditions and an overall 30% decrease in new car registrations in Romania in 2009, Petrom's retail sales reached 2,177 mn liters, up by 12% compared to 2008. The sustained investments in Petrom's retail network between 2006 and 2008 ensured an optimum network configuration that enabled us to achieve performance even under severe economic conditions.

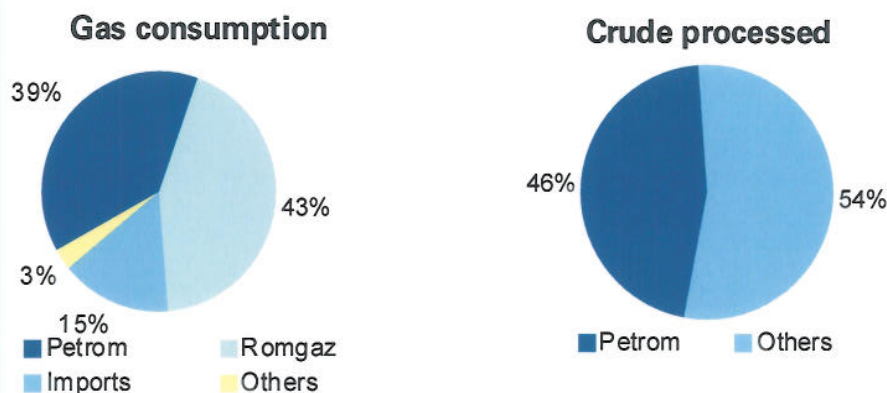
Commercial domestic sales amounted to 1,981 kt, in line with 2008 level, with HFO sales in the domestic market achieving a 65% increase compared to 2008 as the Russian-Ukrainian gas crisis at the beginning of the year forced the district heating power plants to use HFO as substitute for gas.

Exported quantities were 35% lower compared to 2008, mainly due to lower HFO and gasoline exports.

In 2009, total **non-oil business (NOB)** turnover recorded an increase of 9% over the previous year [2008: RON 463 mn], due to portfolio and purchase process optimization. Another key factor was the new facility granted to customers, allowing them to purchase NOB products by using the Petrom Card; previously, the Petrom Card could only be used for fuel purchase.

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

According to the Romanian Energy Regulatory Authority (ANRE) figures, 97.5% of the Romanian natural gas production is ensured by two companies, Romgaz and Petrom, while the rest of 2.5% comes from private operators, Amromco, Aurelian Oil&Gas, Lotus Petrol and Wintershall Medias. Romanian natural gas consumption is covered 85% from domestic production, while the rest of 15% is supplied from Russia.



Source: ANRE

Source: NIS

The Romanian refining sector consists of 10 refineries. Fifth of them are not operational: Astra, Darmanesti, Petrolsub, Steaua Romana (Omnimpex) and Rafo (Balkan Petroleum). The rest of fifth refineries: Arpechim and Petrobrazii (owned by Petrom), Petromidia and Vega (Kaz Munay Gas), Petrotel (Lukoil), have a total operational capacity of 15.65 mn tonnes. In 2009, the refineries processed a total quantity of 11.2 mn tonnes of crude, according to the data provided by the National Institute of Statistics (NIS).

Petrom has a strong position on the domestic market, both in terms of market share and number of filling stations. According to Petrom's estimations, the company retail market share at the end of December 2009 was 40%.

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 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, 2009 was 27,470.

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 remained positive and constructive over the year, without the occurrence of collective actions to challenge the management.

The dialog 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 stipulations from the Collective Labour Agreement of Petrom resulted in a chain of labour litigations through which several employees requested the payment of bonuses allegedly unpaid to them. These litigations are in progress 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.

Throughout 2009, Petrom continued to receive claims relating to this matter, but following the management assessment of the potential liabilities with respect to ongoing cases, the provision of RON 1.3 bn, booked in 2008 to cover the risk in line with prudence principles, was not increased. Petrom has taken all possible action and committed all necessary resources to defend it 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

One of Petrom's goals is to seek to mitigate the environmental impact of its operations by reducing waste, emissions and discharges and by using energy efficiently. 2009 marked the progress realized to clarify, strengthen and align the processes and requirements that we apply to our operations with OMV Group Regulations.

