Managing Complexities and Realizing Potential

2008
Annual Report

The Essence of Motion

PETROM

Member of OMV Group

In an extremely challenging 2008, all Petrom's business segments benefited from the continuous restructuring and modernization efforts.

Petrom at a glance

Operational results	2006	2007	2008
Total production (mn boe)	73.06	70.27	**68.98**
Crude oil and NLG production (mn tons)	4.78	4.54	**4.54**
Natural gas production (bcm)	5.92	5.75	**5.55**
Crude oil processed (mn tons)	6.86	5.92	**6.12**
Refinery capacity utilization rate (%)	86	74	**77**
Petroleum products sales (mn tons)	5.46	4.71	**5.21**
Number of operating filling stations	489	450	**448**
Number of employees	32,837	26,397	**33,311**

Financial results	2006	2007	2008
Net turnover (RON mn)	13,078	12,284	**16,751**
EBITDA (RON mn)	3,596	3,111	**3,565**
EBIT (RON mn)	2,777	1,965	**1,309**
Net profit (RON mn)	2,285	1,778	**1,022**
Operating cash flow (RON mn)	2,955	2,486	**4,383**
Investments (RON mn)	2,937	3,820	**6,404**
ROACE (%)	21	16	**7**

Note
The financials are audited and prepared according to RAS; all the figures refer to Petrom S.A. unless otherwise stated.

Contents

Petrom – an Integrated Oil and Gas Company

With activities in the business segments of Exploration and Production, Refining, Marketing, Gas and a planned 860 MW power plant, Petrom has a high degree of physical integration.

Petrom – an Integrated Oil and Gas Company

Exploration and Production

Our Exploration and Production business explores for and extracts oil and natural gas in Romania and other countries in the region (Russia and Kazakhstan). Petrom is the sole crude oil producer in Romania and accounts for half of Romanian gas production. Our domestic and international oil and gas production amounted to 71 mn boe in 2008. Our aim is to stabilize and increase the production of the mature fields we operate, through a sustained and comprehensive investment program.

Refining and Marketing

We process our produced crude oil at two refineries, Petrobrazi and Arpechim, with a total installed capacity of 8 mn tons per year. In order to improve our product quality and productivity, we have implemented a significant restructuring and modernization program, underpinned by capital investments. We supply our products through 550 filling stations in Romania, and a further 269 stations in neighboring countries (including our affiliates). We are also the leading provider of aviation fuel services in Romania and the number one player on the local LPG market.

Gas and Power

We are an important player in the Romanian gas market, covering all gas market segments. In order to leverage the value of natural gas, management decided to further expand the value chain by developing our power generation business. We are also a significant player in the Romanian chemical industry, with Doljchim chemical plant being an important contributor to the production of chemical fertilizers and methanol for both the domestic and export markets.



Highlights of 2008

March

On **March 27**, Petrom and Romgaz signed with the Government of Romania, represented by the Ministry of Economy and Finance, a protocol that regulates their participation in the Social Gas Fund. The Government of Romania set up the Social Fund to grant social aid to low-income households, who use gas to heat their homes. The value of the Social Fund for 2008 was RON 172 mn, of which Petrom's total contribution was RON 80 mn.

On **March 31**, Petrom signed the contract for building the Brazi power plant with a consortium composed of General Electric (USA) and Metka (Greece). The consortium will build and deliver a turn-key gas-fired combined cycle power plant with a capacity of 860 MW by September 2011.

June

At the beginning of **June**, Petrom and OMV hosted a site visit for investors and analysts. At that occasion, Petrom reviewed its strategic objectives for 2010 in the context of the latest international challenges. The analysis re-affirmed the viability of the objectives for 2010 set by the company in 2005.

July

As of **July 1**, ANRE, the Romanian gas regulator, raised gas prices for households by an average of 12.5%, in response to the rise in the import gas price to USD 480/1,000 cbm in the third quarter of 2008. At the same time electricity prices were increased by 5.3% on average. The gas price for domestic producers remained unchanged.

At the beginning of **July** Petrom entered a contract with Uhde, part of the German group Thyssen Krupp, for the construction of a gasoline desulphurisation plant in Petrobrazi. The value of the contract is EUR 90 mn. The unit will produce gasoline with low sulphur content and will have an annual capacity of 700,000 t. The installation is scheduled to come on-stream in early 2009.

On **July 23**, Petrom presented its plans to promote projects in the field of renewable energy and energy efficiency. Following the OMV Future Energy Fund model, Petrom has formed a working group with the purpose of identifying such projects, potential partners, financing methods and supporting the implementation of these projects within the company. The initiative is part of the broader Petrom strategy to make the transition from an oil and gas company to an energy player.

September

In Petrom's refining business, the Arpechim refinery cannot generate the required rate of return due to high own energy consumption, unfavorable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and as a result no improvement in its profitability is anticipated in the mid term. To reflect these developments an impairment of RON 559 mn was booked in the third quarter of 2008, which represents the total book value of the Arpechim bulk refinery.

October

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 to the remaining shareholders of Petrom Aviation in accordance with the applicable law.

In **October**, Petrom signed a credit facility worth around EUR 375 mn, with a tenor of three years. The credit will be used to cover Petrom's financial needs as reflected in the existing company budget and according to current investment programs.

November

Petrom, by means of its Exploration and Production segment, won the Excellence Award in Project Management, for the well modernization project. The award was granted by Project Management Romania, a member of the International Project Management Association - IPMA.

Petrom carries out negotiations with Oltchim regarding the transfer of petrochemicals from Arpechim Pitesti. Oltchim's Extraordinary General Meeting of Shareholders approved the take over of petrochemicals from Arpechim. Transaction is subject to Oltchim obtaining the necessary financing.

Also in **November**, Petrom endorsed Oltchim's decision to temporarily reduce the quantities of ethylene and propylene supplied, taking into account the latest market developments and current business environment due to the international financial crisis.

December

On **December 3**, Petrom and ExxonMobil Exploration and Production Romania Limited, an affiliate of Exxon Mobil Corporation, signed an agreement to cooperate in exploring the hydrocarbon potential of the deepwater portion of the Neptun Block offshore Romania. The Neptun Block covers an area of approximately 9,900 square km in water depths ranging from 50 m to 1,700 m.

Statement of the President of the Supervisory Board

Dear shareholders,

Weakening business environment

We all witnessed the dramatic changes 2008 brought about in the global economy: mature and emerging markets without exception were affected by the economic turmoil. Global economic woes persisted in the early months of 2009, placing a heavy burden on financial markets and the various sectors of the economy, thereby further weakening the business environment in which we operate. Consequently, the oil price recovery is yet to arrive, putting added pressure on oil and gas companies' investment budgets and operations.

Throughout 2008, the Supervisory Board closely monitored the Executive Board's progress in implementing the strategy and providing the necessary support and challenge to the latter, ensuring the Company's shareholders' interests are protected. In this regard, the Supervisory Board was involved in decisions of fundamental importance to Petrom, such as the continuation of the Company's large investment projects and the conclusion of medium-term loan agreements, including an inter-company loan agreement with OMV, allowing Petrom to obtain significant funds to continue its major projects and investments.

Operational improvements strengthened Petrom's underlying performance

For Petrom, the 2008 operational results came as a continuation of the good and steady progress achieved over the previous three years. The ongoing restructuring and modernization processes are the solid basis on which the company has built its sustainable development. Further benefits were recorded as operational improvements throughout all business segments continued to strengthen the Company's underlying performance: stabilization of oil production levels, an increase in the domestic reserve replacement rate and reduction in the level of own crude consumption in Refining are only some of them.

The Company capitalized on the favorable oil price conditions in the first nine months of 2008 and also on the improvements in operational performance. Petrom also benefited from effective risk management attributable to the derivative instruments used to hedge earnings in the E&P segment. Furthermore, the benefits of being an integrated oil and gas company helped Petrom demonstrate strength and resilience amid the adverse oil price development seen in the fourth quarter.

Despite the Company's positive developments, we are confronted with a series of litigations initiated by a number of former and current employees based on differing interpretations of some of Petrom's Collective Bargaining Agreement clauses. This matter is treated with utmost consideration and, thus far all required measures have been undertaken. However, as a result, after careful consideration and based on the outcome of the court decisions, Petrom booked a significant provision for litigation amounting to RON 1.3 bn.

Investment program to continue at a reduced level

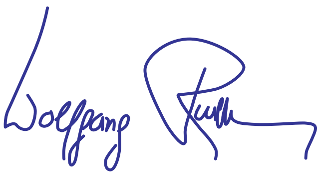
Consistent with its commitment to Petrom's modernization program, the Supervisory Board agreed with the management's decision to continue with the Company's investment program in 2009, although at a significantly reduced level compared to 2008, given the current unfavorable economic conditions and the state of the oil industry in general. These negative developments coupled with the necessity of ensuring availability of funds to finance the Company's investment budget for 2009, also compelled us to take into consideration the management's proposal that no dividend should be distributed for 2008. Such a proposal, as well as the Company's investment budget for 2009 will be submitted for approval at the General Meeting of Shareholders, on April 28, 2009.

Commitment to strategy and a strong financial standing

The outlook continues to be very challenging, but we are confident that over the longer term the structural trends that are shaping our industry will prevail. Despite the turbulent times, we believe that the right way ahead for the Company is to stay committed to its strategy, focusing on its ongoing restructuring and modernization program and tight cost control. Petrom has a strong financial standing and a sound shareholder structure, thanks also to its strategic partnership with OMV. Petrom is endowed with the optimum strengths and competencies to successfully pursue and achieve its restructuring objectives and strategy; this will ensure its sustainable development by further strengthening its leading positions in its core businesses and the Company's competitiveness in the energy industry on the long run.

Statement of the President of the Supervisory Board

On behalf of Petrom's Supervisory Board, I would like to thank the members of the Executive Board for the results achieved, as well as all our managers and employees, without whose commitment and performance the success attained in 2008 would not have been possible. In addition to that, the Supervisory Board believes that the professionalism and tireless effort of the company's executive management and employees represent a strong basis ahead of a very challenging 2009. Furthermore, despite the difficult environment, I want to reassure all our shareholders that we continuously strive to ensure Petrom creates value so that it will be able to provide appropriate returns to its owners.



Wolfgang Ruttenstorfer

Members of the Supervisory Board

The Supervisory Board represents the interests of the Company and of its shareholders and is responsible for the overall management of the Company. The Supervisory Board of Petrom consists of nine members, as follows:

Wolfgang Ruttenstorfer – President
Chief Executive Officer of OMV and Chairman of the OMV Executive Board
First elected at the GMS held on January 11, 2005

Gerhard Roiss – Deputy Chairman
Deputy Chairman of OMV Executive Board, responsible for Refining and Marketing including Petrochemicals and Chemicals
First elected at the GMS held on January 11, 2005

David C. Davies
Chief Financial Officer of OMV and member of OMV Executive Board
First elected at the GMS held on January 11, 2005

Helmut Langanger
Member of the OMV Executive Board, responsible for Exploration and Production
First elected at the GMS held on January 11, 2005

Werner Auli
Member of the OMV Executive Board, responsible for Gas and Power
First elected at the GMS held on April 25, 2006

Kevin Bortz
Director of Natural Resources Team within EBRD
First elected at the GMS held on April 25, 2006

Emanoil Negut
Secretary of State for the Government's Controlling Authority within the Prime Minister's Office, representing the Authority for State Assets Recovery (AVAS) in Petrom's Supervisory Board
First elected at the GMS held on April 17, 2007

Cristian Marian Olteanu
Counsellor to the President of the Authority for State Assets Recovery, representative of the Property Fund in Petrom's Supervisory Board
First elected at the GMS held on April 17, 2007

Victor-Paul Dobre – Member until December 2008
Secretary of State for Relations with Prefectures, Ministry of Administration and Interior
First elected at the GMS held on November 22, 2005. Following his election as member of the Romanian Parliament, Mr. Victor-Paul Dobre resigned from this position as member of Petrom's Supervisory Board.

On February 12, 2009, **Mr. Marian Turlea** was appointed as interim member of the Supervisory Board with effect until the next General Meeting of Shareholders. The new representative of the Romanian State in the Supervisory Board was appointed following the nomination made by the Ministry of Economy in its capacity as Petrom shareholder, and replaced Mr. Victor-Paul Dobre.

Statement of the Chief Executive Officer

Dear shareholders,

2008 was an extremely challenging year for Petrom. The Company benefited from the favorable oil price environment in early 2008, but was also hit by the general economic and oil-specific downturn, in the latter part of the year. After three quarters of exceptionally high oil prices, which also triggered an increase in oil industry costs, the fourth quarter saw not only a serious financial markets crisis, but also a collapse in oil prices.

Restructuring and modernization program benefits are more visible

The benefits of our continuous and consistent restructuring and modernization programs are becoming more and more visible:

In **Exploration and Production**, we successfully maintained the oil production level, and have already achieved the 2010 reserve replacement rate target already in 2008 (RRR 71% in Romania). We successfully integrated the service activities of Petromservice, through the newly established division Exploration and Production Services, setting a solid foundation for the achievement of our strategic objectives to stabilize oil and gas production and reduce production costs. We undertook significant expansion in exploration activities, and we signed an agreement with ExxonMobil in order to initiate a joint exploration campaign for the deepwater regions of the Black Sea.

In **Refining and Marketing**, we recorded further efficiency improvements. In Refining, we reduced the level of own crude consumption by 1 percentage point and further upgraded our product yields. We progressed with the construction of the EUR 90 mn fluid catalytic cracking gasoline post treater project in Petrobrazi, which enables the production of Euro V gasoline at the site. In the Marketing segment, we have already achieved the 2010 target for throughput per filling station, which reached 4.3 mn liters in 2008. We successfully diversified our sales, registering a non-oil business sales increase of 45% compared to the previous year.

In **Gas and Power**, we managed to consolidate our position on the Romanian gas market despite a difficult business environment. We also optimized the business model for the gas distribution operations and opened the construction site for the Brazi power plant in December 2008.

Record level of investments

These results were possible due to a considerable investment effort, which rose to reach record levels of over RON 6 bn in 2008, 68% higher than the previous year, exceeding all our investment obligations stemming from the privatization contract. More importantly, these achievements were the result of the high level of commitment of our employees, supported by the continuous transfer of know-how from OMV Group.

Achievements overshadowed by high level of one-off items

Still, the past year was a year of mixed results as achievements recorded in 2008 were overshadowed by the high level of one-off items booked throughout the year: provisions for litigations and restructuring and the impairment of Arpechim. Moreover, as this situation coincided with the sharp decline of oil prices in the fourth quarter, Petrom's results suffered a significant negative impact, resulting in a 33% decrease in operating profit for the full year 2008, and a 43% decrease in net profit respectively, compared to 2007. Similarly, Petrom's share price experienced a poor performance in 2008, as it declined 64%, however outperforming the Bucharest Exchange Trading (BET) index, which decreased 71% given the turmoil on the international financial markets.

Among the above mentioned one-off items, the provision Petrom had to book for litigations initiated by former and current employees, conspicuous by its considerable size – RON 1.3 bn - had the largest negative impact on the Company's results. The litigations are based on differing interpretations of several clauses included in Petrom's Collective Bargaining Agreement regarding the granting of some bonuses previously included in the base salary (since 2003). Thus far, Petrom has taken all possible actions and committed all necessary resources to defend against the lawsuits and also to prevent a further increase in litigation.

In 2009, we will continue our investment program, however at a considerably reduced level compared to 2008, given the current unfavorable economic conditions. In order to ensure the necessary funds to finance an already reduced investment budget compared to the previous year – in addition to our efforts to attract external financing – the management's proposal is that no dividends should be distributed for 2008. Nevertheless, the Company's

Statement of the Chief Executive Officer

investment budget and dividend proposal are subject to shareholder approval at the General Meeting of Shareholders on April 28, 2009.

Sustainable long-term development strategy

While currently focusing on mitigating the effects of the financial crisis, Petrom also pursues a sustainable long-term development strategy based on the 'triple bottom line' approach. As such, we devote significant attention to social and environmental concerns in carrying out our activities. Our aim is to become a role model for the business community and a responsible 'citizen' in the communities where we operate. We are committed to treating every employee with respect, providing a safe and quality working environment, and offering the means for continuous professional and personal development. As an integrated oil and gas company, and the largest Romanian company, we are also committed to mitigating climate change impact by increasing energy efficiency and reducing carbon emissions, as well as implementing high HSE standards.

We are convinced that our achievements recorded in the four years since privatization, due to our continuous efforts and intensive restructuring and modernization, as well as our solid financial position and low leverage, place us in a good position to face the challenges of a weakening market environment. With a continuous emphasis on efficiency improvement and cost monitoring, together with a conservative financial strategy in line with OMV Group, we will focus on achieving our strategic objectives and further develop our competitive position in the oil and gas industry.

Mariana Gheorghe

Members of the Executive Board

The Executive Board is elected by the Supervisory Board and consists of seven members.
It manages the day-to-day business of the Company and supervises the management of its group companies in accordance with the law, the Company's Articles of Association, the internal rules and guidelines as well as the resolutions of the Supervisory Board and of the General Meeting of Shareholders.

The Executive Board has the following structure as of January 1, 2009:

From left to right: Tamas Mayer, Gerald Kappes, Johann Pleininger, Mariana Gheorghe, Reinhard Pichler, Siegfried Gugu, Neil Anthony Morgan

Mariana Gheorghe

Chief Executive Officer and President of the Executive Board, responsible for: Corporate Communications; HSE; Corporate Human Resources; Corporate Development and Investor Relations; Corporate Affairs and Compliance; Legal

Mariana Gheorghe graduated from the Academy of Economic Studies, International Relations in 1979, the University of Bucharest, Law School in 1989 and London Business School, Corporate Finance in 1995. Mrs Gheorghe worked for various Romanian companies and for the Ministry of Finance. Between 1993 and 2006 she worked for the European Bank for Reconstruction and Development as Senior Banker for South-Eastern Europe and the Caucasus Region. After the Petrom privatization in 2004, Mrs. Gheorghe became Member of the Board of Directors of Petrom as EBRD representative until June 15, 2006, when she became the new Chief Executive Officer of Petrom. As of April 17, 2007, following the adoption of the two-tier management system, she is also the President of the Executive Board.

Reinhard Pichler

Chief Financial Officer, responsible for: Corporate Finance and Controlling; Corporate Internal Audit; Corporate Risk Management and Treasury; Corporate Real Estate Management (CREM); Corporate Information Office (CIO); Global Solutions

Reinhard Pichler studied at the Federal College of Engineering in Austria and at the Economic Studies University in Vienna. He was Deputy Director Controlling OMV Group (1996 -2000), Director of OMV Solutions (2000–2002), Vice President and Director of Corporate Controlling and Accounting starting with 2002. He has been working in the oil and gas industry since 1990 and joined Petrom in 2005.

Johann Pleininger

Responsible for Exploration and Production

Johann Pleininger attended the Technical College for Mechanical Engineering and Economics in Vienna; he obtained the International Project Management certificate and graduated in Industrial Engineering. His positions at OMV have ranged from field operator to shift foreman and then to production supervisor, Facility & Cost engineer, project manager and Head of the Investments Department. He was then appointed manager within the Project Management and Investments Department. He has been working in the oil and gas industry since 1977. He joined Petrom in 2005 and was appointed as head of the Exploration and Production division in June 2007. Starting January 1, 2008, Mr. Johann Pleininger heads the entire activity of Exploration and Production, including E&P International.

Members of the Executive Board

Siegfried Gugu

Responsible for Exploration and Production Services
Siegfried Gugu obtained his Master and Doctoral Degrees in Petroleum Engineering at the Mining University in Leoben. Since he joined OMV he has held various technical and managerial positions in Austria, the UK (1995–1997) and Libya (2000–2004). Most recently he held the position of Asset Manager (responsible for OMV oil production in Austria). He has worked in the oil and gas industry since 1990. He joined Petrom in 2007 and was appointed as head of the E&P Services division at the beginning of 2008.

Gerald Kappes

Responsible for Gas and Power (including Chemicals)
Gerald Kappes graduated in law at J. Kepler University of Linz in 1986 and business economics at J. Kepler University of Linz in 1989. He started his career in 1989 within the Operational planning and fertilizers department at Agrolinz GmbH. In 1990 he held the position of Manager of Trade Policy Affairs at the "European Fertilizer Manufacturers Association" in Brussels. Between 1991–1993 he was area manager Western Europe for fertilizers within AMI Agrolinz Melamine GmbH. Starting in 1994 he held the position of Head of Marketing/Sales, melamine and then, Head of Purchasing and Logistics at Agrolinz Melamin GmbH in Linz, until 2000. Between 2001 and 2007 he worked for OMV Aktiengesellschaft as Senior Vice President Corporate Purchasing and from 2005 until December 2007 held the position of Head of Business Unit Purchasing within OMV Refining & Marketing GmbH, Vienna. He joined Petrom at the beginning of 2008.

Tamas Mayer

Responsible for Marketing
Tamas Mayer obtained his Master Degree at the Economic University in Budapest. He was General Director of OMV Hungary (1992–1998), General Director of OMV Bulgaria (1998–2002) and responsible for co-ordination of marketing and distribution activities, OMV Romania, Bulgaria, Serbia and Montenegro from 2003. He has worked in the oil and gas industry since 1992 and he joined Petrom in 2005.