The improvement of energy efficiency is a key target for Petrom's business segments. According to the benchmark studies by Solomon Associates, the Energy Intensity Index (EII) of the fuels part of the Petrom refineries has been reduced significantly during the last years. For both Arpechim and Petrobrazi refineries EII declined by 17% between 2004 and 2008 reaching the value of 178 in 2008. In recent years, we recorded a considerable progress with respect to process optimization. At Petrom, the ongoing modernization projects, involving a total investment of more than EUR 4 bn since 2005, will lead to significant energy efficiency improvements. In Refining, energy management tools are being implemented, for example, a real time database, yield accounting and Key Performance Indicators on energy efficiency. Small investment projects for energy optimization are promoted.

In Marketing, all new operational terminals and filling stations built in 2009 have integrated energy efficiency projects in their commissioning plans. The Jilava terminal is a state of the art example in this respect.

In E&P started the first of a series of comprehensive field based analyses to undertake detailed baseline studies of all existing GHG emission sources at specified Field Clusters (FC), including quantification of the amount of GHGs emitted from each type of source. Although the initial plan was to undertake several of these studies in 2009, this program was reduced to only two (of 16) on-shore Field Clusters, due to budget constraints determined by the international financial downturn. The purpose of the studies was to prepare accurate GHG inventories and energy balance sheets for each selected FC, as a basis for detailed plans to eliminate or minimize the GHG emissions.

Engineering for the replacement of several boiler batteries to improve the energy efficiency of existing facilities commenced in 2009. Furthermore, a first energy efficiency pilot project, a 1 MW gas-to-power unit in Runcu – Iconita, was successfully commissioned. The plans of E&P to make progressive improvements in energy efficiency in the course of modernizing its infrastructure have been delayed as a result of the financial crisis earlier in 2009, which resulted in operating budgets being significantly reduced.

Starting with the new gas fired power plant in Brazi, Romania, Petrom is building up the new power business. This is a new gas combined cycle power plants ensuring best practice in energy efficiency.

1.1.8. Evaluation of the company's risk management activity

In common with the entire oil and gas industry, Petrom is exposed to a variety of risks – mainly market risks, but also operational, strategic, regulatory, political, as well as hazard risks. Petrom's risk management activities focus on the group-wide net risk exposure of the existing and future portfolio. Risk management is centrally coordinated by Risk Management & Treasury.

Risk Management is an ongoing process for identifying, evaluating and managing the significant risks faced by Petrom. Each stage of the risk management process is documented, including assumptions, methods, data sources and results. The results are regularly reviewed by the Executive Board.

Two integrated Risk Reports, dated May and October, are further presented twice per year to the OMV Operating Risk Committee and are included in the results presented to OMV's Executive Board and Supervisory Board.

The awareness and understanding of the companies' risk profile as well as risk management skills improved substantially throughout the group. Starting in 2009, Petrom uses Monte Carlo simulation techniques to calculate the range of potential deviations from the mid-term plan EBITD within a 95% confidence level, based on the history price movements and the future estimates.

In 2009, more than 200 risks were evaluated, but about ten of them comprise nearly two thirds of the total exposure (mainly market price, business processes risks, financial risks).

Petrom is an integrated company, therefore relevant integration risk scenarios were developed, being the basis for financial and reputational investigation, including other consequences of these highly correlated risks. High correlation means that if one materializes, others are likely to happen simultaneously or in the near future. These are mainly operational risks, perfectly quantifiable, indirectly related to market volatilities.

Petrom being in continuous development expansion, all the new business processes are fully integrated in the process, with systematic understanding and analysis of the risks.

Risk treatment consists of risk transfer (like hedging strategies or insurance policies), risk mitigation or risk retention, trying to reach the optimal level of risk suitable to the company.

Financial instruments of all kinds are used for the purposes of managing exposure to currency, commodity price and interest rate movements being evaluated at OMV Group level, considering Petrom's needs and being approved by Petrom's Executive Board. Petrom also centrally analyses its foreign currency exposure versus USD or/and EUR. Liquidity risk was reduced significantly with the conclusion of a multi-currency credit line of EUR 500 mn as well as the extension of existing loans.

To protect the company's cash flow in 2010, Petrom entered into crude oil hedges in Q2/09 for a volume of 38,000 bbl/d (approximately 41% from total production) securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero cost collar), whereby the Group would not be able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume.

Petrom realized a cash flow of USD 173 mn (thereof USD 20 mn in 2010) from crude oil hedges for a volume of 40,000 bbl/d of the 2009 production where a price floor of USD 80/bbl was secured as long as the oil price was above USD 65/bbl. When oil prices were below USD 65/bbl, the hedge paid out USD 15/bbl in addition to the realized market price.