Neil Anthony Morgan

Responsible for Refining and Petrochemicals
Neil Anthony Morgan graduated in Chemical Engineering from the University of Salford, Manchester, UK. His experience spans over 20 years in the Refining and Petrochemicals business. Before joining Petrom, he worked four years for Petronas Penapisan (Malaysia), where he held the position of Project Director, Refinery Expansion Project. Prior to Petronas, he worked for 12 years for Engen Petroleum in Durban, South Africa, where he held various technical and operational management positions. After joining the company in 1992 as a Process Control Specialist, he progressed through several promotions. These varied from Chief Engineer Process Control and Information Technology to Technical Services Manager and Operations Manager. During 1985-1990, Mr. Morgan was Production Manager, Operations Manager and Chief Process Engineer in Sentrachem Ltd (Johanessburg, South Africa). He joined Petrom in 2008 and he is responsible for Refining and Petrochemicals as of July 2008.

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.

Business environment

World

In 2008, **total world crude demand** fell at an annualized rate of 0.2% reaching 85.8 mn bbl/d. The effects of the global financial crisis continued to drag down economic growth at an accelerated pace. The slowdown in economic activity and deteriorating conditions in global credit markets affected all major world regions. The largest impact on oil demand was felt most notably in developed countries, falling by 5.5% in North America and 0.5% in Europe.

World crude production rose by 1.16 mn bbl/d to 86.6 mn bbl/d. In 2008, average global spare capacity stood at 2.4 mn bbl/d. Spare capacity could increase further on the back of lower oil demand and subdued refining costs. Pressures on OPEC members to make further cuts in oil production would increase in the near future as benchmark oil prices envisaged to finance their government budgets and current account deficits are above current oil prices.

In 2008 the average **Brent price** stood at USD 97/bbl, still around 34% higher compared to 2007. However, between January and December 2008, oil price fell from USD 97/bbl to USD 36.7/bbl, a whopping 62%. Increased oil price volatility throughout the year was due to both uncertainty in the financial markets and a continuing deterioration in global economic outlook.

Romania

Although **Romanian GDP** grew by 7.1% in 2008, economic growth has decelerated sharply towards the end of 2008. Domestic credit slowed down at a rapid pace, triggering a reduction in demand and private consumption. Excess demand continued to moderate slightly throughout the year, maintaining its downard trend. The annual growth rate of industrial production slowed down to 1.3% in 2008 from 5.4% a year ago. The collapse in demand, triggered by increasingly risk averse consumers, has forced companies to make the necessary adjustments in their industrial output levels.

Compared to 2007, **supply side pressures** eased to some extent. Labour market supply increased as a number of companies shed off part of their workforce. Inflation threat has receded as global energy, commodity and food prices have fallen back to sustainable levels. However, average net wages continued to grow at a robust pace, reaching 22% at the end of the year.

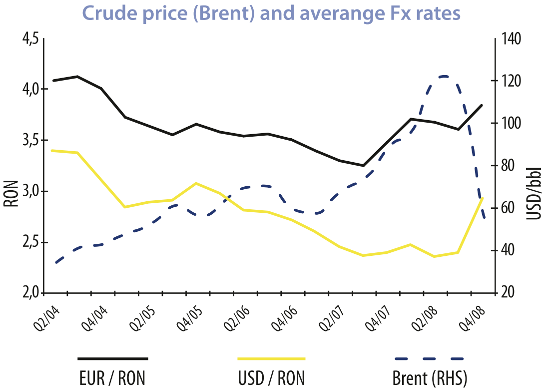
The pressures on the RON had intensified in 2008. To this, it contributed both uncertainties regarding the future stance of domestic fiscal policy as well as investors' risk reassessment to the region as a whole. The RON fell against both the EUR and the USD by 10% and 3%, respectively, on an annual basis.

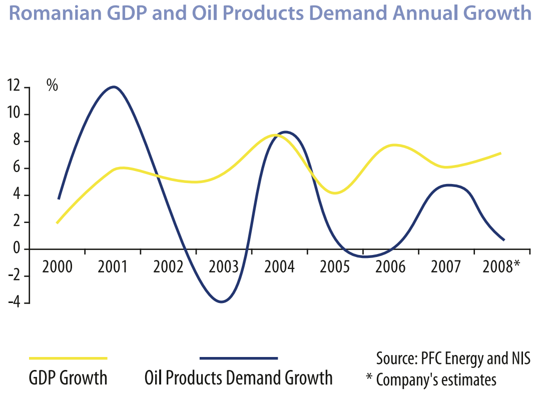
RON depreciated against EUR and USD

Romanian **primary energy resources** were marginally down by 2.4% compared to 2007, to 40 mn toe. Overall, imports of primary energy resources were 6% lower while domestic production went up by 0.2%. In 2008, Romania's oil demand stood at 12.8 mn toe, down by 3.5% compared to previous year. Domestic oil production fell by 6.4% with imports going down by 1.3%, or 0.11 mn toe. Gas demand continued to fall in 2008 by 7.1% to 12.8 mn toe from 13.8 mn toe in 2007. Natural gas imports decreased by 8.1% year-on-year while the domestic production went down by 6.7% to 9.2 mn toe.

Romanian economy to slow down in 2009

Outlook for 2009: With real global GDP growth expected to contract by 0.5% in 2009, oil demand is likely to keep falling. Oil inventories are already at elevated levels and increased spare capacity in the industry would put additional pressures towards reducing supply. Romania's economy will slow down in 2009. With foreign demand expected to continue to shrink, the future course of fiscal policy would prove to be important for preserving domestic competitiveness and improving the macroeconomic conditions.





Source: PFC Energy and NIS
* Company's estimates

Company Overview

Petrom is the largest Romanian company and the largest oil and gas producer in South - Eastern Europe. It is 51% owned by OMV A.G., leading energy group in the European growth belt. Petrom is listed on the Bucharest Stock Exchange.

Company Overview

Achievements 2008 and our strategic directions

Overview 2008

Petrom, a member of the OMV Group, is the largest oil and gas producer in South-Eastern Europe. Our business segments are Exploration and Production, Refining and Marketing, and Gas and Power. Total oil and gas production totalled 188,476 boe/d, and proved reserves were around 843 mn boe, at the end of December 2008. We have a maximum refining capacity of 8 mn tons per year and we operate together with our affiliates 550 filling stations in Romania, and another 269 stations in neighboring countries.

Despite difficulties during 2008, we had significant achievements in all business segments

In 2008, we continued our modernization efforts based on the restructuring program and investments in all business segments.

Crude oil production levels successfully maintained

We made significant progress in **Exploration and Production**, where crude oil production levels were successfully maintained. The 2010 reserve replacement rate target has already been achieved in 2008 with a 71% domestic reserve replacement rate. We undertook significant expansion in exploration activities and we successfully completed the well modernization program, with a cumulative number of 5,049 wells completed at the year end. These had a significant positive impact on our production cost, production volumes and operations safety.

In 2008, we successfully integrated the service activities of Petromservice, which supports the strategic objectives to stabilize oil and gas production and to reduce production costs. For the integration of the newly acquired oil services, a new division was created within Petrom: Exploration and Production Services (EPS), effective February 2008.

Significant energy efficiency improvement in Refining

In **Refining**, we accomplished significant energy efficiency improvement during 2008 and we significantly enhanced capabilities to produce EU specification fuels.

We made progress with the construction of the EUR 90 mn fluid catalytic cracking (FCC) gasoline post treater project in Petrobrazi, a project which enables the production of Euro V standard gasoline at the site.

Average yearly throughput per filling station reached 4.3 mn liters

In the **Marketing** segment, the throughput per filling station already reached the 2010 target of 4.3 mn liters, due to the implementation of the full agency system and higher domestic demand. In the non-oil business, sales increased by 45% compared to last year's level.

In **Gas and Power**, we managed to consolidate our position in the Romanian gas market despite a difficult business environment. We also optimized the business model for our gas distribution operations and opened the construction site for the Brazi power plant in December 2008.

In 2008, we continued to improve efficiency and the quality of our products and services. In order to achieve our business, social and environmental objectives, we invested a record amount of RON 6,404 mn in 2008.

We are committed to sustainable development based on good corporate governance, high standards of corporate social responsibility, clearly defined corporate values and our internal code of conduct.

We committed ourselves to consolidating our position as leading oil and gas company in South-Eastern Europe, leveraging on our role as the OMV Group operational hub for marketing in South-Eastern Europe and for exploration and production in Romania and the Caspian region.

Our strategic directions

Our strategic directions remain unchanged, however specific targets might suffer some adjustments, given the current volatile environment.

E&P

- Maximize and ensure long term oil and gas production in Romania
- Unlock gas potential
- Achieve competitive production cost
- Develop international activities, especially in the Caspian region

R&M

- Petrobrazi refinery expansion and modernization
- Continue energy efficiency improvements
- Strengthen position in the aviation fuel market and LPG market
- Maintain retail market share by providing top class customer service and increasing efficiency

G&P

- Enlarge Petrom's gas position to become the leader in the end user market in Romania and a recognized player in South-Eastern Europe (SEE)
- Enter the power generation market by building a 860 MW gas fired power plant
- Enter the renewable energy business

Exploration and Production

Petrom is the sole producer of crude oil in Romania and accounts for half of its gas production. Following increased drilling activities and the modernization efforts the oil production level was successfully maintained in 2008. Total oil and gas production amounted to 188,476 boe/d. Total domestic proved reserves amounted to 843 mn boe, at the end of December 2008.

Our achievements in 2008

- 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 producering 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

Our strengths

- Leader in South East European oil market
- Intensive investment program
- New high-caliber management team
- Large-scale application of new technologies

Our strategic directions

- Maintain our leading position as the largest operator in Romania
- Maximize and ensure long-term production in Romania
- Development of proved undeveloped reserves through implementation of Field Redevelopment Plans
- Unlock gas potential
- Live a performance driven organization
- Develop international activities in the Caspian Region

Our objectives for 2010

- Achieve competitive production cost
- Implement fast reserves maturation
- Maintain reserve replacement rate at 2008 level
- Modernize high-value fields and improve equipment up-time
- Renew exploration acreage to enable continued replacement of resources
- De-bottleneck and secure distribution of gas
- Implement high standard HSEQ systems and processes

Refining and Marketing

Petrom is the number one downstream operator in Romania, with an installed capacity of 8 mn tons per year at its two refineries at Petrobrazi and Arpechim while also operating 550 filling stations in Romania together with its affiliates, with another 269 stations in neighboring countries. We are also the leading supplier of aviation fuel services and the number one player on the local LPG market.

Our achievements in 2008

- 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 S.A. following acquisition of the 35% of share capital not already owned by Petrom
- Acquisition of an additional 20.87% stake in Petrom Aviation S.A.

Our strengths

- High degree of integration with domestic crude resources and regional distribution outlets
- Strong brand and leading position in the Romanian market
- High product and service quality and environmental standards
- Strong network of terminals and filling stations

Our strategic directions

- Low cost conversion of Romanian crude oil into high quality transport fuels for the South-East European market
- Expansion and modernization of Petrobrazi and compliance investments at Arpechim refinery
- Continue energy efficiency and yield structure improvements
- Increase the LPG market share and strengthen Petrom position on the aviation fuel market
- Maintain retail market share

Our objectives for 2010

- Increase refining utilization rate
- Prepare for turnaround interval of five years
- Improve efficiency of own crude oil consumption
- Improve refineries yield structure
- Improve HSEQ to OMV equivalent level
- Maintain the average throughput per filling station at around 4 mn liters/year
- Maintain retail market share by providing best-in-class customer service and increasing efficiency
- 100% implementation of full agency system in Petrom Moldova S.A.

Gas and Power

Petrom is a powerful player in the Romanian gas market, covering all gas market segments. In order to leverage the value of natural gas, the decision was taken to move the value chain one step forward by developing our own power generation business. Gas and Power also includes chemicals; the Doljchim chemical plant is a representative unit of Romania's chemical industry, with an important weight in the production of chemical fertilizers and methanol for both domestic and export markets.

Our achievements in 2008

- 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 (biogas)

Our strengths

- One of the leading gas marketers in Romania
- High degree of flexibility and competence, taking advantage of our wellhead-to-burnertip vertical integration
- Full coverage of the requirements of all market segments in Romania
- Best placed to further expand the gas value chain by entering power business
- Well trained and competent employees provide a high degree of customer orientation and creativity enabling us to move into new fields of business
- Professional integration of IT and business processes

Our strategic directions

- Enlarge Petrom's gas position to become leader in the Romanian gas market and a recognized player in South-Eastern Europe (SEE)
- Develop storage business
- Enter power generation market by building a 860 MW gas fired power plant
- Establish a strong sales and trade organization within the Power business
- Enter renewable energy business

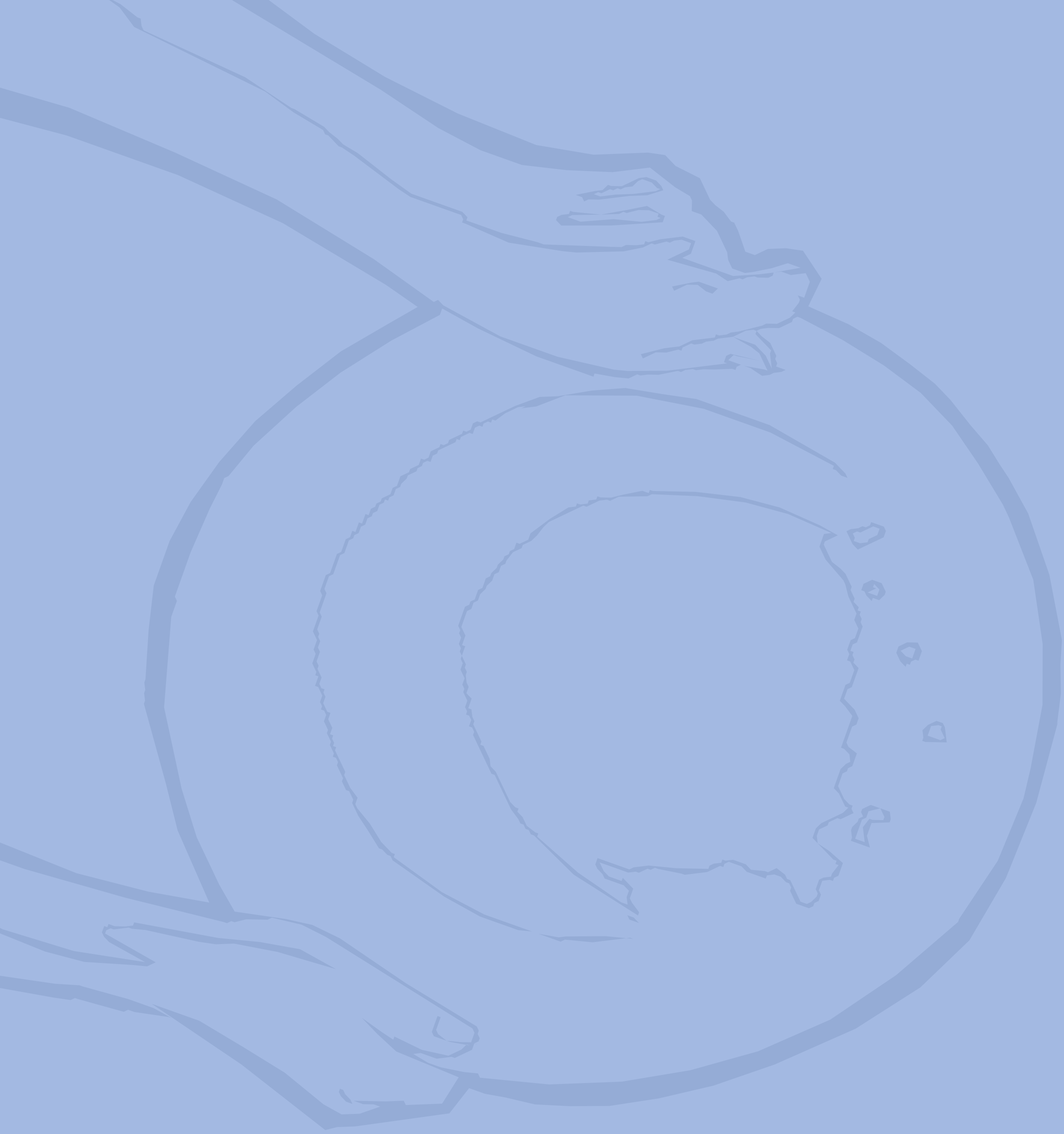
Our objectives for 2010

- Achieve gas marketing volume of more than 7 bcm and a domestic market share of at least 35%
- Establish a sizeable gas business in the neighboring countries
- Prepare for entry into the power market in 2011, with the construction of the Brazi power plant and renewable energy projects

Operational Highlights

Petrom has proved oil and gas reserves of 843 mn boe, an installed refining capacity of 8 mn tons per year and operates more than 800 filling stations in Romania and abroad. In 2008, the total oil and gas production was 69 mn boe, marketing sales totalled 5.2 mn tons and consolidated gas sales amounted to 5.3 bn cbm. In IT, Petrom Solutions was turned into a group-wide solutions provider.

Operational Highlights



Exploration and Production

We successfully maintained the oil production level, and have achieved the 2010 reserve replacement rate target already in 2008 (RRR 71% in Romania). In addition, the service activities of Petromservice have been successfully integrated, through the newly established division Exploration and Production Services.

Exploration and Production (E&P)

One of our major achievements in 2008 was stabilization of crude oil production. By the end of 2008, Petrom made significant progress with regard to the exploration activities by signing an agreement with ExxonMobil to initiate a common exploration campaign for the deep offshore region of the Black Sea. As a result of exploration and redevelopment activities, Petrom's reserve replacement rate target for 2010 was reached already in 2008 (71% in Romania).

Crude oil production stabilization

E&P at a glance*

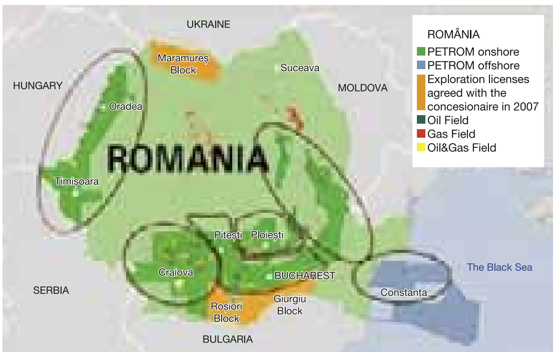
	2006	2007	2008
Total Group production (mn boe)	74.66	72.00	**71.08**
thereof Petrom S.A.	73.06	70.27	**68.98**
Group Crude and NGL production (mn tons)	4.94	4.72	**4.77**
thereof Petrom S.A.	4.78	4.54	**4.54**
Gas production (bcm)	5.98	5.81	**5.62**
thereof Petrom S.A.	5.92	5.75	**5.55**
Domestic reserve replacement rate (%)	13	38	**71**
Total net revenues (RON mn)[1]	9,399	7,430	**9,828**
EBIT (RON mn)	3,744	2,848	**3,228**
EBITDA (RON mn)	4,334	3,556	**4,490**
OPEX (RON mn)	5,538	4,582	**6,600**
Exploration expenditures (RON mn)	140.9	230.0	**450.0**
Investments (RON mn)[2]	1,336	2,465	**4,524**

* Financial figures in the above table refer only to Petrom S.A., excl Kazakhstan affiliates. As of January 2008, E&P financials include the results of the new business division Exploration and Production Services (EPS). In 2006 revenues and OPEX include Gas (reported separately starting 2007)

[1] Total net revenues also include inter-segment sales

[2] Investments also include increases of Petrom share participations and investments during the year in exploration wells that proved unsuccessful

EBIT of the Petrom S.A. E&P business increased by 13% in 2008, as a result of stable oil production and increased oil prices. The EBIT increase was partly offset by industry cost inflation, and the establishment of significant provisions related to litigation and restructuring. Depreciation and amortization increased due to higher investments, while royalty payments increased due to higher oil prices. Considerable increases in exploration expenditures also reduced EBIT.



Petrom's Exploration, Development and Production Concessions in Romania

Operational highlights 2008

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. A combined volume of 188,476 boe/d was produced in 2008 [2007: 192,500 boe/d].

Exploration and Production (E&P)

Exploration

The old exploration areas were reviewed during 2008; as a result 13 exploration licenses were extended by three years until 2011 and 5 exploration licenses were relinquished. Government Approval was issued in March 2008 for the three new exploration licenses granted to Petrom in 2007 (Maramures, Giurgiu and Rosiori) allowing Petrom to start exploration activity in these areas.
During 2008, Petrom has signed an agreement with ExxonMobil to initiate a common exploration campaign for the deep offshore regions of the Black Sea. An international tender was launched at year end in order to select the company that will perform the 3D seismic acquisition.

Out of 26 wells drilled, 11 recorded technical success, and 8 proved production potential

Based on the results of the previous three years of 2D and 3D seismic acquisition campaigns, 28 exploration and appraisal wells were spud and another 26 were drilled (compared with 23 wells drilled in 2007). Out of these, 11 exploration and appraisal wells recorded technical success and 8 wells have proved production. A cumulative 3,599 km of new 2D seismic survey data was acquired in 2008.

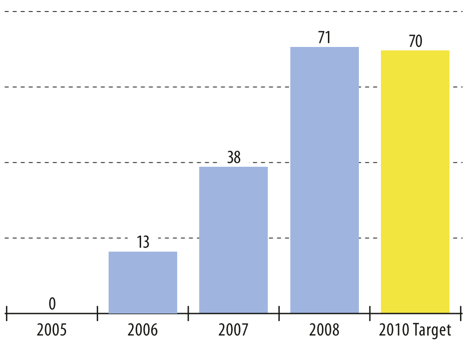
The last completed gas well 20 Valeni (December 2008) is currently connected to the national supply system and has an initial production rate of 1,700 boe/day.

Reserve replacement rate (RRR)

2010 RRR target already achieved

As of December 31, 2008, Petrom Group's total **proved oil and gas reserves** amounted to 872 mn boe (Romania 843 mn boe), while the proved and probable oil and gas reserves amounted to 1,399 mn boe (Romania 1,319 mn boe).

Reserve replacement rate in Romania

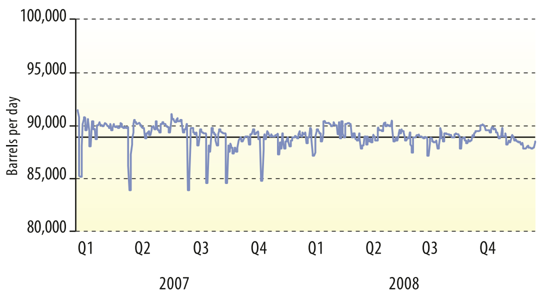


Continuous revisions of mature fields, intensification of the drilling program combined with diversification of recovery mechanisms applied resulted in early achievement of the 2010 reserve replacement rate target in 2008 (71% in Romania, almost double than 38% obtained in 2007). Petrom's Group reserve replacement rate reached 70% in 2008.

Production

One of the major achievements of 2008 was stabilization of crude oil production. In 2008, Petrom produced 4.54 mn tons of crude oil and NGL and 5.55 bcm of natural gas or an equivalent of 68.98 mn boe in Romania. The average daily equivalent oil production in Romania reached 188,476 boe/day (2.4% lower than 2007).

Petrom E&P Romania Crude Oil Achievement



Stabilization of oil production at 89,300 boe/day was achieved through improved drilling performance, well modernization, and the application of new technologies related to well productivity.
The 2008 gas production level was affected by technical difficulties caused by pipeline pressure, the shutdowns of the fertilizer industry in the second half of 2008 and by the well workovers as a lower number of new gas wells were drilled in 2008 (11 new gas wells achieved in 2008 compared with 15 in 2007).

Investments

E&P **investments** in Romania increased to RON 4,524 mn, an increase of 84% compared to 2007, following similar increases in 2006 and 2007. These sustained annual increases demonstrate Petrom's commitment to investing in Romania. The 2008 increase is represented by the acquisition of the oil services business of Petromservice, increased drilling, modernization and efficiency programs.
Petrom S.A. **exploration costs** totalled RON 450 mn in 2008. This amount includes RON 100.2 mn recognized directly in the profit and loss account and RON 311.7 mn that was initially capitalized and

Exploration and Production (E&P)

subsequently evaluated as not successful and therefore expensed. Furthermore, exploration expenses also include RON 38.1 mn related to projects initiated in previous years for which the evaluation process was finalized in 2008 and subsequently classified as not successful.

Turnaround program

The **well modernization program successfully** continued in 2008 and is completed. In November 2008 the yearly target (completion of 4,855 wells) was exceeded, recording 4,872 wells modernized. At the end of the year, a cumulative number of 5,049 wells were completed with a significant impact on production costs, production volumes (gained incremental production for 5,000 wells of around 1,000 bbl/day) and operational safety. At overall E&P level, the well modernization program has resulted in a reduced number of interventions by 60% compared to 2005.
The program was rewarded with the Excellence Award by the International Project Management Association - IPMA, as the best project in Romania. The close down process of the program is planned for the first quarter of 2009.
Starting 2008, the **anti-corrosion project** was integrated into the well modernization program. As a result, a cumulative number of 5,066 chemical inhibitors skids were installed in the program.

In order to reduce the field infrastructure and complexity, the **optimization of surface equipment and production systems (OSPS)** project continued. The scope of work is to downsize parks to production manifolds (PMAN). During the first half of 2008, the Front End Engineering and Design (FEED) phase continued. Beginning with the third quarter of 2008, the contract was signed for the installation of 34 PMANs and work was commenced. Currently the execution phase is ongoing and the full installation of all 34 PMANs is due for completion in the second half of 2009.

The 2008 drilling optimization program was successful with a total number of 275 wells finished drilled (48% more than in 2007), of which 248 were development wells. This success was due to optimization of the drilling process, reflected in reduced lead times from "intention-to-drill" to "start-production", increased quality and efficiency of drilling and competitive management and monitoring of drilling contractors.

Program to redevelop brown fields started

Petrom started in 2008 a program to redevelop brown fields in Romania. This program aims to identify new reserves and increase oil and natural gas production. For that reason, Petrom has first selected promising fields (as Mamu, Delta, Suplac, Oprisenesti, Moreni). These fields have been examined by setting up geo-models and simulations. By the end of 2008, Petrom had an overview of which fields could be redeveloped using technologies such as water or steam injection. Currently, field redevelopment plans are set up. The most advanced project is related to the **development of the Mamu gas field**. Drilling activities at the first well 4335 Mamu are ongoing and will be finalized by the end of the first quarter of 2009. A second well will be drilled (well 4338 Mamu) and is expected to offset decline in other wells. At the same time, the upgrade of the existing Madulari gas treatment facilities will continue.

Development of the Delta offshore discovery was reassessed in order to reduce risks and the level of investments needed. Hence, the sub-sea completion method was abandoned in favor of drilling one extended reach horizontal well (D6).

RUNCU Development of the Deep Sandstone Reservoir continued with the drilling of two new horizontal oil wells, of which one was put on-stream at the end of 2008 with oil production rate of 549 bbl/day; the other well is expected to be finalized in the first half of 2009 and to start with a production at approximately 400 bbl/day.

The strategic objective of **de-bottlenecking gas production** was sustained by the **Hurezani project**. In order to secure current and future gas production delivery into the Transgaz System, to hedge against decreasing reservoir pressure and against the seasonality effect, a project in the Hurezani area was set up in February 2008. This project includes a new compressor station at Bulbuceni, 11 km of new pipeline connection and an upgrade of Hurezani delivery point to match the new gas flow and pressure parameters. The feasibility study has been finalized by the end of 2008. The project is currently in the phase of front end engineering and design. Preparatory work to enter the detailed engineering phase started at the end of 2008. Regarding the pipeline, 83% of the necessary contracts with land owners have been signed. The compressor is planned to become operational in the first half of 2010.

At the end of 2008, most of the civil and steel construction works at **the new gas processing plant Midia and C3+** (contract signed with Linde Group in

Exploration and Production (E&P)

late 2006) were finalized. This new plant is set to increase the current gas processing capacity allowing all the gas produced offshore to be treated. The commissioning and testing of the process facilities is currently ongoing. The completion and start-up of the new unit is scheduled by mid 2009.

25% production increase in Kazakhstan versus 2007

International E&P operations

In 2008, **Kazakhstan** oil and gas production further increased to 5,748 boe/d (up 25% compared to 2007) due to infill drilling and successful well stimulation projects in the **TOC** fields (Tasbulat, Turkmenoi, Aktas). Petrom continued to develop the Komsomolskoe oil field; the first horizontal producer and vertical gas injector wells were finalized and batch drilling is ongoing for additional four horizontal producers; infrastructure and pipeline construction was finalized and the Central Processing Facility (CPF) was close to mechanical completion at the end of 2008.

After entering Russia in 2006, exploration work in the Saratov and Komi region continued in 2008. Approximately 1,500 km of 2D seismic survey data were acquired in 2008. Two out of the three exploration wells drilled in 2008 in the Saratov region had hydrocarbon shows and are being tested. At year end, all licenses have been reviewed, taking into account existing and newly acquired technical data and the new economic environment. This review revealed a lower value for some licenses compared to their respective book values and consequently led to an impairment being recognized in the balance sheet as per international oil industry practice.

Komsomolskoe field (Central Processing Facility)

Komsomolskoe field development project

Exploration and Production Services (EPS)

Successfull integration of PSV

Integration of E&P Services

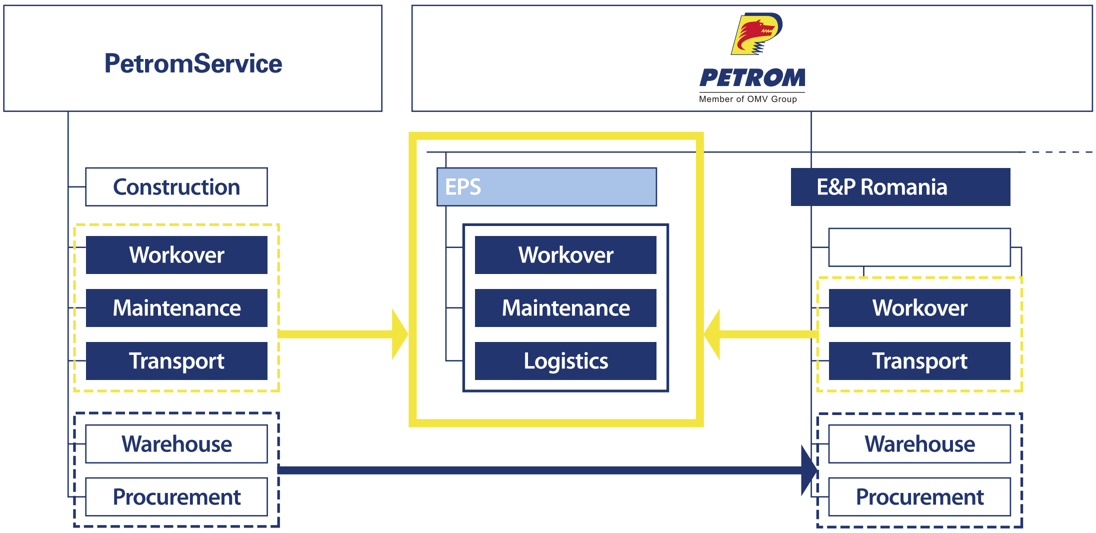
Effective February 1, 2008, Petromservice's oil service business and its relevant assets were integrated into Petrom and merged with the Drilling and Workover service units already existing in Petrom. Consequently, a new division, namely EPS, was set up to provide drilling, workover, maintenance and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

The Business Transfer Agreement involved the transfer of 9,775 employees from Petromservice (PSV). In parallel, 3,550 employees from E&P Drilling and Production Services (DPS) were transferred to EPS. Approximately 11,000 assets from PSV and around 25,000 assets from DPS were consolidated in EPS.

SAP has been set up as the main integrated software. At the same time, all the administrative functions and systems for this streamlined organization have been set up. A special focus has been given to implement state of the art training for all employees with a special focus on HSEQ.

Exploration and Production (E&P)

Organizational structure: integration of Petromservice



Operational highlights

EPS continuously provides services to the E&P Division. The lean administrative structure and work process optimization of EPS supported the achievement of E&P`s strategic objectives: the stabilization of the oil and gas production volumes and the reduction of service costs. The following improvements were achieved in 2008 at operational level:

In **Logistics**, a new structure and new procedures have been implemented to improve vehicle management, increase efficiency, and improve performance. Selective investments guarantee fleet availability and quality of service.

In **Maintenance**, an integrated maintenance planning & scheduling were launched in all clusters together with SAP based process, to improve efficiency and transparency. Technical & HSE trainings were conducted to enhance awareness and knowledge of the workforce. Focused modernization of workshops and tools, together with implementation of modern maintenance systems and procedures were achieved and "Mean Time between Failures" (MTBF) for E&P equipment improved by 5 %.

In **Workover & Drilling**, rig move equipment was modernized and rig move time reduced, with various investments made. Technical trainings together with international assistance contributes to a cost and quality improvement. The maintenance of rigs and the special workover services were outsourced to ensure up-to-date quality standards.

Update on the turnaround program

EPS vision

The Vision of EPS is to provide state-of-the-art exploration and production services to Petrom E&P. In order to accomplish this vision, a structured turnaround program was started, targeting mainly the efficiency increase/ cost reduction and portfolio optimization.

Based on an in-depth analysis of field operations, the improvement potential of our services and the measures to be put into practice have been identified. Subsequently in the last quarter of 2008, the implementation of an efficiency increase pilot project started in one field cluster.

In order to achieve the second objective, the EPS service portfolio was reviewed and a detailed market study covering local and international service markets was performed.

Outlook for 2009

Investments to be prioritized by their return potential

In order to cope with the financial crisis and the volatility of the international oil price, E&P investments are screened and prioritized in order to ensure an adequate return. Consequently, in 2009, exploration activities are expected to be slowed down and will cover new 3D seismic surveys (approximately 200 square km), new 2D seismic surveys (approximately 950 km) and the spud of about 8 new exploration and appraisal wells in Romania.

Exploration and Production (E&P)

In 2009, the E&P action plan comprises expansion of the reserves portfolio, arresting natural decline and ensuring production for the long term, as well as taking advantage of any cost reduction opportunity.
The E&P investment program will continue in 2009, especially with focus on the drilling program and development of the most promising major fields, but the amount of investment has been revised downward due to both the financial crisis and international oil price volatility.

E&P change process continues in 2009

In 2009, the comprehensive turnaround program will continue to focus on two main directions:

- Continuing the 2008 projects (field redevelopments, exploration and fast tracking green field development, production enhancement contracts, drilling optimization, gas de-bottlenecking and organizational streamlining);
- New projects proposals aiming to reinforce the operational capability and increase the performance of Petrom E&P, while focusing on core activities.

Through the accelerated implementation of the redevelopment plans and the fast track implementation of the turnaround program, we will continue our efforts to accelerate the conversion of the probable reserves into proved ones.

The Mamu gas field development as well as the Delta offshore oil field development will make considerable contributions to production on a full-year basis. The operating costs of Petrom are expected to benefit in 2009 from the successfully completed well modernization program and the increase in operational efficiency recorded in 2008. Throughout the year, the focus will continue to be on tight cost control and project prioritization within E&P to tackle the volatile environment.

In Kazakhstan, the Komsomolskoe oil field is expected to start production in the first half of 2009, with an initial production of 5,000 bbl/d and afterwards to reach a full field production of 10,000 bbl/d. In the TOC fields (Tasbulat, Turkmenoi, Aktas), the planned projects are aimed at upgrading production facilities and maturing additional reserves from 2P category into 1P category: hydraulic fracturing, drilling of additional wells and water injection.

The efficiency increase of the integrated oil service business of Petromservice, acquired in February 2008, will be a key activity in 2009. Starting with the first quarter of 2009, EPS will roll out the efficiency increase pilot project within all field clusters to increase efficiency at all levels, throughout the country. The EPS turnaround optimization program will contribute to the achievement of competitive production costs. This will be achieved by streamlining the organization and further increasing the operational efficiency supported by moderate investments.

Production in 2008	Oil and NGL		Natural gas		Oil equivalent
	mn t	mn bbl	mn Smc	mn boe	mn boe
Romania	4.54	32.66	5,553.38	36.32	68.98
Kazakhstan	0.23	1.74	62.85	0.36	2.10
Petrom total	**4.77**	**34.40**	**5,616.24**	**36.68**	**71.08**

Refining and Marketing

In Refining, we further reduced the level of own crude consumption and upgraded our product yields. In Marketing, we have already achieved the 2010 target for throughput per filling station, which reached 4.3 mn liters in 2008.

Refining and Marketing (R&M)

2008 was a year of critical challenges for our business. The deterioration of the economic environment and the steep reverse of the pricing environment produced a significant negative impact, which was offset only to a limited extent by the steady operational improvements achieved throughout the year. The Marketing business saw an impressive increase in throughput per filling station due to the implementation of the full agency system and in non-oil business, due to portfolio and purchase process optimization.

R&M at a glance*

	2006	2007	2008
Crude input (kt)	6,863	5,917	**6,121**
thereof imported crude (kt)	2,138	1,570	**1,831**
Refinery capacity utilization rate	86%	74%	**77%**
Sales (kt)	5,465	4,707	**5,210**
thereof: Gasoline	2,120	1,587	**1,716**
Diesel	1,794	1,835	**2,073**
Total net revenues (RON mn)[1]	14,525	10,574	**13,689**
EBIT (RON mn)	(1,136)	(1,065)	**(1,895)**
EBITDA (RON mn)	(914)	(736)	**(1,055)**
OPEX (RON mn)	15,660	11,639	**15,585**
Investments (RON mn)[2]	1,298	1,004	**1,297**
Number of operating filling stations	489	450	**448**

* Figures in the above table refer only to Petrom S.A.
[1] Total net revenues also include inter-segment sales
[2] Investments also include increases of Petrom share participations

EBIT of the R&M business significantly decreased compared to the previous year, being negatively affected by the impairment of the Arpechim fuels refinery's book value in the third quarter of 2008, the booking of provisions for litigations and restructuring. Furthermore, the effects of the significantly weakened economic environment could only partly be offset by improved operations of our refineries (both in product yield and energy efficiency increases) and improvements in the marketing business (higher sales in both domestic and foreign markets, higher non-oil business, purchase process optimization and reduced costs).
The single largest special charge relates to the impairment of the Arpechim refinery book value. In today's environment within Petrom's refining business, the Arpechim refinery cannot generate the required rate of return due to high own energy consumption, unfavorable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and as a result no improvement in its profitability is anticipated in the mid-term. To reflect these developments, an impairment of RON 559 mn has been booked in the third quarter of 2008, which represents the total book value of the Arpechim fuels refinery.
In 2008, the **refining margin**[i] dropped to USD 1.4/bbl, losing 61% from last year's value of USD 3.6/bbl, mainly due to more expensive own crude consumption driven by higher levels of crude prices. Throughout the year, the margins were highly volatile, with critically low levels registered during the third quarter.

Throughout 2008, margins were highly volatile

Middle distillates were among the only products with better margins than in the previous year, with **diesel cracks** at USD 250/t, which is USD 97/t higher than the 2007 level. With USD 148/t for 2008, **gasoline cracks** were USD 31/t below 2007.
Our refineries operated at a relatively low **utilization rate** of 77% in 2008, optimizing the imports of expensive crude within the highly volatile margin environment. Therefore, the utilization rate was only three percentage points higher than in 2007, given that last year we performed a six-week major maintenance turnaround at Arpechim and we stopped Petrobrazi for two weeks in autumn to allow tie-ins of the new diesel hydrotreater.

[i] Refining margin indicator is based on the international quotations for products (Augusta) and Urals crude and a standardized yield set typical for Petrom's refineries.

Refining and Marketing (R&M)

Crude oil processed, kt	2006	2007	2008
Arpechim	3,437	2,798	**3,078**
Petrobrazi	3,426	3,119	**3,043**
Total*	6,863	5,917	**6,121**

* Procesed crude oil figures include condensate

Production, kt	2006	2007	2008
Gasoline	2,094	1,570	**1,654**
Diesel	1,794	1,726	**2,006**
Kerosene/Jet fuel	192	187	**224**
HFO	753	737	**752**
LPG total	305	248	**252**
Bitumen	166	129	**192**
Petroleum coke	196	176	**195**

Sales

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, by 29% higher compared to 2007. According to Petrom's estimates, the retail market share was 36% in 2008.

Significant increase in non-oil business

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.

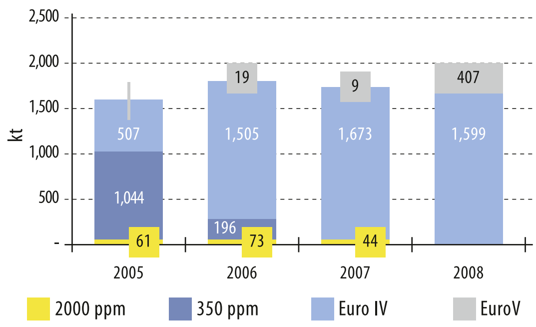
Operational highlights 2008

Refining

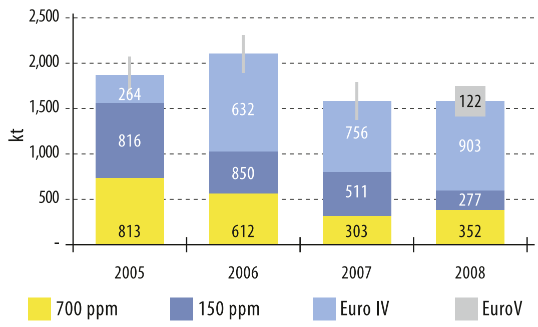
Within the ongoing transformation process, our ability to improve operational performance continued to return good results, despite very challenging conditions. Throughout 2008, we further improved the yields structure in our refineries, increasing middle distillates yields from 35% of products in 2007 to 37% and reducing own-crude consumption to 11.5%, lower by one percentage point of crude input, down from 12.5% in 2007.

In addition, we have adapted the structure of our products towards cleaner fuels and we developed our capabilities to meet Euro V (10ppm) fuel domestic market demand. All our fuels supplied to the domestic market are compliant with the legal regulations regarding biofuels.

Diesel quality improvement



Gasoline quality improvement



Refining and Marketing (R&M)

As an indirect consequence of the economic situation, in 2008 we were unsuccessful in fulfilling our strategic initiative to divest the Arpechim petrochemicals business. Given the critical condition of the petrochemicals market, in mid-November we stopped the operation of the steam cracker unit and consequently the petrochemicals downstream production. The unit remained down for the rest of the year and absent feasible commercial agreement for our products, there is an indefinite outlook on future operations of the steam cracker unit in Arpechim.

During the year, we achieved two important milestones in dealing with the environmental legacy issues, as we started the removal of the waste sludge from the lagoons and we progressed with the comprehensive infrastructure renewal project in the Petrobrazi refinery.