1.1.9. Estimates of the company's activity

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

Due to the competitive environment, cash flows generated from operations were lower. As the Company continued to keep investments for strategic projects with a strong economic impact at high level, additional financing was needed. As a result, the **indebtedness ratio**² reached 19.99% at the end of December 2009 (11.09% at the end of 2008).

b) Capital expenditures

Investments*, RON mn	2007	2008	2009
Exploration & Production	2,465	4,524	2,806
Refining & Marketing	1,004	1,297	559
Gas & Power **	32	386	353
Chemicals	16	-	-
Corporate & Others	303	197	427
Total	3,820	6,404	4,145

*Investments include increases of Petrom share participations

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

Investments for Petrom SA in 2009 amounted to RON 4,145 mn, a 35% decrease compared to 2008.

Investments in E&P accounted for 68% of the total figure of 2009, mainly due to the continued focus on field development and production drilling. Approximately 13% of total investments were realized by R&M. In Refining, investments were mainly related to the FCC gasoline post-treater project, the DCS (Distributed Control System) implementation and the systematization and revamp of the Refinery Tanks Farm. The marketing division investments focused on the modernization of oil terminals. Investments in G&P mainly comprised investments in the Brazi power plant. Corporate investments more than doubled compared to 2008 mainly due to construction works at Petrom City.

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

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

Petrom's EBIT amounted to RON 1,197 mn, 9% below the RON 1,309 mn result in 2008, primarily as a result of lower prices and an unfavorable refining margin environment.

E&P segment EBIT decreased by RON 773 mn, from RON 3,139 mn in 2008 to RON 2,366 mn in 2009, driven by the unfavorable oil price development and lower volumes. Production of Petrom S.A. in Romania decreased to 66.00 mn bbl, which is 4% lower than the level recorded in 2008. The decrease was mainly due to the reduced number of new wells drilled and the delay of key wells.

EBIT of **R&M** this year reflects improvements as a result of process and network optimization, reduced costs and a rise in deliveries to the domestic market, resulting in an increase of RON 1,067 mn from RON (1,895) mn in 2008 to RON (828) mn in 2009. On the other hand, the 2008 R&M EBIT was extremely low due to impairment of Arpechim fuels refinery's book value and the booking of provisions for litigations.

In the **G&P** segment, EBIT was RON 7 mn, lower than the RON 104 mn result recorded in 2008 being affected by the losses in Doljchim and adverse market conditions. EBIT recorded by Doljchim in 2009 was negative RON (148) mn, burdened by the provisions made for closing the chemicals activity and reflecting the low demand and prices.

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:

In Romania, Petrom holds exploration licenses for 15 onshore and 2 offshore blocks, with a total area of 59,100 km² (of which 13,730 km² is offshore) and operates 256 commercial oil and gas fields.

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

In Russia, Petrom explores eight blocks in the Saratov Region and two in the Komi area.

Refining:

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

Marketing:

Petrom is the main player on the Romanian fuels market. At the end of 2009, Petrom Group operated a total of 814 filling stations, of which 546 in Romania (including 442 Petrom S.A.) and 268 filling stations abroad: 113 in the Republic of Moldova, 96 in Bulgaria and 59 in Serbia. Petrom's affiliates registered a retail market share of 26% in Moldova, 19% in Bulgaria and 15% in Serbia.

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 1.01.2009	Balance at 31.12.2009
Lands	214,188,582	260,049,582
Buildings and constructions	6,588,916,459	8,068,447,914
Machinery and equipment	2,372,378,280	3,133,097,459
Other equipment and furniture	93,219,526	90,574,329
Advances and tangible assets in progress	4,386,971,350	4,276,599,535
Total fixed assets, tangible assets	13,655,674,197	15,828,768,819

2.2. The degree of wear-out for fixed assets

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

Fixed assets, tangible assets, RON (Accumulated depreciation)	Balance at 1.01.2009	Balance at 31.12.2009
Lands	-	-
Buildings and constructions	2,496,520,433	3,003,885,664
Machinery and equipment	1,149,389,159	1,445,877,701
Other equipment and furniture	51,561,701	72,114,157
Total fixed assets, tangible assets	3,697,471,293	4,521,877,522

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

The company received notifications regarding the restitution of the assets confiscated by the state between March 6, 1945 and December 22, 1989, which falls under the incidence of the Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2009 are the following:

- 1,118 notifications were transmitted to Petrom, out of which:
 - ▶ 16 buildings were restored;
 - ▶ 1,052 notifications were rejected;
 - ▶ 27 notifications were redirected towards other entities;
 - ▶ 23 notifications (files) are currently under analysis.