The Romanian environmental agency conducted audits in the first quarter at the Petrobrazi and Arpechim refineries and found both refineries to be in compliance with the environmental permits and compliance schedules. We received revised integrated permits according to the Integrated Pollution Prevention Control Directive for the Petrobrazi refinery in September and for Arpechim in December.

Marketing

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 retail and commercial segments are supported by the supply and logistics activity, which consists of storage facilities and all means of transportation. Supply and logistics is undergoing a major restructuring process.

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 re-construct seven other terminals.

According to the terminal rebuilding strategy, we plan to replace all existing storages with nine new storages complying with the Petrom OMV standard, European requirements and HSEQ principles.

The new terminals will include modern loading and unloading facilities, new tank farms, vapour recovery units, fire fighting systems, station control units and tank management systems.

Affiliated companies

In Moldova, the remaining 35% of Petrom Moldova has been acquired and the company is now being restructured. Petrom also acquired a 20.87% stake in Petrom Aviation S.A.. This acquisition allows Petrom to integrate the two aviation fuel providers (Petrom Aviation and Aviation Petroleum), leverage synergies and attain a 45% share in the Romanian aviation fuel services market. The new company fits into the long term strategy of Petrom Group by adding eight new airports to our portfolio.

Petrom Group sold 1.5 bn liters of fuel to retail customers through its subsidiaries in 2008, of which 60% represented international sales.

Strenghtened retail position in neighboring countries

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

During 2008 we continued investments in Refining. We are on schedule for completion in early 2009 of the FCC (fluid catalytic cracking) gasoline post-treater project in Petrobrazi and we advanced a series of other projects within the modernization program of our refineries.

Petrobrazi modernization investments on deferred schedule

In line with our mid-term objectives, we advanced the Front-End Engineering and Design phase for the major Petrobrazi modernization investments, however working on a deferred schedule in order to optimize the cost within the new market conditions.

In Marketing, the investments were mainly focused on reconstructing and modernizing the remaining, old-style Petrom filling stations and on rebuilding the main terminals within Integrated Logistics. A total of 41 filling stations were reconstructed and modernized and two new greenfield stations were built. A significant increase in investment was registered in Supply and Logistics where construction commenced on a new storage facility. Marketing investments during 2008 also included the acquisition of an additional stake in Petrom Aviation and the remaining stake in Petrom Moldova.

Refining and Marketing (R&M)

Focus on continuation of our restructuring process

Outlook for 2009

Within the current economic context, further continuation of our restructuring process becomes even more critical. In Refining, we aim to drive further incremental improvements in energy efficiency and yields development towards higher value products. Our refineries' utilization will be adapted to the existing market conditions to fulfill product demand.

We are continuing to pursue our mid-term strategy focused on converting Romanian crude oil into high quality transport fuels for the South-East European market. However, adapting to the current macroeconomic situation, we will review the scope and schedule of our expansion and modernization program in Petrobrazi and will continue investments accordingly. In addition, we aim to finalize the transaction of selling Petrochemicals Arges.

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

Gas and Power

We managed to consolidate our position on the Romanian gas market despite a difficult business environment. We also optimized the business model for the gas distribution operations and opened the construction site for the Brazi power plant in December 2008.

Gas and Power (G&P)

During 2008 the gas business of Petrom S.A. further consolidated its activity and continued its strategy of expanding the gas value chain. Further steps were taken in building the 860 MW power plant at Brazi with the purpose of entering the power generation market.
Gas and Power also includes Doljchim plant – a widely recognized unit of Romania's chemical industry.

G&P at a glance*

	2006	2007	2008
Total net revenues (RON mn)[1]	2,030	2,462	**3,258**
OPEX (RON mn)	1,913	2,339	**3,154**
EBIT (RON mn)	117	123	**104**
Investments (RON mn)	1	32	**386**
Consolidated gas sales (mn cbm)[2]	5,242	5,546	**5,297**
thereof Petrom S.A.	4,863	5,156	**4,944**
Doljchim sales (kt)	601	688	**503**

* Gas total revenues and OPEX for 2006 are also included in E&P financials (until 2007, Gas was reported under E&P). As of January 1, 2008, Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, previous period's numbers have not been restated.
1 Total net revenues also include inter-segment sales
2 Consolidated gas sales include the sales of Petrom S.A., Petrom Gas SRL and Petrom Distributie Gaze as well as internal transfers to other segments.

The **EBIT** generated by the G&P business of Petrom S.A. for 2008 cannot be directly compared to 2007, as Doljchim results were only consolidated during 2008. Still, it is important to mention that the EBIT generated by the Gas business was substantially better than in 2007, mainly thanks to an increase in domestic gas prices and reduced costs for the externalized gas distribution activities, which in the previous year amounted to some RON 30 mn. On the other hand, the EBIT recorded by Doljchim in 2008 was negative, due to the increase in provisions for litigation, asset write-offs and the major refurbishment of the methanol plant in the second quarter of 2008.

In 2008, the investments of the G&P business were mainly directed to the construction of the power plant in Brazi (RON 346 mn), while the investments in Doljchim amounted to RON 40 mn.

Gas

The gas sales volume of Petrom S.A. decreased by 4% compared to 2007. The total natural gas consumption of Romania decreased to approximately 15.5 bcm, down from 16.4 bcm in 2007. The main reason for this decline was the reduction of the fertilizer production during the second half of the year. Despite this, we managed to consolidate our position on the Romanian gas market in 2008.
Petrom Group gas sales amounted to 5.3 bcm.

Unchanged natural gas price for domestic production

The natural gas price for domestic production remained unchanged over the entire year at RON 495/1,000 cbm (USD 196/1,000 cbm), except for January (RON 470/1,000 cbm), whereas the price for imported gas reached a peak of USD 540/1,000 cbm in the fourth quarter, starting from USD 370/1,000 cbm in the first quarter of 2008.

Petrom S.A. voluntarily contributed RON 80 mn to the Social Gas Fund set up by the Romanian Government in order to cushion the impact of high import prices on low income households.

In 2008, Petrom injected a total volume of 441 mn cbm of natural gas into storage, compared to 299 mn cbm in 2007. The total volume of natural gas in storage at the end of December was 318 mn cbm.

Increased market share of Petrom Gas srl

Despite the particularly challenging environment on the Romanian natural gas market in 2008, due to regulatory issues, a steeply increasing import gas price and worldwide financial crises, Petrom Gas srl (Petrom S.A.'s 100% affiliate) closed a very successful year. Petrom Gas was able to increase its market share, due to higher sales quantities and number of customers. Petrom Gas' regional presence in areas remote from Bucharest was improved by opening two regional sales offices, one in Cluj and one in Timisoara. We have in plan another regional sales office in Iasi, estimated to be opened at the end of the second quarter of 2009.

Gas and Power (G&P)

Partnership and thus customer orientation is one of the main values of Petrom Gas. To emphasize this, the Customer Care Center was improved, increasing its staff number, responsibilities and activities and refining its processes.

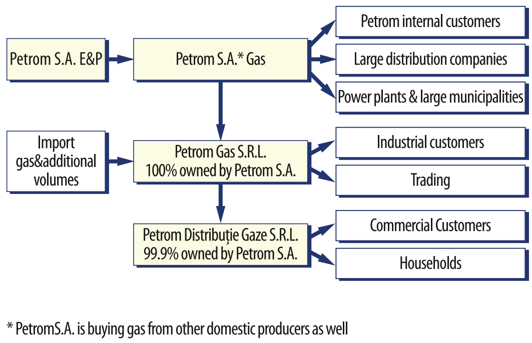
Petrom Gas regional presence

Strong presence in all gas market sectors

Operational highlights 2008

Petrom Group maintained its market position at a share of 34%, through a strong presence in all sectors of the gas market. The decrease of sales volumes was below the country's average and was due to the domestic gas production decrease. The Gas business division of Petrom S.A., formed in 2006, successfully consolidated itself in the Romanian gas market, focusing on sales to the large gas distribution companies and state-owned power producers, whereas the 100% affiliate Petrom Gas srl expanded its market position in the end-users power plants and industrial sector. Together with the small gas distribution network spun off in 2007 into a wholly-owned company – Petrom Distributie Gaze srl – Petrom Group served all segments from small households to large-scale consumers.

Business model:



* PetromS.A. is buying gas from other domestic producers as well

Outlook for 2009

For the year 2009, a further drop of total gas consumption in Romania is anticipated as a consequence of the world economic crisis. The impact on Petrom's own production will be minor since gas imports will be predominantly affected.
The distribution of natural gas and the sale to households is not a core activity. Consequently, Petrom is looking for a qualified partner to take over Petrom Distributie Gaze srl, in order to further develop this company. At the time being, this process is still ongoing and is expected to be finalized in the course of 2009, depending on the offers received.

Power

Power division set up

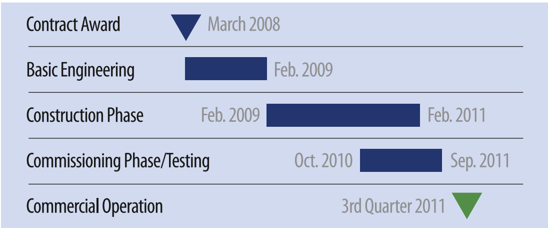
The newly established (2007) Power division continued its consolidation in 2008 in order to reach Petrom's strategic goal of entering the power market. To this end, three main streams were pursued: build the 860 MW gas fired power plant, establish a sales and trade organization and enter the renewable power business.

Important steps completed in Brazi power plant construction

In relation to the gas-fired power plant in Brazi, some important steps of the construction were completed in 2008: finalization of the EPC (Engineering, Procurement, Commissioning) tendering process and signing of a LSTK (lump sum turnkey) contract with a consortium led by General Electric; two other important agreements were also signed: LTSA (long term service agreement) and Owner's Engineering contract. The process of obtaining all required authorizations and permits was also completed in 2008, so that the project is well on track to be completed in 2011.

Gas and Power (G&P)

Time schedule of Brazi project



The key topic for 2008 was creating the basis for establishing a strong sales and trade organization. The core competence of such an organization would be an asset-based trading of electricity, CO_2 emission and energy related financial products. The sales and trading organization will act in the capacity of sustainable optimization and management of power assets in order to ensure a long-term profitability. A sales strategy is currently being prepared and scheduled to be completed in 2009. The backbone of the organization was created early in 2008 by hiring a start-up team, which soon started pre-marketing activities and already identified power selling and trading opportunities. A number of Letters of Intent were signed with potential business partners.

Entering the renewable power business was the third focus direction in 2008, serving the purpose of decreasing carbon intensity and building a sustainable fuel portfolio. Romania has excellent wind power potential and Petrom could have a competitive advantage due to the balancing potential between wind power and combined cycle gas turbine. Consequently, we concentrate on wind projects as preferred renewable technology and we continuously screen existing projects in order to find the most suitable one.

Wind projects to be pursuede as preferred renewable technology

Outlook for 2009

The main goals of the Power division in 2009 refer to:

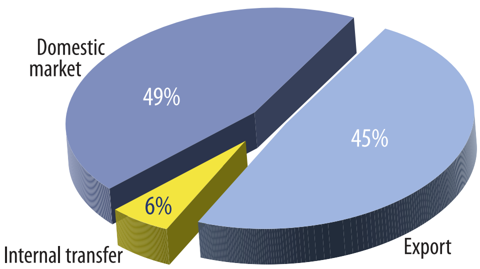
- Continue with the construction of the combined cycle power plant Brazi
  - Begin works for gas supply pipeline
  - Begin works for overhead electrical line
- Continue to grow the structure of Petrom sales and trade organization
  - Hire further key staff for relevant positions
  - Implement required IT infrastructure
  - Implement a Rulebook, asset, trading and wholesale book structure
- Continue efforts to enter renewable power business

Doljchim

The Doljchim chemical plant is an important part of the Romanian chemical industry and a significant contributor to the production of chemical fertilizers and methanol for both the domestic and export markets.

The sales volume generated by Doljchim in 2008 decreased by 27%, to 503 thousand tons, of which export sales represented approximately 45%. The decrease was mainly due to the lower production level achieved in the first half of the year determined by the general turnarounds and several unplanned shutdowns in both fertilizer and methanol plants. Reduced demand in the fourth quarter of 2008 also affected the sales volume.

2008 Sales Structure



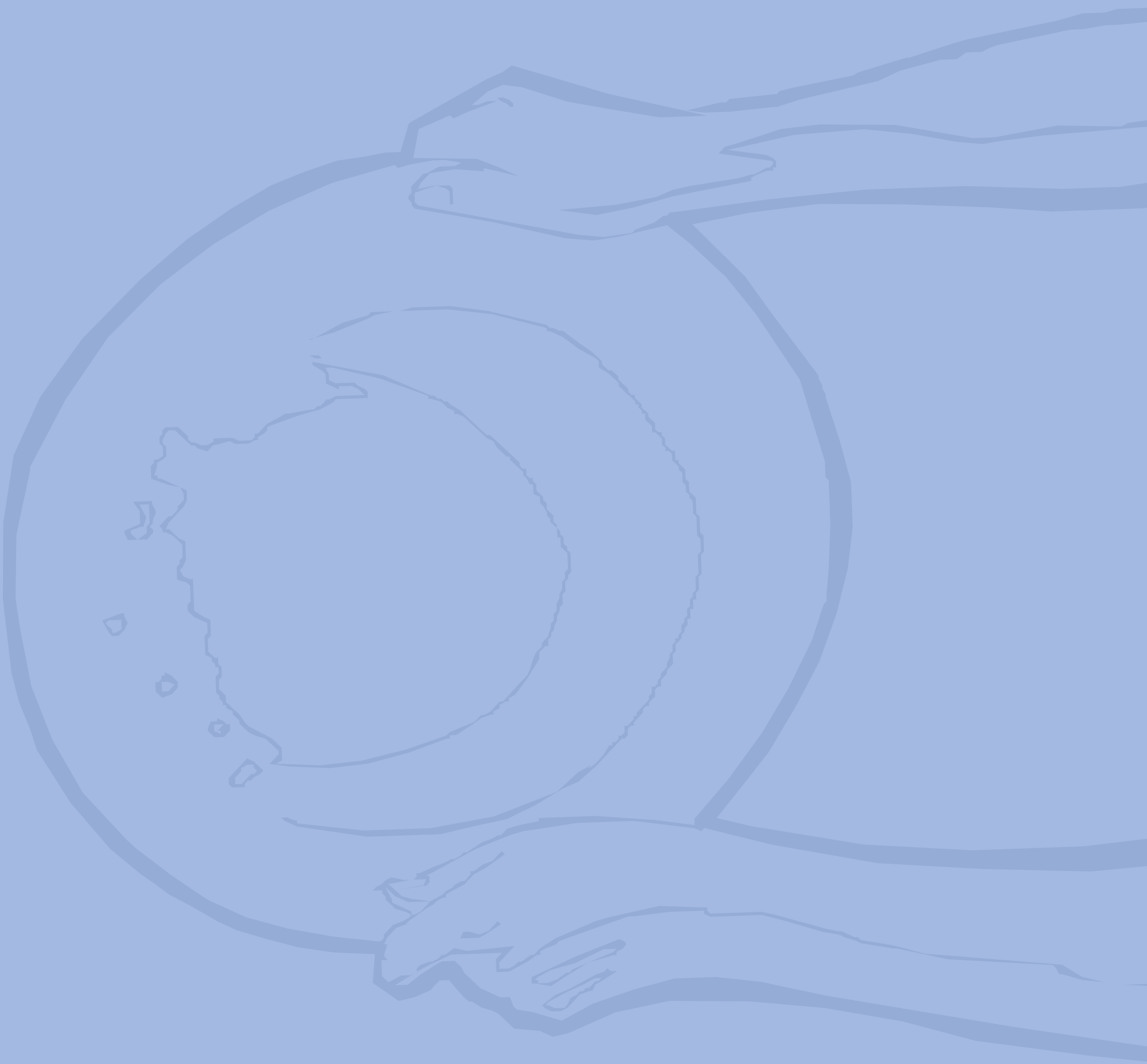
Nevertheless, satisfactory results were achieved in the first half of the year as both methanol prices (in the first quarter of 2008) and fertilizer prices (in the first half of 2008) reached very high levels due to strong demand in export markets.

In the second half of the year, the chemical and fertilizer markets were hit by the economic crisis. Demand in domestic as well as in international markets slowed down substantially caused by increasing difficulties to finance the products. Therefore Doljchim was forced to temporarily reduce, and at times even shut down, production during this period.

Reduced and partly shut down production at Doljchim in the second half of 2008

Outlook for 2009

Fertilizer production is not part of Petrom's core business, but we make considerable effort to develop this activity, including the option to manage this business in partnership. In 2009 we will continue to analyze the most appropriate ways through which we can secure the future of this business and of our employees from Doljchim.



Global Solutions

2008 is the year when Petrom Solutions turned into a group-wide solutions provider. The concept of Global IT service center – one service, two locations – is a flexible and dynamic structure that supports OMV Group to develop from a local to a regional and global player.

Global Solutions

Global Solutions IT – support for the business

Information Technology (IT) has the role of ensuring all necessary technical support for Petrom's businesses in order to meet ongoing and strategic needs. Our activity significantly contributes to saving costs, as IT strives constantly to increase competitiveness and identify possible synergies within the organization.

Starting with 2008, Petrom and OMV combined their IT organizations into one common IT organization serving two locations (Bucharest and Vienna). This organizational structure allows us to bundle our capabilities and support our growth even more competitively, cost efficiently and flexibly.

This year we have completed the implementation of major business applications and replaced projects by production. The organization has become familiar with the new systems, allowing IT to shift its aim towards optimization and new functionalities.

2008 key IT achievements

While in 2007 Petrom Solutions IT was successfully integrated into a global IT Service Center, 2008 is the year when Petrom Solutions turned into a **group-wide solutions provider**. The concept of Global IT service center – one service, two locations – is a flexible and dynamic structure that supports OMV Group to develop from a local to a regional and global player. This organizational setup has proved a two-fold advantage: optimizing the cost base in an expanding business environment and facilitating skill enhancement across locations.

We are especially proud of completing the extensive **SAP implementation project**. After three and a half years, the largest SAP implementation initiative in Romania so far has been concluded. Our company is now provided with a standardized and integrated software platform across all business divisions, ensuring transparency of all relevant financial information and the possibility to centrally monitor the efficiency of our financial resources. While so far it was stability and easiness of use that we put to the fore and the main objective was to offer a friendly and stable platform, we now start looking ahead, to ways of utilizing the technological capabilities of our SAP platform in order to optimize business efficiency.

The implementation of Petrom's new software platform is by far not an isolated project; in fact it is embedded in a number of other important strategic initiatives towards realizing Petrom's vision of a centralized organization working on standardized and integrated processes and IT systems.

Standardized and integrated processes and IT systems

Further achievements are:

- Standardization of IT processes
- Infrastructure roll-out for all branch offices – all locations across Romania were equipped with modern IT infrastructure
- Roll-out of the Terminal Automation System – an application that ensures a better overview and control of the quantities delivered
- Introduction of SAP-PS, a Project System for the refineries to efficiently track costs and support the "Vision 2010" project
- Integration of the new business division EPS into the new IT infrastructure
- Realization of the common portal Petrom - OMV, in order to ensure a consistent image of the OMV/ Petrom Group

Major **IT investments for 2009** are planned in the following areas:

- Master Data store for the E&P division: all applications along E&P's value chain are planned to share one unique source of Master Data
- Local Application Support for the rural areas: optimizing usage of existing applications and IT infrastructure
- Automated document handling system, integrated (workflow) tool for plant layout and process development for the success of the " Vision 2010" program in our refineries
- Planning and development of the new Data Center in Petrom City
- Disaster recovery concept: shall be designed together with the Data Center in Vienna, according to the principle of one data center on two locations
- Database for the company-wide Road Safety initiative

Outlook for 2009

In 2008 we managed to stabilize the existing IT organization and align business needs and user requirements. For 2009 we plan to optimize the existing systems and further exploit the synergies arising from the current operational mode.
We will continue the shift from a project driven towards a pro-active, production oriented IT-Organization and focus on initiatives with cost saving potential.

Sustainability Report

Petrom pursues a sustainable long term development strategy based on the triple bottom line approach: economic, environment and social. As such, the Company places high attention to social and environmental aspects in carrying out its activities.

Sustainability Report

Sustainability Report

Corporate Governance

The maintenance of high standards in complying with the relevant national and international laws is one of Petrom's core principles. As the largest oil and gas company in South Eastern Europe, Petrom operates in full compliance with the laws and regulations of the various countries in which it operates and endeavours to maintain high standards of integrity in business transactions. In this respect, Petrom strongly believes in Corporate Governance as the central tool in achieving performance in a sustainable manner.

Corporate Governance ensures the accuracy and transparency of the company's decision-making process and promotes equal access for all shareholders to relevant information about Petrom. First and foremost, the company's governance system is compliant with applicable Romanian legislation, as well as with OMV Group regulations.

The basic rules governing the relationships between Petrom's shareholders and its management, as well as between various management bodies of the company, are laid down in the Articles of Association. Therefore, this document is to be regarded as the most fundamental regulatory framework for Petrom, from which all other governance rules have derived. As of April 17, 2007, pursuant to the amendment of its Articles of Association, Petrom's governance follows the two-tier principle, comprising an Executive Board (EB), which runs the day-to-day business, and the Supervisory Board (SB), which acts as a monitoring body.

EB members are appointed by the SB and they bear collective responsibility for the everyday management of the company and the strategic management of Petrom Group. The EB coordinates the strategic orientation of the company in close cooperation with the SB and the two bodies jointly examine the progress made on implementation of Petrom's strategy on a regular basis. In this respect, the EB reports to the SB at least once every quarter on all relevant issues concerning both the course of business and the current corporate position as compared with earlier forecasts.

Furthermore, the EB ensures that its own resolutions, and those proposed by the SB and the General Meeting of Shareholders', as well as Petrom's internal guidelines and regulations all comply with relevant law and are duly implemented. Currently, the EB consists of seven members who are prohibited from concurrently serving on the SB. The EB usually meets every week; the executive scope and responsibilities of this body are detailed in the "Internal Rules for the Executive Board of Petrom S.A." and in article 24 of the Articles of Association.

The SB is responsible for monitoring the management of the company on behalf of the shareholders. Consequently, the General Meeting of Shareholders elects all nine SB members in order to actively and transparently supervise the activity of the EB. A meeting of the SB can be convened whenever necessary, but is required at least once every three months. The authorities and responsibilities of the SB are laid down in the "Internal Rules for the Supervisory Board of Petrom S.A." and in article 19 of the Articles of Association.

An Audit Committee assists the SB in the area of internal control and financial reporting. This committee has to review and prepare the adoption of the annual accounts and the proposal for profit distribution. In addition, the Audit Committee supervises Petrom's risk management strategy and its financial performance and monitors reports delivered by the internal auditors. It also prepares the proposal for appointment of an independent financial auditor to the SB and to the General Meeting of Shareholders.

The General Meeting of Shareholders is the company's highest decision-making body. Among other things, it decides on the profit distribution, elects the Supervisory Board, appoints the auditors, and determines the compensation of the Supervisory Board. Petrom observes the 'one share, one vote, and one dividend' principle. Therefore, there are no shares without voting rights, shares conferring the right to multiple votes or preference shares.

Stronger corporate governance

Code of Conduct and Compliance

Code of Conduct

Petrom, as an OMV Group member, has adhered to the spirit and principles of the "OMV Code of Conduct" and has committed to implementation of such principles over time, bearing in mind the nature of our business and the need to observe the Romanian legislation, while maintaining positive labor relations.

The Code of Conduct is the core document through which the company reaffirms its principles based on the universally acknowledged values which are the basis of all our business activities.
These values aim to promote continuous development of the company, as well as engender team spirit and professional competence. On the road elected by Petrom, the Code of Conduct is the framework that helps the company to pursue its values and standards, while offering a clear picture on how a Petrom employee works. Furthermore, the Code of Conduct is a means of reaching optimum individual and collective responsibility levels.

Our Principles

Strong values and principles drive our actions

The principles set out by the Code of Conduct are a basis for our actions, contributing to identification of strategic priorities and decision-making in our day-to-day activities. They set clear guidelines as to what the company may and may not undertake, being a guarantee for the propriety of our actions and standards.

We know how important it is that the employees of our company are able to develop professionally and work in a stimulating environment. This is why we prize the skills of our employees while offering them equal treatment. Petrom respects the principle according to which personnel employment is based solely on professional performance.

Business objectives are only attained in keeping with social responsibility principles. While supporting observance of human rights in any situation, we wish to be a good neighbor who aims to improve people's quality of life in the areas where we operate. Any new project is approached in a responsible manner so that all issues regarding the environment and society would receive due attention. We are against any action which results in restrictions on fundamental human rights. A prohibition against forced labour and unlawful child labour is included in all our contract with suppliers. We participate socially in the areas where we conduct business. We support the efforts of the company's partners and we wish to raise social and professional standards in their respective areas.

Health, safety, security and environmental (HSE) principles are part of our standards. These principles are included in Petrom's HSE policy and are observed by the entire Group. We look after the health, safety and security of our employees.

"Anyone who works with or for Petrom must get home healthy everyday!"

Our company's safety standards must be observed and rules followed with utmost care.

We are aware that our business activities may cause damage to the environment. We take a balanced environmentally friendly stance in this regard and participate in programs promoting green behavior and the use of alternative energy sources as well as encouraging dialogue with authorities and local organizations, with neighbors and other concerned parties.

We wish to display efficiency and professional ethics both in the market and in the relationships with our customers and partners. The relationships we establish are based on trust and good communication.
With regard to customers, we place a high-value on demonstrating that Petrom products are reliable and are of the highest quality.
We promote open communication with stakeholders, but we abstain from involvement in politics.

Code of Conduct and Compliance

Our Values

We are guided in our daily work by values that we believe in. The three essential values, which form part of the foundation of our business, are:

- **Professionalism**
- **Pioneering**
- **Partnership**

The entire OMV Group shares these values which drive us to success. The values ensure the cohesion of OMV Group thereby making our activities more coherent and more efficient.

Professionalism

Professional excellence ensures lasting success.
We learn, we perform, we succeed.

Continuous learning, high performance and personal commitment are the sources for our professional excellence.

We strive to achieve excellence in expertise, processes and leadership. We concentrate on our goals and find synergies to ensure we are amongst the front-runners in the market. Our aim is to foster professional development to generate long-term profitability.

Pioneering

Spirit of change for continuous development.
We explore, we move, we grow.

Pro-active mobility and openness to change are the basis of our strength. We explore development potential and take courageous decisions to create business opportunities in our selected markets through new ideas, successful technologies and profitable growth. Our focus is the combination of economic success with the best energy solutions for today and tomorrow.

Partnership

Responsible relationships for mutual benefit.
We respect, we connect, we care.

Fairness, responsibility and respect are the core of our relationships with all our stakeholders: customers, employees, stockholders, and society in general. We seek lasting relationships and gain trust through open communication, reliability and successful intercultural cooperation. Our aim is to create an environment of mutual benefit through social and economic partnerships respecting the ecological issues of our times.

Living Petrom's values

By applying the OMV Group values - Professionalism, Pioneering and Partnership - along with the Code of Conduct, Petrom will pursue a course of responsibility in the conduct of its business.

The sustainability of our business is enhanced by our values and Code of Conduct which increases appreciation and admiration of Petrom among both its internal and external stakeholders. The values and the code work hand in hand: the values are statements of our identity whilst the code is a clear framework for corporate conduct – business ethics principles that guide us to make the right decisions in our daily work. The code is a means to demonstrate how the values come alive in our company.

Therefore, to help foster a solid corporate culture, we initiated an awareness program at Petrom – "the best in us", with the aim of informing and engaging with our staff about the values and Code of Conduct.

Awareness program initiated to inform and engage employees

We started this process through internal dialogue which included consultations with key stakeholders, such as managers, human resources community and trade unions. As part of this project, we recruited a team of internal coaches from all divisions, who conducted a series of 'workshop' discussions. Thus, 22 coaches conducted 44 workshops during 2008.

More than 1,000 employees from all the divisions had the chance to discuss the manner in which the values and Code of Conduct help them achieve their objectives. The people targeted were white collar staff, both at headquarters and from the field. They shared

Code of Conduct and Compliance

best practices and appreciated this dialogue which enabled the exchange of opinions between employees with differing backgrounds and responsibilities.

There are some figures which themselves speak about the success of this engagement scheme:

- 90% of the participants considered the workshop a success
- The expectations of 20% of the participants were exceeded
- More than 80% marked the discussions as excellent or very good
- 99.5% of the participants would recommend participation in these workshops to their colleagues

Conduct demonstrating adherence to the values and the code's principles is being rewarded and recognized through "**the best in us**" awards scheme. We have already two series of winning projects for 2007 (9 winners) and 2008 (12 winners). In 2008, we introduced a "best in us" champion and a special award for the Volunteer of the Year - the employee who was most involved in contributing to the welfare of the surrounding communities.

Business Ethics

"Business Ethics" Directive adopted

Consistent with the principles presented in our Code of Conduct, we promote business ethics as one of the key elements determining our values system and organizational culture.
Fighting all forms of corruption, including bribery and extortion, is a central concern – integrity and honesty in conducting our business are our landmark principles.

In late 2008, the Petrom Directive "Business Ethics" was adopted, containing the following objectives:

- Applying the principles of the Code of Conduct with respect to fighting all forms of corruption, including bribery and extortion;
- Setting up a framework for the identification of existing or potential conflicts of interest as well as for preventing the occurrence of such conflicts;
- Setting out rules relating to offering or receiving gifts, facilitating payments, third party assessment.

According to the structures created under this corporate directive, the Corporate Compliance Officer ensures that the established rules relating to business ethics are recognized and implemented consistently throughout the company. Divisional Compliance Officers ensure coordination of this process at divisional level.

As part of our program, "train the trainers" courses were held and we intend to conduct awareness and training sessions for all employees, both corporate and divisional, with the aim of implementing the directive as of April 1, 2009.

Stakeholders dialogue

Stakeholders dialogue principles

Petrom respects and considers stakeholder interests. Stakeholders dialogue represents a key element of our corporate social responsibility (CSR) strategy, and it is based on the following principles:

- **Transparency** – Petrom communicates with its stakeholders on a regular basis concerning all relevant aspects of company performance;
- **Trust** – Petrom is a trustworthy partner and promotes open communication on any issue;
- **Flexibility** – Petrom considers stakeholder expectations, requests and concerns in all the decisions it makes.
- **Triple Bottom Line approach** – Petrom considers the economic, social and environmental aspects when interacting with its stakeholders.

The same high importance is extended to dialogue, both in a general context (organizing and participating in various events, conferences, forums) and in a specific context (often for addressing the various issues, proposals, criticism, etc.)

The main stakeholders of Petrom are shareholders, investors, analysts, employees, suppliers, competitors, business partners, contractors, universities, state authorities, non-governmental organizations (NGOs), mass media, communities opinion leaders, customers.

Our initiatives in relation to stakeholders dialogue

In important communities where Petrom conducts exploration and production activities, many meetings were held with various stakeholder groups during the implementation of various social projects, and with the occasion of various events and conferences.

In addition, requests and complaints received from local communities are systematically monitored and addressed. However, we plan to initiate more proactive communication with key stakeholder groups in order to address their expectations, requests and concerns.

As such, in 2009, we will launch the first "Dialogue Forum" with stakeholders at corporate level.

Enhanced dialogue with stakeholders

Safety and Crisis Management

The protection of Petrom employees, the company and its reputation from criminal and other malicious attacks as well as other unforeseen events is key to ensuring the growth and sustainability of the Petrom business.

Proper crisis management- key to proper functioning of Petrom

Our aims in 2008 were to develop the Security Management and Minimum Operating Security (MOSS) regulations, to improve the crisis and emergency situations management and to develop the Crisis & Emergency Management Plan. This plan is designed to effectively coordinate the use of our resources to protect life and property during and immediately following a major incident within Petrom. The response to any major crisis or disturbance will always be conducted within the framework of this plan. Crisis handbook scenarios checklists have been finalized and approved.

In order to monitor the emergencies and incidents, regulatory measures were accompanied by operational measures meant to improve the physical security of Petrom sites. For example, Petrom sites are connected to the Petrom Security Cell via emergency button and burglary system and the access in Petrom is controlled trough a centralized card access system. The Fact 24 system, for notification and communication during incidents and emergencies, was implemented throughout Petrom business divisions. The oil spill response plan was also set up and the E&P crisis management centre was appropriately endowed.

During 2008, we focused on ensuring that appropriate physical security standards are observed in new or modernized Petrom office buildings and evaluated existing security contracts and contractors in order to optimize cost and service levels. We also raised awareness of the 24/7 availability of the Petrom emergency number, within the Security cell, which can be used by our employees in case of incidents.

In order to enhance Petrom security, audits were carried out across our company in order to identify security risks and establish measures for incident prevention. In addition, extensive security training was administered to both Petrom staff and contractors and security concepts were designed accordingly (e.g. Petrom's Security Service providers were provided with trainings in the field of Human Rights).

Petrom Future Energy

Providing Energy for the Future

Petrom pursues its goal to secure the energy supply while reducing the environmental impact caused by climate change. To this end, Petrom is committed to promote projects in the following fields:

- Renewable energy which can be included into its core business;
- Innovative solutions for reduction of greenhouse gas (GHG) emissions during production using fossil fuels and industrial processes (e.g. Carbon Capture and Sequestration, Zero Emissions Power Plants);
- Energy efficiency.

Dedicated resources to promote Future Energy

In order to capitalize on opportunities in the aforementioned fields, Petrom has established a working group consisting of experts from all business segments. They work closely with OMV Future Energy Fund, and focus on the identification and screening of potential projects, offering financial solutions and support as well as liaising with relevant external stakeholders (e.g. researchers, universities, start-ups).

In order to provide financial support to future energy related projects, a dedicated budget has been set up in order to provide the portion of investment which is required for the various projects to achieve profitability, and the "kick-off" funding for the research or pilot projects. The project financing gets the green light on recommendation by the Advisory Committee of OMV Future Energy Fund. This committee consists in four international scientists specializing in energy and climate change, and three representatives from the OMV business divisions.

Seven projects are already approved

Up to the end of 2008, seven projects have been approved out of several initiatives. They are supported by a budget of around EUR 3 mn in the period 2008-2009. Projects have been initiated in the following areas:

- Geothermal Energy;
- CO_2 Capture combined with Enhanced Oil Recovery (EOR);
- Zero Emissions Power Plant;
- Energy Efficiency;
- Biogas;
- Biofuels.

An overview of the Petrom Future Energy projects portfolio is provided below.

Geothermal energy potential of Romania

The project aims to evaluate the geothermal potential of Romania for producing heat and power from depleted wells. The project is part of OMV Group geothermal strategy and was conducted by the Oradea University.

Turnu - CO_2 sequestration combined with EOR

The project aims to assess the viability of CO_2 separation during gas production and subsequent re-injection into the reservoir in order to increase oil and gas production while reducing the GHG emissions. The project focuses on the reservoir study, as well as on the pre-feasibility study of surface facilities.

Turnu – Oxyfuel Plant

The project aims to asses the feasibility of an Oxyfuel Power Plant pilot in Turnu field. It covers the basic engineering of the oxyfuel combustion process, the economic and financial profile, the risk assessment as well as the regulatory issues.

Nanotechnology surface refinement

The project scope is to run a test on a pilot system of heat exchangers equipped with surfaces treated with nano-products. If successful, the nanotechnology will be applied on a large scale in Refining resulting in increased energy efficiency and lower operating costs.

Low energy building – Petrobrazi headquarters

The project scope is to construct a low energy building focusing on reducing energy demand and using renewable energy sources. The benefits include 70% primary energy savings and reduction of CO_2 emissions by 70%.

Biogas in Romania

The project aims to evaluate the biogas potential of Romania, as well as the related business opportunities. It includes the analysis of raw materials and the efficiency of transformation into energy as well as the identification of biogas project opportunities.

Green light for seven projects

Environment

Continuous strive to improve environmental impact

Environmental management

Environmental management at Petrom is guided by a cautious approach aiming to minimize the environmental impact of our processes and products.

Petrom is committed to environmental protection. 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 CO_2 emissions reductions of 303,800 tons/year) and a project to reduce nitrous oxides (N_2O) in Chemicals (initiated by mid-2008 with estimated CO_2 equivalent emissions reductions of 260,000 tons/year).

Continuous progress on energy efficiency pathway

Energy Efficiency

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.

Initiatives related to our upstream operations

An important step for improving energy efficiency was taken in 2008 with the implementation of a new energy monitoring system. This comprises over 1,200 high specification energy meters which electronically transfer data to central servers. The data provided by the system helps managers in their efforts to keep energy consumption under control.

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.

Initiatives related to our downstream operations

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.

We are committed to drive forward this process in order to meet mid-term objectives in Refining. Significant improvements will be derived from implementation of the Vision 2010 investments program, with better heat integration in the revamped crude distillation unit, a brand new state-of-the-art hydro cracker unit, designed for high energy efficiency, and an upgraded utilities network. Other energy efficiency improvement programs include the start-up of a digital control system in all refinery units enabling improved measurement capability to optimize production and reduce energy consumption, the installation of low nitrous oxides burners at refinery steam generators including improved heat conservation, instrumentation and control as well as optimization of the refinery flow chart.

To complete this transformation process and thereby achieve our mid-term energy efficiency goals, we will continue to combine the results of the incremental improvements achieved in our daily business with the step improvements to be derived from our comprehensive capital investment program.

Spill prevention and waste management

In order to minimize environmental damages caused by accidental spills (corrosion still being the main cause), Petrom E&P has developed specific intervention plans for each field cluster and set-up local spill intervention teams.

Environment

The Well Modernization Program in E&P contributed significantly to the reduction of environmental impacts. The program covered around 5,000 wells in all onshore field clusters and included site clean up, soil remediation, sludge treatment, waste management and disposal. The program received the Romanian National Award for Project Excellence in October 2008.

In order to process and dispose wastes resulting mainly from historical pollution, but also from the abandonment of obsolete wells and facilities, E&P has started constructing its own waste management infrastructure. This includes eight temporary storage facilities, 15 bioremediation facilities for decontamination of soil, and eight landfills.

Legal Compliance

Efforts to comply with the European legislation continued in 2008. The pre-registration of dangerous substances according the regulations of REACH (Registration, Authorization and Evaluation of Chemicals) was concluded in time.

Pre-registration of dangerous substances concluded in time

Special attention was also given to improve the system of monitoring the environmental compliance at site level, through modern IT platforms. In Petrom more than 50% of working points have environmental permits and the others are in the authorization process. Petrom will work diligently during 2009 to achieve total compliance.

Corporate social responsibility (CSR)

Systematic approach to CSR aspects

Role of CSR in Petrom

Corporate Social Responsibility (CSR) is an integral part of Petrom's sustainable development strategy, and actively contributes to our long-term growth. We think and act in full awareness of our long-term economic, social and environmental protection responsibilities.

By its decision to adopt OMV Values and Code of Conduct, Petrom management has expressed its commitment to adhere OMV Group high integrity standards. In this context, we take a systematic approach by developing a CSR management system that considers the existing scenarios in our operating environment and should be compatible with the OMV Group developed system. Compliance with international CSR standards and best practice has become an imperative. The required framework for the implementation of CSR in the strategic management processes and day-to-day activities was established within Petrom by adopting the corporate directive "Corporate Social Responsibility Management". Implementing this directive entails formulation of the CSR strategy as part of the sustainable development strategy; planning the required processes for its implementation; then measuring, monitoring, analyzing and improving the system. Permanent improvement of these processes contributes to the sustainable development of the company.

Organization of CSR in Petrom

The CSR organization, set up early 2007, was improved based on previous experience alongside the reorganization process that Petrom underwent in 2008.

Within the CSR organization, a CSR Advisory Board supports the Petrom Executive Board in fulfilling its responsibilities with regard to strategy approval and analysis and approval of objectives, but also relating to the development of Petrom as a socially responsible company. Moreover, the CSR Advisory Board proposes the strategic CSR objectives and priorities, recommends courses of action for the implementation of CSR policies, and assesses the approach of new issues confronting Petrom Group.

The implementation and communication of the CSR strategy is enabled by dedicated departments, and is supported by a Petrom-wide network of CSR and Communications personnel.

In 2008, one of the CSR objectives was to set up a new organizational CSR structure in Petrom, increasing awareness and coordinating CSR efforts in order to capitalize on synergies.

Human Rights

By adopting a Human Rights Policy, Petrom management committed to observing human rights, which represent an essential element of Corporate Social Responsibility. The policy sets out our approach and responsibilities relating to Human Rights in the business environment where we operate and is based on the Code of Conduct. The Human Rights Policy statement is a mandatory document that lays down the minimum corporate social responsibility standards that Petrom commits to comply with over time. Petrom's principles with respect to human rights are promoted both internally and externally.

Internally, we continued to conduct training and awareness programs for the employees in order to ensure full compliance with essential human rights rules in the future.
Externally, for example, a "train the trainers" workshop was provided to several companies which delivered security services to Petrom, and an awareness program on children rights was run at a location where parents working abroad left others to look after their children.

"Petrom: Respect for the Future" – our CSR Platform

"Respect for the Future" is the platform for all CSR projects developed by Petrom which manifests itself in our contribution toward a better world and in the spirit of the respect for the challenges faced by the communities we form a part of.

For Petrom, social responsibility is a long-term commitment. In the first instance, this commitment covers Petrom employees, who we would like to be role models in changing attitude. Being responsible means displaying transparency, ethical behavior and, last but not least, respect for all those we interact with every day: clients, shareholders, investors, media, business partners, authorities, non-governmental organizations and local communities. Our values are the pillars of our sustainable development.

Main strategic CSR projects

In 2008 we aimed to build on the progress made in 2007. Supported by a financial allocation of EUR 5 mn, we continued the environmental and educational projects for the benefit of the local communities and we focused our attention on our employees. 2008 was

Corporate social responsibility (CSR)

another step towards achieving the goal of becoming a social responsibility role model for the business community in Romania.

Employees for the Future – We are the biggest employer in Romania and we understand that human resources are a vital component of a company's sustainable progress. That is why, in Petrom, each employee is considered a representative of the company who, through his or her actions, conveys our social responsibility message to the community. In 2008, 500 employees volunteered for the Petrom CSR projects either by taking part in the building works of houses for the ones in need, or by donating blood, planting trees or becoming "Santa Claus" for children with poor social status.

- **Andrei's Country** - When we conceived "Andrei's Country" summer camp we thought that a better future could only be achieved by offering our children an appropriate education. And of course, this is the right way to transmit social responsibility to our employees, as well. Therefore, over 200 Petrom employees' children aged between 11 and 13 years old learnt in "Andrei's Country" summer camp how to become truly responsible citizens.