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

3. The Market of the Securities issued by the Company

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

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

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

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.

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

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

During 2009, 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.

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 elected at General Meeting of Shareholders held on April 28, 2009 is as follows:

Name	Age (years)	Position	Other information
Wolfgang Ruttenstorfer	60	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	58	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	55	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	60	Member, Member of the OMV Executive Board, responsible for Exploration and Production	Graduated Leoben University and obtained a Bachelor's Degree in Economics in Vienna. Started to work at OMV in 1974
Werner Auli	49	Member, Member of the OMV Executive Board, responsible for Gas	Graduated Technical University of Vienna and he is a Doctor of Technical Sciences. He started working for OMV in 1987
Riccardo Puliti	48	Member, Business Group Director in charge of the energy and natural resources sectors within EBRD	He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for EBRD in 1996.

Marian Turlea	48	Member, Head of Minister Cabinet in the Ministry of Economy	Graduated the Polytechnic University of Bucharest, Department of Road Transportation
Gheorghe Ionescu	57	Member, Ministry of Economy representative	Graduated the Polytechnic Institute of Pitești, Department of Mechanical Engineering, and the Academy of Economic Studies. He holds a master degree in financial and economic administration granted by Conservatoire National d'Art et Metieres of Paris
Daniel Costea	36	Counselor to the executive management of EximBank SA, representative of the Property Fund	Graduated Bucharest University, Law Department. He is a member of the Bucharest Bar.

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

There are no such agreements and understandings. Members of the Supervisory Board are not appointed by certain persons, but elected based on the independent vote of our shareholders.

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

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

d) The list of related parties to the company

Please see 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 2009 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

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.

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

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

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

5. Analysis of the Financial Condition

Financial highlights, RON mn	Year ended December 31		
	2007	2008	2009
Sales	12,284	16,751	12,842
EBIT	1,965	1,309	1,197
EBITDA	3,111	3,565	2,950
Net (loss)/profit	1,778	1,022	1,368
Fixed assets	16,375	19,806	22,243
Current assets	4,786	5,121	4,470
Non-current liabilities	5,396	7,912	9,096
Current liabilities	2,580	3,446	3,561
Shareholders' Equity	13,184	13,569	14,056
Net cash flow from operating activities incl. change in Working Capital	2,485	4,383	2,657

The return on average capital employed (ROACE) ratio was 9% in 2009 (2008:7%). The increase in this ratio is due to the increase in net operating profit after tax.

Ratio	Formula	2007	2008	2009
ROFA	EBIT / Average Fixed Assets, %	11	5	6
ROACE	NOPAT / Average Capital Employed, %	16	7	9
ROE	Net Profit / Average Equity, %	14	8	10
Current ratio	Current Assets / Current Liabilities	1.9	1.5	1.26
Quick ratio	(Current Assets - Inventories) / Current Liabilities	1.1	0.8	0.67

Key operating statistics, %	Year ended December 31		
	2007	2008	2009
Revenues growth (yoy)	(7)	39	(24)
EBIT margin	16	8	9
EBITDA margin	25	21	23
Net profit margin	14	6	11

The Company's **net turnover** in 2009 declined by 23% to RON 12,842 mn compared to 2008, mainly due to lower price levels and volumes.

Operating expenses decreased by 25% compared to 2008, to RON 12,009 mn, mainly due to lower quantities and prices for imported crude oil as well as due to lower provisions booked in 2009 (mainly for litigations and impairments).

EBIT per segments of activity, RON mn	Year ended December 31		
	2007	2008	2009
Exploration & Production	2,943	3,139	2,366
Refining & Marketing	(1,065)	(1,895)	(828)
Gas & Power ¹	123	104	7
Chemicals (Doljchim)	59	-	-
Corporate & Others ²	-	(128)	(181)
EBIT Consolidation ³	(95)	89	(167)
Total	1,965	1,309	1,197

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

² Starting 2008, the costs that relate to corporate functions which are carried out within Petrom were reported separately in the 'Corporate and Other' line, therefore no longer absorbed by the business.