Parks of the Future – A project launched at the beginning of 2007 with the aim of providing more green space in the communities in which we operate by recultivating 5 parks to European standards, in the spirit of respect for the environment. The first three parks were finalized in 2007 and in 2008 we continued with the rehabilitation of "Adolescenților" Park from Timişoara and with the building of "Libertății" Park from Ploieşti. In the west of Ploiesti city we built on green field a modern park of 15,000 square meters featuring state-of-the-art alternative energy and irrigation systems. Moreover, the park is equipped with a modern skate park, 6 open-air gym devices, 2 playgrounds for different ages and a sport yard.

Furthermore, we promoted volunteer service, not just among our employees, but also to the local communities, employing more than 300 volunteers in the rehabilitation of the 2 parks.

We promoted volunteer service

Resources for the Future – Climate change and the growing demands on global resources represent a challenge that can no longer be ignored. Despite the increasing attention the global community allocates to this issue, the responsible use of resources is not a priority on the Romanian public agenda.

Petrom was the first company to raise these concerns at national level, through the "Resources for the Future" program. Following the campaign, 82% of those who watched the "Andrei" TV advertise understood the message, 43% expressed awareness of the importance of changing their attitude and acknowledged that wasting resources is a real issue, while 22.6% had declared that they intend to change their habits. The "Andrei" TV advertise, the central element of the campaign is the only one from Central and Eastern Europe recognized at the World Congress of International Advertising Associations, in the "Responsibility" category.

To celebrate Environment Day we organized, a "**Respect for the Future**" competition in Bucharest on June 5, 2008 – a manifesto through which we have promoted the idea of a cleaner capital city and respect by road users for those who use bicycles as an ecological and healthy means of transportation. People from the local community, students, authorities, Petrom's employees and 25 opinion leaders attended this event. To mark the same event, we also planted

Corporate social responsibility (CSR)

5,000 trees near to the Arpechim Refinery with the help of over 100 volunteers, employees of our company and pupils from Pitesti high-schools.

Building for the Future – is a partnership with Habitat for Humanity Romania for contributing to sustainable development of the communities in which we develop our activities. Therefore, in the spring of 2008 we offered the low-income families in the Moinesti area the financial support necessary for the construction of 6 new houses and for the renovation of another 60 houses. 100 Petrom employees worked together with the beneficiary families as volunteers in this project.

110 new houses for floods victims

Support for the Future – Petrom fighting the floods

- **Support for the communities** – Partnership with the Romanian Government and Habitat for Humanity.
  Taking into account the required financial investment and its impact, this project is the most important corporate project in Romania supporting a community in need. 650,000 EUR was donated by Petrom for the refurbishment of 110 houses for the families from Doljesti, Neamt County, severely affected by the floods in the summer of 2008. Together with our partners we selected the families with the most pressing need for support. In just 3 months, with the help of Petrom volunteers and Habitat for Humanity we managed to offer shelter to over 500 beneficiaries from Doljesti. 20 journalists and opinion leaders have come to support our endeavor by participating at the construction works of the houses.

15 hectares reforestations

- "**Romania takes roots**" – Partnership with Realitatea TV, Romsilva and "Mai mult verde" organization
  We decided to help in solving one of the main issues which caused the floods from the summer of 2008 – massive deforestations – and to reintroduce this subject to the public agenda. With a donation of 200,000 EUR and with the help of 5,700 volunteers, of which 102 were Petrom employees, we planted 75,000 trees over 15 hectares in Neamt, Suceava and Bacau Counties.
  This extensive action was developed with the help and involvement of local authorities, volunteers and partners of the project and contributed to the recovering of the forest fund in Romania. In this respect, we have engaged to protect the planted trees until maturity.
  "Romania takes roots" differentiates itself from other reforestation campaigns through the long-term approach regarding floods prevention and through the involvement of local authorities, civil society, business community and media in this environmental issue.

"**Respect for the Future**" TV Show – Broadcasted on Realitatea TV, it represented an innovative approach by bringing social projects and initiatives to the attention of the public, showing that a responsible civic attitude is not alien to Romanian society. 24 CSR projects proposed by various civil associations and organizations – environment related projects, community development – entered the competition for the 150.000 EUR award. Petrom chose to support two projects which develop in Bacău County: the Project of community development of Valea Muntelui and the Access to Education Project.

Social Gas Fund – created by the Government of Romania to grant social aid to low income persons who use natural gas for household heating. In the context of significant oil and gas prices increases, Petrom signed an agreement with the Government of Romania regulating its participation in the Social Gas Fund.

Corporate social responsibility (CSR)

Therefore, our company voluntarily contributed RON 80 mn in monthly installments toward the creation of this Fund during 2008. Distribution of this Social Gas Fund to low income families and single persons who use natural gas for household heating will be ensured by the Ministry of Labor and Equal Opportunity in accordance with stipulations found in Government Ordinance no. 3/2003 and no. 14/2008 (art.8), thereby ensuring transparency of this process.

Main CSR operational projects

In 2008, Petrom, in partnership with local authorities, suppliers, NGOs and local volunteers, implemented several projects in 36 of the local communities in the counties of Bacău, Galați, Gorj, Dâmbovița, Bihor, Teleorman, Argeş, and Constanța. These projects include an international summer camp for children, projects to assist in developing and implementing local strategy, donation of equipment to local volunteer firefighter brigades, education on environmental topics (e.g. planting trees, waste collecting and recycling), and an anti-drug awareness campaign.

Petrom also helped to strengthen the educational infrastructure through modernization and improvement of heating systems and of washroom facilities in the kindergartens and schools in 8 locations. Petrom, Ovidiu Rom (NGO) and the local councils and schools of four districts created a public-private partnership aiming to improve children's education and enable citizens and local authorities to implement community projects. This campaign runs from 2007 to 2010. Up to the present time, 700 children and 100 teachers have been involved in activities of this kind.

In order to prioritize our future community investments, baseline studies have been conducted to identify community needs in 22 locations in the counties of Brăila, Galați, Dolj, Vâlcea, Argeş, Prahova, Bihor, Sălaj, Teleorman şi Argeş.

Way forward

Petrom will continue to promote CSR activities and integrate them in its overall strategy. Key actions will focus on:

- Implementing the Human Rights Policy and CSR Corporate Directive;
- Improving the HSE performance, based on the best international practices;
- Implementing modern human resources tools for personnel development and retaining;
- Promoting a performance oriented culture

In spite of the current challenging environment, Petrom will continue to get involved in CSR projects because social responsibility is a primary driver of the success of this company.

We believe that Romania can only prosper through application of common sense and responsibility. That is why we will promote the involvement of our employees as volunteers, not just in our own projects, but also in others. We have assumed the role of ENGAGE Leader in Romania by entering a partnership with the Association for Communitarian Relations.
We propose to keep offering support to Romanian communities in times of emergency and we will help Romania to "Take Roots" together with our partners in this project.

In 2009, Petrom will enable 700 children to lean the true meaning of responsible living at "Andrei's Camp". We will continue the "Parks of the Future" project in one of the cities in which we operate. And because "Respect for the Future" primarily means respect for our children, we will develop a national contest in the schools in Romania tackling the issue of the responsible use of resources.

In 2009, 700 children will take part of "Andrei's Camp"

Health and Safety

High quality occupational care

Health

A priority for Petrom in 2008 was the implementation of the Petrom healthcare concept, in order to provide a modern and comprehensive service to our employees. In order to achieve harmonization, quality and effectiveness of medical activities in Petrom, our own medical network of 30 units (PetroMed Solutions) was set up at the beginning of 2008.

Based on a shared service concept and through an effective communication, occupational health experts assist line managers in assuming their ultimate responsibility for occupational health. During 2008, medical personnel continuously promoted health education and health care for Petrom employees with the aim of raising awareness of the health risks incidental to their occupations. Specific health surveillance and health checks were performed according to legal requirements and OMV/Petrom regulations.

Aside from promotion of nutrition and general well-being programs, new initiatives were launched in 2008. These include optical and dermatological tests as well as vaccination (e.g. influenza, tick-borne encephalitis and hepatitis) and health information campaigns.

Following Petrom's gap analysis against OMV Health Standard requirements, a clinic refurbishment project was set up, with completion due by end 2010.

Various other preventive health programs were carried out in each Business Division. For instance, in Refining, first aid training and health education programs (e.g. high blood pressure and obesity, diets and heart diseases, stress prevention, early prevention of diabetes, prevention of asthma attack) were provided to employees. In Chemicals (Doljchim), anti-alcohol and anti-tobacco campaigns were launched in 2008.

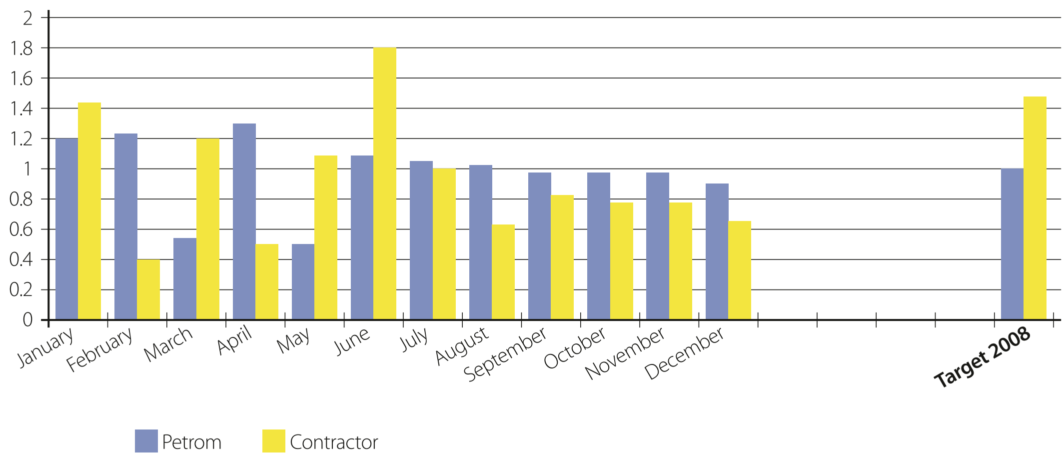
Safety

Petrom HSE Policy clearly states that everyone who works with Petrom should return home in good mental and physical health and that all workplaces and processes must be safe and secure for Petrom, its stakeholders and the environment. We believe that all accidents can be prevented and we strive to keep risks as low as is reasonably practical. The safety statistics of 2008 are shown in the diagram below. The Lost Time Injury Rate (LTIR) was below the target rate for 2008 both for Petrom (achieved value of 0.92 comparing with target value of 1) and for its contractors (achieved value of 0.67 comparing with target value of 1.5).

Unfortunately the reporting period was overshadowed by a high number of fatalities: seven own employees and five contractors. We deeply regret the loss of these lives.

Road accidents accounted for the majority of fatal accidents in the reporting period. The main causes were lack of risk awareness and knowledge, failure to adhere to HSE regulations and inadequate safety qualification of contractors. Therefore, road safety received significant attention from Petrom senior management.

2008 Lost Time Injury Rate (LTIR)*



* LTIR = average injury frequency with one or more lost workday related to the working time performed

Health and Safety

In 2008, the Petrom Executive Board approved a program intended to reduce the occurrence of road safety incidents. This program focuses on 5 key areas:

1. Ensuring corporate standard compliance (driving policy and fleet management manual);
2. Performing drivers' examinations (medical and psychological);
3. Monitoring daily driving mode through installation of vehicle monitoring systems;
4. Providing training to both drivers and pedestrians, including first aid training;
5. Running an awareness campaign targeted at both drivers and pedestrians.

To prevent incidents, the overall safety culture continued to be addressed throughout Petrom. This ongoing cultural change process started from day one with the full commitment of the senior management and has been accompanied by measures to improve safety procedures, safety processes and personal protective equipment.

A major step to improve safety performance was the successful implementation, at OMV Group level, of a Group-wide single IT application for incident reporting and management called Think: Ahead CARE. The new tool supports both the reactive and proactive incident management. By recording and investigating incidents and near misses we can ensure that we learn from previous experiences and prevent recurrence. Proactively collecting information on hazards and findings and using assessments and prior experience will reduce the likelihood of an incident occurring in the first place. An important requirement for HSE is to ensure that OMV and Petrom learn from previous experiences via reporting and analysis of data.

Other safety initiatives in 2008 included implementing risk assessment in both refineries, introducing a working permit system in E&P, extensive training programs in Gas and Chemicals, improved HSE regulations at corporate level and, improving safety management for contractors (e.g. set clear HSE parameters and monitoring these closely).

Human Capital Development

A fundamental pillar in the development of a successful organization is employee' training and development.

67,595 training days in 2008

The Training & Development Department defined and customized training programs for managers and the rest of the employees. A new training catalogue was released and its online version can be accessed company-wide.

Training programs can be accessed anytime and the schedule is permanently updated. In 2008 alone, 20,598 employees from all Business Divisions participated in such training at a total cost of EUR 5.6 mn. With 67,595 actual training days, employees were trained to develop their skills in fields such as language, management, IT, special technical projects and HSEQ.

In 2008, the Training & Development department was integrated into the structure of Global Solutions, the sole in-house service provider for Petrom. The new organization is meant to improve the quality of training services and to standardize processes and products, as well as to align them with those at OMV Group level.

Talent Attraction and Retention

The Human Resources' (HR) instruments launched or developed in 2008 were designed to raise motivation, improve communication and thereby increase employee retention.

During 2008, recruitment teams actively participated at various job fairs in order to attract high-quality candidates and to enrich the database of potential candidates. This action contributed to the successful completion of recruitment and selection projects.

The process of attracting new talent has been optimized by the introduction of the Referral program, in a pilot format. In 2008, this program was used in the Exploration & Production and Global Solutions divisions. It aimed to involve Petrom's employees to recommend candidates willing to join the Petrom team. The program was conducted successfully in 2008 and will continue to run in these divisions throughout 2009.

To identify and retain employees displaying outstanding performance in the company, the Talent Management project was initiated. This will continue throughout 2009 and has the following primary aims: conducting a diagnosis of organizational culture, developing a program to optimize it and setting up a program of talent management.

A new concept for evaluating performance was introduced in Petrom through the Performance Development System (PDS) project. It started at the beginning of 2008 as a pilot which included 3,500 employees. 82% of the employees used this tool to plan the goals and establish development plan for 2008. Face-to-face meetings offered managers and employees the opportunity to openly discuss their expectations towards results and future actions.

Started in 2007 as a pilot scheme, the Human Capital Management (HCM) survey was extended to 10,000 employees in 2008. This survey is a Group-wide tool used to quantify important aspects of cooperation as well as pinpoint strengths and areas in need of improvement. Action plans are drawn up to reflect these findings, thus contributing to a continuous enhancement of staff satisfaction.

The results of 2008 survey showed a real interest and trust in this tool. Over 35 workshops to present the outcome took place all over the company.

The ultimate goal of HCM is to achieve a high level of staff satisfaction and thus a high quality of cooperation. Research has frequently shown that staff satisfaction is closely related to involvement, commitment and long-term business success.

Sustainability performance data in 2008

Financial and operating	2008
Total hydrocarbons produced (thousand barrels of oil equivalent per day)	188
Total crude oil process (kt)	6,121
Chemicals sales (kt)	503
Net turnover (RON mn)	16,751
Contributions to State Budget (RON mn)	6,476
Dividends paid to shareholders (RON mn), for financial year 2007	1,082
Salaries (RON mn)	1,820
Safety *	
Fatalities - employees	7
Lost workday injury (LWDI) - employees	52
Fatality Rate (FAR) - employees	10.79
Lost Time Injury Rate (LTIR) - employees	0.91
Lost Time Injury severity (LTIS) - employees	63.53
Total Reportable Injuries Rate (TRIR) - employees	2.07
Fatal Commuting accident - employees	0
Commuting accident with lost working days - employees	4
Fatalities - contractor employees	5
Lost workday injury (LWDI) - contractor employees	27
Fatality Rate (FAR) - contractor employees	10.45
Lost Time Injury Rate (LTIR) - contractor employees	0.67
Lost Time Injury severity (LTIS) - contractor employees	35.63
Total Reportable Injuries Rate (TRIR) - contractor employees	1.38
Fatal Commuting accident - contractor employees	1
Commuting accident with lost working days - contractor employees	6
Environment*	
Energy consumption (TJ)	81,571
Water consumption (Mn cbm)	58
Groundwater consumption (Mn cbm)	10.6
GHG (direct, scope 1) (Mn t echivalent CO_2)	5.1
CO_2 (Mn t)	4.7
CH4 (t)	3,994
SO_2 (Mn t)	5,506
NO_2 (t)	999
NOx (t)	8,546
NM –VOC (t)	6,769
Particulate emissions (t)	2,437
Waste water emissions	
COD (t)	1,625
Hydrocarbons (t)	45
Total nitrogen (t)	281
Spills (no)	1,582
Waste	
Non Hazardous production waste (t)	165,749
Hazardous production waste (t)	15,440
Waste oil (t)	21
Total production waste (t)	181,210
Employees **	
Number of employees as of December 31	33,311
Number of employees in leadership	2,297
Women in leadership (%)	18.58
People from beyond Romania in leadership (%)	4.70
Dismissals for non - compliance and unethical behaviour	45
Contribution to communities (RON mn)	**16.56**

* Safety and environment related indicators are audited and confirmed by Ernst & Young. Kazakhstan and Petrom Marketing are not included, since HSE reporting systems are still under development

** Employees are defined as individuals who have a contract of employment with Petrom S.A.

Report of the Governing Bodies

Petrom's governance is ensured through a two-tier management system: an Executive Board which manages the day-to-day business, and the Supervisory Board, which acts as a monitoring body.

Report of the Governing Bodies

Report of the Supervisory Board

Throughout 2008, the Supervisory Board closely monitored the Executive Board's progress in implementing the strategy and providing the necessary support and challenge to the latter, ensuring the Company's shareholders' interests are protected.

Report of the Supervisory Board

Corporate governance - central tool in achieving sustainable performance

Core activities

Petrom S.A. is an integrated oil and gas company, operating mainly in Romania, but also through its subsidiaries in Kazakhstan and Russia (exploration and production) and in the neighboring countries of Bulgaria, Republic of Moldova, Serbia and Montenegro (marketing business).

Aim of the report

This report gives an overview of the activity of the Petrom management in 2008, as shareholders' interest has remained the guiding principle underlying the decision making process of the company's governing bodies.

In addition to this report, the shareholders, as well as other stakeholders, have various means by which to access relevant information about the company, such as by:

- visiting our corporate website: **www.petrom.com**, which has been substantially upgraded and is continuously updated
- contacting the Company directly
- asking questions in person at the General Meetings of Shareholders

Corporate governance

The observance of high standards in complying with the relevant national and international laws is one of Petrom's fundamental business principles. As the biggest oil and gas producer in South Eastern Europe and the largest Romanian company, Petrom is determined to fully adhere to the laws and regulations in force in the various countries where it operates as well as to implement high standards of integrity in business transactions. In this respect, Petrom strongly believes in corporate governance as the central tool in achieving performance in a sustainable manner.

Corporate governance ensures the accuracy and transparency of the company's decision making process, as well as the equal access of all shareholders to relevant information about Petrom. First and foremost, the company's governance system is compliant with applicable Romanian legislation, as well as with OMV Group regulations.

Governance structures

As laid down in its Articles of Association, Petrom's governance follows the two-tier principle: an Executive Board, which manages the day-to-day business, and the Supervisory Board, which acts as a monitoring body.

The Supervisory Board members are elected by the General Meeting of Shareholders to promote their interests by actively and transparently monitoring the activity of the Executive Board. In the interest of transparency and independence, according to the Articles of Association, four out of nine Supervisory Board members are independent of the Majority Shareholder. Furthermore, one of the four independent members of the Supervisory Board meets the independence criteria set out in the Companies' Law.

Supervisory Board members

In 2008, Petrom's Supervisory Board members were Mr. Wolfgang Ruttenstorfer (President), Mr. Gerhard Roiss (Deputy Chairman), Mr. David C. Davies, Mr. Helmut Langanger, Mr. Werner Auli, Mr. Kevin Bortz, Mr. Victor-Paul Dobre, Mr. Emanoil Negut and Mr. Cristian Marian Olteanu. In December 2008, Mr. Dobre resigned from the Supervisory Board following his election as member of the Romanian Parliament. Subsequently, in February 2009 Mr. Marian Turlea was appointed as interim member of the Supervisory Board according to art. 17.7 of Petrom's Articles of Association. Mr. Turlea was appointed in the Supervisory Board following his nomination by the Ministry of Economy, which has replaced the Authority for State Assets Recovery in Petrom's shareholding structure.

The mandate of the Supervisory Board members will expire in April 2009 and a resolution for the appointment of a new Supervisory Board will be submitted to the General Meeting of Shareholders according to art. 13.1.1 (c) and 17.2 of the Articles of Association.

Executive Board members

Currently, the Executive Board of the Company has seven members, namely Mrs. Mariana Gheorghe (President of the Executive Board, CEO), Mr. Reinhard Pichler (CFO), Mr. Johann Pleininger (in charge of Exploration and Production), Mr. Siegfried Gugu (Exploration and Production Services), Mr. Neil Anthony Morgan (Refining and Petrochemicals), Mr. Tamas Mayer (Marketing) and Mr. Gerald Kappes (Gas, Power and Chemicals) .

One change occurred in 2008 as regards to the composition of the Executive Board, namely the appointment by the Supervisory Board of Mr. Neil Anthony Morgan as the new Executive Board member in charge of Refining. Mr. Morgan replaced Mr. Jeffrey Rinker who accepted the position of Senior Vice President in charge of Refining Joint Ventures and Strategic Projects within OMV as of July 1, 2008.

Report of the Supervisory Board

Five Supervisory Board meetings held in 2008

Supervisory Board's activity during 2008

The Supervisory Board performed its duties according to the law and the Articles of Association. It monitored the work of the Executive Board and regularly provided guidance on the general management and strategy of the Company. In 2008, five Supervisory Board meetings were held. Moreover, the Supervisory Board was fully informed about specific and particularly urgent plans and projects arising between the regular meetings and, where necessary, submitted its approval in writing.

In line with the requirements of the Collective Bargaining Agreement, invitations to attend the Supervisory Board meetings were submitted to the Trade Unions and the meeting agenda and related documents were provided in timely fashion in that respect.

Throughout 2008, the Supervisory Board closely and productively cooperated with the Executive Board and, on a regular basis, the two bodies jointly examined the progress made on implementing the Company's strategy. In this respect, in written and verbal reports, the Executive Board provided regular, timely and comprehensive information to the Supervisory Board, encompassing all relevant information concerning the course of business and the current situation in comparison to the approved strategy. More specifically, the Supervisory Board was informed at each meeting with regard to the Company's key business and operational indicators, its liquidity and its valid existing and new guarantees, HSE issues and other specific matters for the management of Petrom. Information regarding related-party transactions was also provided and all necessary motions were approved observing the relevant provisions of the Articles of Association and the Internal Rules, respectively.

Main subjects on Supervisory Board's agenda

The Supervisory Board was involved in decisions of fundamental importance to Petrom. Besides regular resolutions, like the adoption of the 2007 Financial Statements of Petrom Group, in 2008 the Supervisory Board decided on other main subjects such as:

- The continuation of the company's large investment projects, such as the development of the Mamu field cluster;
- The conclusion of an inter-company loan agreement with OMV AG, as well as of a medium-term loan agreement with several banks from the local capital market allowing Petrom to attract significant amounts for continuing its major projects and investments;
- Attaining full control over Petrom Moldova;
- The amendment of the Internal Rules for the Executive Board;
- The review of the 2008 Budget and the adoption of the 2009 Budget.

Looking back to 2008, the Supervisory Board draws the conclusion that:

- The Executive Board took its decisions observing the limits laid down in the Internal Rules;
- The Company was managed in line with the Articles of Association and, furthermore, the relevant decisions of the General Assembly of Shareholders and the Supervisory Board were adequately implemented;
- The general interest of Petrom's shareholders was the guiding principle for the management of the Company and the business decisions were taken in good faith. Moreover, the members of the Executive Board fulfilled their duties with care and loyalty.

In this context, the Supervisory Board would like to thank the members of the executive management for the results achieved, as well as the directors and all employees, without whose commitment and performance the success attained in 2008 would not have been possible.

The 2008 results came as a normal continuation of the good and steady progress achieved by Petrom over the previous three years. The ongoing restructuring and modernization processes are the solid basis on which the company has built its sustainable development. In addition to that, the Supervisory Board believes that the professionalism of the company's executive management and employees represents a strong basis ahead of a very challenging 2009.

The Audit Committee

An Audit Committee assists the Supervisory Board in the area of internal control and financial reporting. The four members of the Audit Committee are: Mr. David C. Davies, Mr. Gerhard Roiss, Mr. Emanoil Neguț and Mr. Kevin Bortz.

In 2008, the Audit Committee met three times. On these occasions, the committee reviewed and prepared the adoption of the annual accounts and the proposal for the allocation of profit. In addition, the Audit Committee supervised Petrom's risk management arrangements and its financial performance and monitored the reports delivered by its internal auditors. It further prepared a proposal of an independent financial auditor to the Supervisory Board and to the General Meeting of Shareholders.

Report of the Supervisory Board

External Auditor

Deloitte Audit SRL was Petrom's independent auditor throughout 2008 and a resolution for their reappointment will be submitted to the next General Meeting of Shareholders.

Annual financial statements

The Supervisory Board and the Audit Committee dedicated a great deal of attention to the Company's financial position. Taking into account the comments included in the audit report, the Audit Committee and the Supervisory Board thoroughly examined the annual financial statements, the management report and the management's proposal regarding the allocation of profit. The Audit Committee and, respectively, the Supervisory Board took note of the auditor's report and, following its comprehensive assessment, the two bodies did not raise any objections. The annual financial statements are subject to shareholder approval in the General Meeting of Shareholders.

March 17, 2009
Bucharest

Wolfgang Ruttenstorfer

Wolfgang Ruttenstorfer
President of the Supervisory Board

Directors' Report

In 2008, Petrom continued to improve operational efficiency, based on the ongoing restructuring programs but also as a result of the considerable investment effort, which rose to reach record levels of over RON 6 bn in 2008. However, the positive achievements were overshadowed by the high level of one-off items booked.

Directors' Report

Petrom S.A. financials	2007	2008	%
EBIT (RON mn)	1,965	**1,309**	(33)
EBITDA (RON mn)	3,111	**3,565**	15
Net profit (RON mn)	1,778	**1,022**	(43)
Net turnover (RON mn)	12,284	**16,751**	36
Net cash generated by operating activities (RON mn)	2,486	**4,383**	76
Investments (RON mn)*	3,820	**6,404**	68
Employees as of December 31	26,397	**33,311**	26

* Investments also include increases of Petrom share participations

2008 was a year of mixed results. Sales increased in a favourable international oil prices environment in the first three quarters of the year, leading to a strong turnover of RON 16.7 bn, an increase of 36% compared to 2007. Petrom continued to improve **operational efficiency**, based on the ongoing **restructuring** programs and heavy **investment** activities in all business segments. As a matter of fact, investments reached a record level since privatization in 2005, amounting to RON 6,404 mn, an increase of 68% compared to 2007.

However, the positive achievements recorded in 2008 were overshadowed by the high level of one-off items booked throughout the year, namely provisions for litigations and restructuring and the impairment of Arpechim. Consequently, the operating profit decreased by 33% compared to 2007, mainly due to these one-off items.

Among the one-off items that impacted earnings, the provision Petrom had to book for litigations is conspicuous due to its considerable size – RON 1.3 bn - accounting for much of the negative impact on the Company's results.
Since the end of 2007, Petrom has been involved in litigation initiated by a number of former and current employees based on differing interpretations of the Petrom's Collective Bargaining Agreement. 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 aforementioned provision 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.

Improved operational efficiency based on restructuring and investments

In **Exploration and Production**, one of the major achievements was crude oil production stabilization over the course of 2008. As a result of exploration and redevelopment activities, Petrom's reserve replacement rate reached the level of 71% in Romania in 2008 (the level targeted to be reached in 2010 was 70%). The Well Modernization Program was successfully completed in 2008. At the end of the year 2008, a cumulative number of 5,049 wells were completed with a significant impact on production costs, production volumes and operational safety. At overall E&P level, the well modernization program led to a 60% decrease in the number of interventions compared to 2005. Petrom started in 2008 a program to redevelop brown fields in Romania. As part of this program, Petrom first selected promising fields, such as Mamu, Delta, Suplac, Oprisenesti, Moreni. Currently, field redevelopment plans are set up. The most advanced project is related to the **development of the Mamu gas field**. Development of the **Delta offshore discovery** was reassessed in order to reduce risk and reduce the level of investment needed. Hence, the sub-sea completion method was abandoned in favor of drilling one extended reach horizontal well (D6).
At the end of the year 2008, Petrom made significant forward progress with respect to the exploration activities by signing an agreement with ExxonMobil in order to initiate a common exploration campaign for the deep offshore in the Black Sea.
We also successfully integrated the service activities of Petromservice.

In **Refining and Marketing**, 2008 was a year of critical challenges for our business. The deterioration of the economic environment and the steep reverse of the pricing environment produced a significant negative impact, which was only to a limited extent offset by the steady operational improvements achieved

Directors' Report

Own crude consumption level reduced to 11.5%

throughout the year. In Refining, we reduced the level of own crude consumption to 11.5%, lower by one percentage point of crude input (down from 12.5% in 2007) and further upgraded our product yields. We progressed with the construction of the EUR 90 mn fluid catalytic cracking gasoline post treater project in Petrobrazi, which enables the production of Euro V gasoline at the site. In today's environment within Petrom's refining business, the Arpechim refinery cannot generate the required rate of return due to the high own energy consumption, unfavorable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and, as a result, no improvement in its profitability is anticipated in the mid-term. To reflect these developments, an impairment of RON 605 mn was booked, representing the total book value of the Arpechim bulk refinery as of December 31, 2008. The Marketing business saw an impressive increase in throughput per filling station due to the implementation of the full agency system as well as the increase in non-oil business, as a result of portfolio and purchase process optimization.

In **Gas and Power**, we managed to consolidate our position in the Romanian gas market despite a difficult business environment. We also optimized the business model for our gas distribution operations: Business Unit Gas focused on sales to the large gas distribution companies and state-owned-power producers, whereas the 100% affiliate Petrom Gas srl expanded its market position in the end users - power plants and industrial sector. Together with Petrom Distributie Gaze srl, Petrom Group served all segments from small households to large-scale consumers. The newly established Power division continued its consolidation in 2008 in order to reach Petrom's strategic goal of entering the power market. The construction site for power plant Brazi was opened in December 2008. The process of obtaining all required authorizations and permits was also completed in 2008, so the project is well on track to be completed in the third quarter of 2011.

In the **finance area**, significant progress was made towards establishing Global Solutions as the integrated shared service center of OMV Group, which provides a large variety of services to group companies.

Moreover, in October 2008, we signed a three-year multi-currency revolving credit facility worth around EUR 375 mn in order to finance major investment programs. The loan was arranged by a club of five relationship banks of Petrom and OMV, showing and strenghtening the strong standing of Petrom in the current environment.

Directors' Report

Financial Highlights

Profit and loss

Summarized profit and loss (RON mn)	2007	2008	Δ (%)
Net turnover	12,284	16,751	36
Change in inventory – credit balance	121	366	202
Revenues from non-current assets production	22	142	545
Other operating revenues	58	140	141
Operating revenues – total	**12,485**	**17,399**	**39**
Expenses with raw materials and consumables	3,158	5,112	62
Other expenses with materials	43	55	28
Expenses with utilities	450	539	20
Cost of merchandises sold	396	875	121
Personnel expenses	1,658	2,329	40
Adjustments to the value of tangible and intangible assets	1,146	2,256	97
Adjustments to the value of current assets	(35)	143	n.m.
Other operating expenses	3,746	4,137	10
Adjustments to the provisions for risks and charges	(42)	644	n.m.
Operating expenses – total	**10,520**	**16,090**	**53**
Operating profit	**1,965**	**1,309**	**(33)**
Financial result	**185**	**296**	**60**
Gross profit	**2,150**	**1,605**	**(25)**
Income tax	372	583	57
Net profit	**1,778**	**1,022**	**(43)**

The Company's **net turnover** increased by 36% to RON 16,751 mn compared to 2007, driven by a favorable price environment and higher fuel sales (both domestic and export sales).

Operating expenses increased by 53% compared to 2007, to RON 16 bn, mainly due to the increase in raw materials costs caused by higher prices of imported crude oil and higher staff costs. Operating expenses also increased due to adjustments to the value of tangible and intangible assets resulting from increased investment and the impairment booked for the Arpechim refinery. In addition, provisions for risks and charges significantly increased over the course of 2008 as Petrom had to book additional provisions for ongoing employee litigation.

Petrom's **EBIT** amounted to RON 1,309 mn, 33% below the result recorded in 2007 of RON 1,965 mn.

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.

Business divisions' results

Directors' Report

Improved financial result

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

As a result of Petrom's business activities, contributions to the State budget totalled RON 6,476 mn, 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 of RON 3,325 mn and VAT of RON 691 mn.

Balance sheet

Summarized balance sheet (RON mn)	2007	%	2008	%
Assets				
Non-current assets				
Tangible and intangible assets	10,868	51	14,786	59
Investments in associates and other financial assets	5,508	26	5,021	20
Current assets				
Inventories	1,922	9	2,394	10
Accounts receivable and other assets	2,109	10	1,741	7
Short-term investments	-	-	724	3
Cash at bank and cash in hand	753	4	261	1
Total assets	**21,160**	**100**	**24,927**	**100**
Equity and liabilities				
Equity	13,184	62	13,569	55
Non-current liabilities				
Long-term loans	-	-	1,486	6
Other non-current liabilities	200	1	164	1
Provisions	5,196	25	6,262	25
Current liabilities				
Short-term loans	-	-	301	1
Trade payables	1,786	8	2,290	9
Other current liabilities	794	4	855	3
Total equity and liabilities	**21,160**	**100**	**24,927**	**100**

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

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 - investments in mutual funds and other financial instruments).
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.
The economic environment for the last months of 2008

Directors' Report

brought a decrease in receivables compared to the same period of 2007. The main influence was 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-term loans and higher provisions.

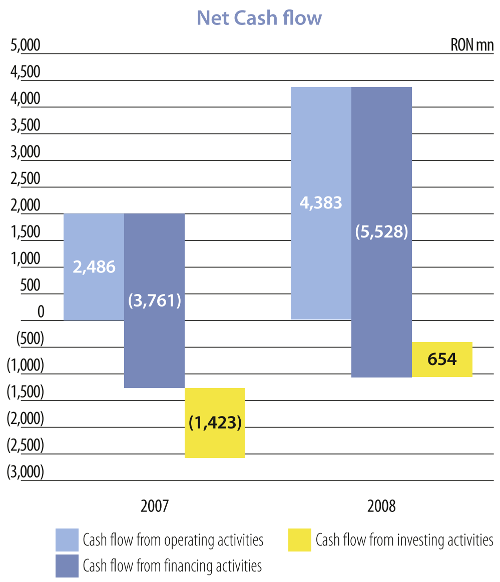
Shareholders' equity amounted to RON 13,569 mn as of December 31, 2008, up by 3% from the end of 2007 [RON 13,184 mn], due to net profit of RON 1,022 mn generated in the current year, the effect of the strategic hedge operation of RON 518 mn, the reduction attributable to distributed dividends RON 1,082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

Indebtness ratio[i] 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.

11.09% indebtness ratio at year end

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.

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 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.

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

Directors' Report

Investments

Investments (RON mn)	2007	2008	%
Exploration and Production	2,465	**4,524**	84
Refining and Marketing	1,004	**1,297**	29
Gas and Power*	32	**386**	n.m.
Corporate (incl. Petrom Solutions)	303	**197**	(35)
Total investments**	3,820	**6,404**	68

* As of January 1, 2008, Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, Chemicals 2007 related investments were not restated in the G&P line, however they are included in total investments.

** Investments presented in the table above include acquisitions of tangible and intangible assets and acquisitions of financial assets representing shares in other companies

Record investments of RON 6,404 mn

The investments made by Petrom S.A. 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.

Risk management

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 monitored at corporate as well as business division level

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

Directors' Report

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.

Subsequent events

Intragroup loan

In January 2009, Petrom contracted a revolving financing facility amounting EUR 500 mn from its majority shareholder, OMV Aktiengesellschaft. The financing is part of a larger program agreed upon in June 2008, necessary to support the restructuring and modernization of the company.

The Ministry of Economy becomes Petrom's shareholder replacing AVAS

According to the provisions of Law no. 308/30.12.2008, the Central Depository performed on January 15, 2009 the transfer of Petrom S.A. shares owned by the Authority for State Assets Recovery (AVAS) in the account of Ministry of Economy, representing 20.64% of Petrom's share capital.

Petrom Aviation - Mandatory Public Takeover

Following the completion of the mandatory public takeover on February 5, 2009, Petrom increased its stake in Petrom Aviation to 93.14%.

Directors' Report

Outlook 2009

Market drivers to remain highly volatile

For 2009, we expect the main market drivers (crude price, refining margins and the EUR-USD exchange rate) to remain highly volatile. Despite the sharp drop in the oil price – from a record USD 144/bbl level for Brent in July 2008 to around USD 40/bbl at the beginning of 2009 – we expect crude oil prices to stabilize in the first half of 2009 and to recover again in the second half of 2009. The Brent-Urals spread should narrow compared to the 2008 average level.

The average EUR-USD exchange rate for 2009 is expected to be highly volatile, overall we are anticipating a weaker EUR compared to the 2008 average rate. We expect a highly volatile but overall decreasing RON versus the USD and the EUR compared to 2008 average rates.

Refinery fuels margins are expected to weaken compared to the 2008 level and the petrochemicals business is anticipated to suffer reduced market demand and lower margins caused by the economic downturn. Marketing sales volumes and margins are expected to decline.

Romanian economic growth to slow down

In 2008, the Romanian economy grew by 7.1%, achieving one of the highest growth rates among the EU countries. However, in 2009 the effects of the global financial crisis are expected to slow Romanian economic growth, which could come close to a halt. To support the economy, monetary policy is most likely to pursue a cycle of interest rate reductions from the current 10%. Fiscal policy has little room for maneuvre given that measures aimed at containing the current budget deficit would curtail spending. Romania is expected to face higher borrowing costs as two of the three global credit rating agencies have placed the country's sovereign debt rating below investment grade. Although, at present, the capacity to roll over Romania's EUR 20 bn short-term debt appears unaffected, the Romanian authorities are currently in talks to secure a loan from international financial institutions. As economic growth slows down markedly, consumers would become increasingly price sensitive. The depreciation of the RON against both the EUR and USD would further reduce their purchasing power.

With good operating cash flow, a solid financial structure and low leverage, as well as being part of a strong OMV Group, Petrom is well positioned to cope with the challenges and opportunities in the current market. As part of a larger financing program agreed in June 2008, Petrom will continue to look for external financing, in order to support the company's development objectives. As such, we were granted a revolving financing facility from OMV at the beginning of 2009 and we are in discussions with international financial institutions to secure loans for our investment projects and corporate needs.

Petrom's planned investments are screened and prioritized in order to be reduced to levels appropriate to the current financing situation and challenging environment. We will continue our large investment program, however, at a considerably reduced level compared to 2008, given the current unfavorable economic conditions and the state of the oil industry in general. In order to ensure the necessary funds to finance an already reduced investment budget compared to the previous year, management's proposal is that no dividends should be distributed for 2008. The Company's investment budget and dividend proposal are subject to shareholder approval at the General Meeting of Shareholders, on April 28, 2009.

To protect Petrom's cash flow from the negative impact of falling oil prices, derivative instruments have been used to hedge earnings in the E&P segment. For details please refer to the risk management section in the Directors' Report.

In **E&P**, the focus will be on increasing the reserves portfolio, arresting natural decline and ensuring production in the long term, as well as improving efficiency. The E&P investment program will continue in 2009, focusing especially on the drilling program and development of the most promising major fields, but the levels have been revised downward due to both the financial crisis and international oil price volatility. The Mamu gas field development as well as the offshore Delta oil field development will make considerable contributions to production on a full year basis. The Komsomolskoe oil field in Kazakhstan is expected to start production in the first half of 2009. The efficiency increase of the integrated oil service business of Petromservice, acquired in February 2008, will be one of the key activities. The successfully completed well modernization program and the increase in operational efficiency will have a positive influence on the operating costs of Petrom in 2009. The focus will continue to be on tight cost control and project prioritization within E&P to tackle the volatile environment.

Directors' Report

In **R&M**, the restructuring of the business and the focus on increasing operational efficiency will continue. Within Refining, we aim to drive further incremental improvements in energy efficiency and yields development towards higher value products. Our refineries' utilization will be optimized to the existing market conditions to fulfil product demand. We are continuing to pursue our mid-term strategy focused on converting Romanian crude oil into high-quality transport fuels for the South-Eastern Europe. However, adapting to the current macroeconomic situation, we will review the scope and schedule of our expansion and modernization program in Petrobrazi and we'll continue investments accordingly. In addition, we aim to finalize the transaction of selling Petrochemicals Arges. Investments in the marketing business are focused on operations' optimization and efficiency increase.

G&P focuses on entering power market

In **G&P**, the focus will remain on expanding the gas value chain, by entering into the power market. As such, the construction of the power plant at Brazi continues according to plan. The trend of declining gas consumption in Romania is expected to continue in 2009 due to lower industry demand, however the impact on Petrom's own production is expected to be minor since we believe that gas imports will be predominantly affected. The distribution and sale of natural gas to households is not a core activity of Petrom. Consequently, Petrom is looking for a qualified partner to take over Petrom Distributie Gaze in order to further develop this company. This process is ongoing at the time of writing and is expected to be finalized over the course of 2009.