³ EBIT Consolidation result represents the intersegmental margin elimination which was reported until 2008 under E&P result; for reasons of comparability 2007 and 2008 numbers are adjusted accordingly

The Company's **financial result** improved in 2009 to RON 500 mn from RON 296 mn in 2008, mainly attributable to the positive impact of oil price hedging that generated a financial gain of RON 524 mn, which was offset by a negative foreign exchange result and interest expenses related to the loans received.

Corporate tax charge registered a decline due to lower level of net provisions booked in 2009.

As a result of its business activities, Petrom contributed RON 6,720 mn to the State budget, 4% higher than in 2008. Profit tax stood at RON 286 mn, royalties amounted to RON 553 mn and social contributions reached RON 563 mn. Petrom's contribution to the State budget via indirect taxes was mainly represented by excise (RON 3,761 mn) and also employee related taxes (RON 602 mn) and VAT (RON 779 mn). A standard review process for all taxes related to the years 2004 to 2008 has been carried out by fiscal authorities and, upon its finalization in early 2010, Petrom booked provisions amounting to RON 234 mn to reflect the outcome of the review. Such provisions are included in operating expenses (RON 191 mn) and in the profit tax line (RON 43 mn).

Net profit increased by 34% in 2009 compared to 2008 mainly due to the positive impact of the financial result.

Balance sheet

Total assets amounted to RON 26,713 mn as of December 31, 2009, up by 7% compared to the end of 2008 (RON 24,927 mn), mainly as a result of investments realized in 2009.

Non-current assets increased by 12% to RON 22,243 mn, mainly driven by significant investments related to E&P for the development and modernization of wells, surface facilities and production equipment, as well as to R&M, Power and Corporate projects. In 2009, non-current assets also increased due to additional loans given to subsidiaries.

Total current assets, including pre-payments, decreased by 13% to RON 4,470 mn compared to RON 5,121 mn at the end of 2008, mainly as a result of lower short-term investments related to oil price hedging and lower inventories partially compensated by an increase in short-term financial assets. Inventories decreased compared with the previous year mainly due to lower quantities of materials.

Total liabilities (including provisions and deferred income) increased by 11% to RON 12,657 mn as of December 31, 2009, mainly due to an increase in long-term loans and liabilities from hedging offset by a decrease in trade payables and provisions.

Shareholders' equity amounted to RON 14,056 mn as of December 31, 2009 and increased by 4% from the end of 2008 (RON 13,569 mn), as a result of the net profit generated in the current year and reduced by a decrease in the unrealized portion of the oil price hedging.

Cash flow

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

Cash flow from operating activities decreased by RON 1,726 mn or 39%, from RON 4,383 mn to RON 2,657 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 1,778 mn for 2009 [2008: RON 2,892 mn]. The main effects in adjustments for non-monetary items comes from depreciation and amortization of RON 1,466 mn for 2009 [2008: RON 1,171 mn], fixed asset impairments and losses on disposals amounting to RON 487 mn [2008: RON 1,031 mn] compensated by a net decrease in provisions for litigations totaling RON 360 mn [2008: net increase of RON 693 mn] and net decrease in restructuring provisions amounting RON 142 mn [2008: net increase of RON 48 mn].

Operating cash outflows were also generated by payments of income tax of RON 236 mn [2008: RON 684 mn]. Cash flow generated by working capital movements shows a negative result due to the decrease in payables, and increase in receivables as a result of the reduction in sales prices and quantities.

Net cash outflow from investment activities was RON 4,058 mn [2008: RON 5,528 mn].

The decrease was mainly attributable to the decrease in capital expenditure on both tangible and intangible assets amounting to RON 4,073 mn [2008: RON 6,218 mn] and also due to lower loans given to subsidiaries of RON 283 mn [2008: RON 580 mn], as well as to lower proceeds from financial assets of RON 217 mn [2008: RON 1,198 mn].

Cash inflows from financing activities amounted to RON 1,420 mn [2008: RON 654 mn].

Cash inflows from financing activities resulted from loans received during the year amounting to RON 1,435 mn [2008: RON 1,768 mn], greatly exceeded dividend payments amounting to RON 15 mn [2008: RON 1,114 mn].

In conclusion, during the year ended December 31, 2009 the Company maintained investment at a high level. Investments were financed by positive cash flow from operations and additional loans.

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

The financial statements for 2009 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