March 17, 2009
Bucharest

Mariana Gheorghe
Executive Board President

Petrom's participations*

UPSTREAM	
Tasbulat Oil Corporation BVI	100.00%
Petrom Exploration & Production limited	100.00%
Kom Munai LLP	95.00%
Ring Oil HOLDING & TRADING LTD	74.90%
MD India	0.01%

GAS	
Petrom Gas SRL	100.00%
Petrom Distributie Gaze SRL	99.99%
Congaz S.A.	28.59%

DOWNSTREAM	
ICS Petrom Moldova S.A.	100.00%
Petrom LPG S.A.	99.99%
OMV Romania Mineraloel SRL	99.90%
OMV Bulgaria LTD	99.90%
OMV Srbija DOO	99.90%
Petrom Nadlac SRL	98.51%
Poliflex SRL	96.84%
MP Petroleum Distributie SRL	95.00%
Aviation Petroleum SRL	95.00%
Petrochemicals Arges SRL	95.00%
Trans Gas Services SRL	80.00%
Petrom Aviation S.A.	69.37%
Robiplast Company SRL	45.00%
Beyfin Gaz SRL	40.00%
Franciza Pitesti SRL	40.00%
Brazi Oil & Anghelescu Prod Com SRL	37.70%
Fontegas Peco Mehedinti S.A.	37.40%
Deem Algocar S.A.	27.92%
GTI Oil Co S.A.	13.00%
Prima Petrol SRL	11.98%
Air Total Romania S.A.	6.41%
Benz Oil S.A.	0.48%

CORPORATE AND OTHER	
Petromed Solution SRL	99.99%
Societatea Romana de Petrol S.A.	49.00%
Bursa Maritima si de Marfuri S.A.	20.09%
Asociatia Romana pentru Relatia cu Investitorii	20.00%
Bursa de Marfuri Oltenia Craiova	2.63%
Telescaun Tihuta S.A.	1.68%
Agribac S.A.	0.79%
Credit Bank	0.22%
Institutul Roman pentru Asigurari	0.10%
Oficiul Patronal Judetean Mures	0.01%

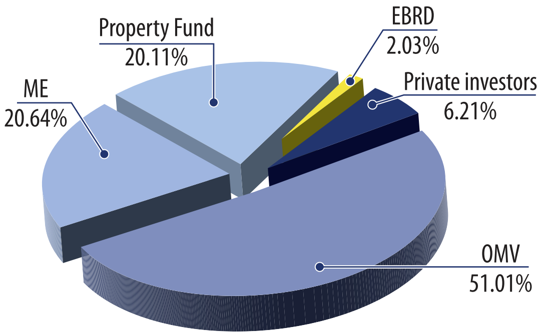
* As at December 31, 2008

Petrom shares

Shareholding

According to the provisions of Law no 308/30.12.2008 regarding the rejection of the Government Emergency Ordinance no 101/2006, on January 15, 2009, the Central Depository transferred the Petrom shares owned by the Authority for State Assets Recovery (AVAS) into the account of the Ministry of Economy (ME).
As a result of this transfer, the Ministry of Economy owns 11,690,694,418 shares representing 20.64% of Petrom's share capital.

At the beginning of 2009, the shareholders' structure was as shown in the chart below:



Shares

Petrom share price lost 64% in 2008

Petrom share price performed poorly in 2008, as it declined 64%, although still outperforming the Bucharest Exchange Trading (BET) index which fell 71%. After starting 2008 at RON 0.5050/share, the Petrom share price reached a high for the year of RON 0.5600/ share on June 2. The share price reached its 2008 low on October 27 (RON 0.1290/share) and closed 2008 at RON 0.1810/share on December 23. The share price decrease was driven by the crisis in the international financial markets and by the collapsing oil prices in the fourth quarter.

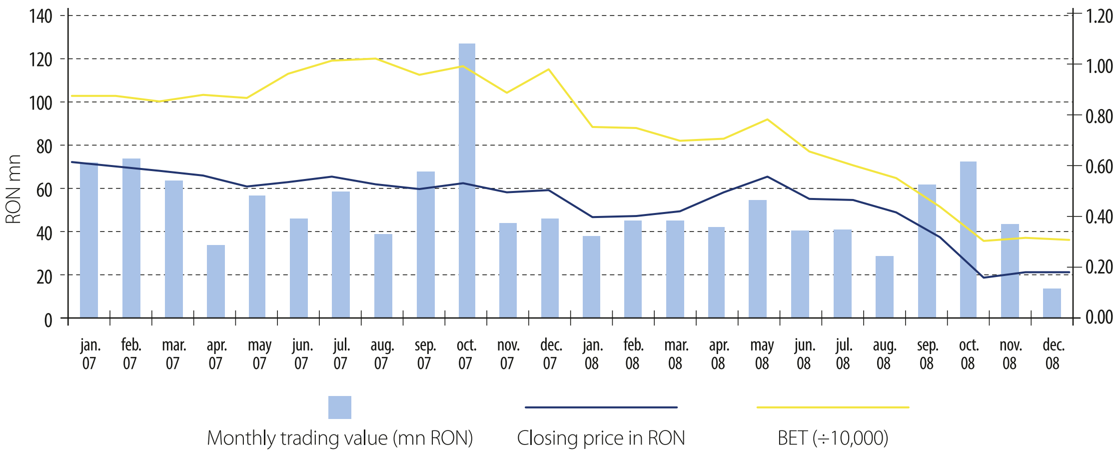
During 2008, the BET Index, which comprises the ten most liquid blue chip stocks listed on the BSE, decreased by 71%. The BET C (BET Composite) index, which includes all companies listed on the BSE, except for the SIFs, decreased by 70%. Vienna Stock Exchange's ROTX Index which comprises the 14 most liquid blue chip stocks traded at the BSE, decreased by 70% in 2008. The BET-NG sectoral index, launched on July 1, 2008, and comprising stocks in the energy and utilities sectors, also falling 57% in the second half of 2008.
Petrom's market capitalization (December 23) of RON 10,253 mn represented 22% of BSE's market capitalization.

At a glance	2006	2007	2008
Number of shares	56,644,108,335	56,644,108,335	**56,644,108,335**
Market capitalization (RON mn)[1]	32,004	28,152	**10,253**
Market capitalization (EUR mn)[1]	9,077	8,056	**2,609**
Year's high (RON)	0.6550	0.6200	**0.5600**
Year's low (RON)	0.4410	0.4790	**0.1290**
Year end (RON)	0.5650	0.4970	**0.1810**
EPS (RON/share)	0.0405	0.0314	**0.0180**
Dividend per share (RON)	0.0179	0.0191	**0[2]**
Dividend yield[1]	3.2%	3.8%	**0**
Payout ratio	44%	61%	**0**

1 Calculated based on the share price as of the last trading day of the respective year
2 Proposed dividend

Petrom shares

Evolution of Petrom share price and BET



General Meeting of Shareholders

On April 22, 2008, Petrom's Extraordinary General Meeting of Shareholders approved the payment of a dividend to the shareholders of the Company, relating to the financial year 2007, at a total gross amount of RON 0.0191 per share (RON 1,082 mn in total), representing a payout ratio of 61% of net profits.

GMS approval of own shares purchase to be freely distributed to employees

On December 16, 2008, Petrom's Extraordinary General Meeting of Shareholders approved the purchase by the company of a number of its own shares from the regular securities market in compliance with requirements of article 103[1] of Law No. 31/1990 as subsequently amended and complemented, in order to be distributed freely to employees (100 shares per employee) according to the provisions of article 168, paragraph 5 of the Collective Bargaining Agreement. The same day, Petrom's Ordinary General Meeting of Shareholders approved the revised investment budget for the year 2008, amounting to RON 6,410 mn, up from RON 6,125 mn initially.

Investor Relations

In June, Petrom together with OMV hosted a site visit to Bucharest and the Petrobrazi refinery and oil fields, providing institutional investors and analysts with an operational update about the ongoing restructuring and modernization of Petrom.

Petrom also organized a series of one-to-one meetings with different analysts and institutional investors during 2008, both from Romania and abroad.

Dividends

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 is subject to further approval by the General Meeting of Shareholders, on April 28, 2009.

Own shares

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

All important information and news for shareholders and analysts regarding Petrom is posted on our corporate website at **www.petrom.com**, Investor Relations section.

Petrom shares

Petrom share symbols	
ISIN	SNPPACNOR9
Bucharest Stock Exchange	SNP
Bloomberg	SNP RO
Reuters	SNPP.BX

2009 Financial Calendar

Financial events	Date
Presentation of the results for January-December and Q4 2008 [1, 2]	February 25, 2009
Publication of the Annual Report 2008	April 28, 2009
General Meeting of Shareholders	April 28, 2009
Presentation of the results for January-March 2009	May 8, 2009
Presentation of the results for January-June and Q2 2009	August 5, 2009
Presentation of the results for January-September and Q3 2009	November 10, 2009

[1] Preliminary results according to Romanian Accounting Standards
[2] Approved by the Executive Board and to be submitted for GMS approval

Contact at Investor Relations

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To obtain printed version quarterly and annual reports in Romanian and English, please e-mail to **investor.relations.petrom@petrom.com** or use the ordering service under **www.petrom.com.**

AVAS	The Authority for State Assets Recovery
Bbl	Barrel
bbl/d	Bbl per day
Bcm	Billion cubic meters
Bn	Billion
Boe	Barrels of oil equivalent
boe/d	Boe per day
BSE	Bucharest Stock Exchange
Capital employed	Equity + (Financial Current liabilities + Financial Non-current liabilities – Cash)
Cbm	Cubic meter
CH_4	Methane
COD	Chemical Oxygen Demand
CO_2	Carbon Dioxide
CSR	Corporate social responsibility
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
EU	European Union
FCC	Fluid Catalytic Cracker
FEED	Front-End Engineering and Design
GDP	Gross Domestic Product
GMS	General Meeting of Shareholders
HSE	Health, Safety, Security and Environment
HSEQ	Health, Safety, Security, Environment and Quality
HFO	Heavy Fuel Oil
IT	Information Technology
Kt	Thousand tons
LPG	Liquefied Petroleum Gas
Mn	Million
n.m.	Not meaningful
NGL	Natural Gas Liquids
NIS	National Institute of Statistics
NM-VOC	Non-Methane Volatile Organic Compounds
NOPAT	Net Operating Profit After Taxes = Net income + (Interest Expense - Interest income)*(1-tax rate)
NO_X	Nitrous Oxides
NO_2	Nitrogen Dioxide
OPEC	Organization of Petroleum Exporting Countries
OPEX	Operating expense
ppm	Parts per million
Q	Quarter
RAS	Romanian Accounting Standards
RHS	Right Hand Side
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed
ROE	Return On Equity = Net Profit / Average Equity
ROFA	Return On Fixed Assets = NOPAT / Average Fixed Assets
RON	New Romanian leu
SAP	Systems, Application and Products in data processing
SIF	Investment Fund (Societate de Investitii Financiare)
Smc	Standard cubic meter
SO_2	Sulfur Dioxide
SRL	Ltd-Limited Liability Company (Societate cu Raspundere Limitată)
t	Tons
VAT	Value added tax
toe	Tons of oil equivalent
yoy	Year-on-year

Independent Auditor's Report and Financial Statements

SC Petrom S.A.'s independent auditor's report and financial statements for the year ended December 31, 2008, prepared in accordance with the Ministry of Finance Order no. 1752/2005 and the subsequent amendments issued by the Ministry of Public Finance.

Independent Auditor's Report and Financial Statements

SC PETROM S.A.

INDEPENDENT AUDITOR'S REPORT

AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2008
prepared in accordance with the Ministry of Finance Order no. 1752/2005
and the subsequent amendments issued by the Ministry of Public Finance

Free translation from the Romanian version which is the original

Independent Auditor's Report

(free translation)[1]

To the Supervisory Board and shareholders of
S.C. Petrom S.A.
Bucharest, Romania

Report on the Financial Statements

1 We have audited the accompanying financial statements of S.C. Petrom S.A. ("the Company"), which comprise the balance sheet as at December 31, 2008, the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

• Net assets/Total equity:	RON	13,568,598,447
• Net profit for the year:	RON	1,022,387,463

Management's Responsibility for the Financial Statements

2 Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Ministry of Public Finance no. 1752/2005 with the subsequent amendments and as described in the accounting policies presented in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. Petrom S.A. as of December 31, 2008, and its financial performance and its cash flows for the year then ended, in accordance with the Order of the Ministry of Public Finance no. 1752/2005 and subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

Other Matters

7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements, respectively, the Order of the Ministry of Public Finance no. 1752/2005 and subsequent amendments.

9 In accordance with the requirements of Law 82/1991 republished, article 31, parent company must issue an annual report regarding its own activity and also a consolidated annual report. As discussed in note 6 to the financial statements, the Company will issue consolidated financial statements for the year ended December 31, 2008 within the timeframe stipulated in the legislation.

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation is provided as a free translation from Romanian which is the official and binding version

Independent Auditor's Report

(free translation)[1]

Report on conformity of the Supervisory Board's Report with the Financial Statements

In accordance with the Order of the Ministry of Public Finance no. 1752/2005 with the subsequent amendments, article no. 263 point 2), we have read the annual report that includes the Supervisory Board's Report attached to the financial statements. The Supervisory Board' Report is not a part of the financial statements. In the Supervisory Board' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2008.

Farrukh Khan, Audit partner

Registered with the Romanian Chamber of Financial Auditors
under No.1533/25.11.2003

On behalf of:

DELOITTE AUDIT SRL
registered with the Romanian Chamber of Financial auditors
under no. 25/25/06/01

Bucharest,
March 17, 2009

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation is provided as a free translation from Romanian which is the official and binding version

(all amounts are expressed in RON, unless otherwise specified)

COUNTY **Bucharest**
COMPANY **S.C. Petrom S.A.**

TYPE OF PROPERTY **22**
State (<50%) and private owned companies
TYPE OF ACTIVITY Crude oil extraction

ADDRESS **Bucharest** sector 1
Str. **Calea Dorobanților** nr. **239**,
TEL: **021 4060189** FAX **021 4060431**
NO. OF TRADE REGISTER **J40/8302/1997**

CODE GROUP CAEN **0610**
UNIQUE REGISTRATION CODE **1590082**

No		Notes	Row	December 31, 2007	December 31, 2008
A	**FIXED ASSETS**				
I	**Intangible assets**				
	1 Set up expenses		01	-	-
	2 Development expenses		02	-	-
	3 Concessions, patents, licenses, trademarks and other similar rights and assets		03	109,315,384	1,088,659,438
	4 Goodwill		04	-	-
	5 Advances and intangible assets in progress		05	194,240,901	41,056,083
	Total (rows 01 to 05)	1 b)	06	**303,556,285**	**1,129,715,521**
II	**Tangible assets**				
	1 Land and buildings		07	4,625,066,039	6,803,105,041
	2 Plant and machinery		08	2,407,088,782	2,372,378,280
	3 Other equipment and furniture		09	69,548,752	93,219,526
	4 Advances and tangible assets in progress		10	3,462,629,204	4,386,971,350
	Total (rows 07 to 10)	1 a)	11	**10,564,332,777**	**13,655,674,197**
III	**Financial assets**				
	1 Investments in companies within the group		12	1,164,914,783	1,098,007,913
	2 Loans to the companies within the group		13	1,232,269,360	1,861,948,614
	3 Investments in associated companies		14	35,858,363	16,011,111
	4 Amounts owed by subsidiaries and associated companies		15	-	-
	5 Long term financial Investments as assets		16	1,148,916,872	-
	6 Other debts		17	1,924,981,538	2,045,113,862
	Total (rows 12 to 17)	1 c)	18	**5,506,940,916**	**5,021,081,500**
	TOTAL FIXED ASSETS (rows 06+11+18)		19	**16,374,829,978**	**19,806,471,218**
B	**CURRENT ASSETS**				
I	**Inventories**				
	1 Raw materials and consumables		20	905,440,044	1,140,181,226
	2 Work in progress		21	249,540,812	156,525,477
	3 Finished goods and merchandise		22	721,053,519	1,003,210,319
	4 Advances for stock purchase		23	46,340,968	94,517,339
	Total (rows 20 to 23)	10.3	24	**1,922,375,343**	**2,394,434,361**
II	**Receivables**				
	1 Trade receivables (net)		25	1,701,500,961	1,079,775,706
	2 Amounts to be received from affiliates		26	89,769,630	125,353,757
	3 Amounts to be received from investments		27	-	-
	4 Other receivables		28	224,539,136	499,082,526
	5 Receivables for subscribed and not paid in share capital		29	-	-
	Total (rows 25 to 29)	5	30	**2,015,809,727**	**1,704,211,989**

Free translation from the Romanian version which is the original
Notes on pages 99 to 129 form integral part of these financial statements.

(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	December 31, 2007	December 31, 2008
III	**Short term investments**				
	1 Investments in affiliates		31	-	-
	2 Other short term investments		32	7,616	724,024,630
	Total (rows 31 to 32)		33	**7,616**	**724,024,630**
IV	**Cash and bank accounts**	10.2	34	**752,634,771**	**261,438,312**
	TOTAL CURRENT ASSETS (rows 24+30+33+34)		35	**4,690,827,457**	**5,084,109,292**
C	**PREPAYMENTS**		36	**95,376,124**	**36,865,667**
D	**PAYABLES WITHIN ONE YEAR**				
	1 Debenture loans		37	-	-
	2 Payables to credit institutions		38	-	300,526,268
	3 Advances cashed for orders		39	24,789,910	59,432,176
	4 Trade payables		40	1,760,904,056	2,230,757,574
	5 Bills of exchange payables		41	-	-
	6 Payables to related parties		42	-	-
	7 Payables to other investment companies		43	-	-
	8 Other payables, including tax and social security payables		44	794,331,461	855,311,352
	Total (rows 37 to 44)	5	45	**2,580,025,427**	**3,446,027,370**
E	**CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-62)**		46	**2,042,617,251**	**1,546,602,219**
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46)**		47	**18,417,447,229**	**21,353,073,437**
G	**PAYABLES IN MORE THAN ONE YEAR**				
	1 Debenture loans		48	-	-
	2 Payables to credit institutions		49	-	1,486,003,422
	3 Advances cashed for orders		50	-	-
	4 Trade payables		51	15,719,473	2,841,432
	5 Bills of exchange payables		52	-	-
	6 Amounts payable to related parties		53	-	-
	7 Payables to investments participation		54	-	-
	8 Other payables, including tax and social security payables		55	13,262,537	15,250,548
	Total (rows 48 to 55)	5	56	**28,982,010**	**1,504,095,402**
H	**PROVISIONS**				
	1 Provisions for pensions and other liabilities		57	-	-
	2 Provisions for taxes		58	-	-
	3 Other provisions		59	5,196,454,236	6,262,466,399
	TOTAL PROVISIONS (rows 57 to 59)	2	60	**5,196,454,236**	**6,262,466,399**

Free translation from the Romanian version which is the original
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(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	December 31, 2007	December 31, 2008
I	DEFERRED INCOME				
	1 Investments subsidies		61	7,892,378	17,913,189
	2 Deferred income		62	163,560,903	128,345,370
	TOTAL (rows 61+62)		63	171,453,281	146,258,559
J	SHARE CAPITAL AND RESERVES				
I	Share capital				
	- subscribed and paid in share capital		64	5,664,410,834	5,664,410,834
	- subscribed and not paid in share capital		65	-	-
	- patrimony		66	-	-
	TOTAL (rows 64 to 66)	7	67	5,664,410,834	5,664,410,834
II	Premium related to capital		68	-	-
III	Revaluation reserve		69	57,417,759	50,904,252
IV	Reserves				
	1 Legal reserve		70	402,579,752	474,624,841
	2 Statutory or contractual capital reserve		71	-	-
	3 Realized revaluation reserves		72	15,843,269	20,780,867
	4 Other reserves		73	5,374,332,251	5,819,903,009
	TOTAL (row 70 to 73)		74	5,792,755,272	6,315,308,717
	Own shares		75	-	-
	Earnings related to owners' equity items		76	-	-
	Losses related to owners' equity items		77	-	-
V	Retained earnings				
	– Cr balance		78	1,521,411	587,632,269
	– Dr balance		79	-	-
VI	Profit for the period				
	– Cr balance		80	1,778,042,301	1,022,387,463
	– Dr balance		81	-	-
	Profit appropriation		82	110,028,972	72,045,088
	Total shareholders' equity (rows 67+68+69+74-75+76-77+78-79+80-81-82)		83	13,184,118,605	13,568,598,447
	Public patrimony		84	-	-
	TOTAL EQUITY (rows 83+84)		85	13,184,118,605	13,568,598,447

These financial statements were approved on March 17th, 2009.

Mrs. Mariana Gheorghe
Chief Executive Officer

Mr. Reinhard Pichler
Chief Financial Officer

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

Mr. Siegfried Gugu
E.B. Member E&P Services

Mr. Gerald Kappes
E.B. Member Gas, Power & Chemicals

Mr. Neil Morgan
E.B. Member Refining

Mr. Tamas Mayer
E.B. Member Marketing

Mr. Siegfried Ehn
Director Finance and Controlling Division

Mrs. Mihaela Milinschi
Director of Accounting Department

Free translation from the Romanian version which is the original
Notes on pages 99 to 129 form integral part of these financial statements.

(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	Year ended December 31, 2007	Year ended December 31, 2008
1	**Net turnover (rows 02 to 05)**		01	**12,284,378,408**	**16,750,726,457**
	Sales of production		02	11,795,873,413	15,795,814,081
	Sales of merchandise		03	488,504,995	954,912,376
	Interest income- from lease companies		04	-	-
	Interest from subsidies related to net turnover		05	-	-
2	Movements in stocks of finished goods				
	– Cr balance		06	120,783,952	366,871,954
	– Dr balance		07	-	-
3	Own work capitalized		08	22,145,515	142,029,297
4	Other operating revenue		09	57,638,849	139,996,979
	Total operating revenue (rows 01+06-07+08+09)		10	**12,484,946,724**	**17,399,624,687**
5	a) Raw materials and consumables expenses		11	3,157,730,454	5,112,307,267
	Other materials expenses		12	42,880,206	54,885,214
	b) Other utilities expenses (energy and water)		13	450,008,740	538,886,526
	Purchases of goods for resale		14	395,873,972	874,769,042
6	**Salary expenses (rows 16+17)**		15	**1,657,798,742**	**2,328,955,335**
	a) Salaries	8	16	1,276,888,854	1,820,059,602
	b) Social security contributions		17	380,909,888	508,895,733
7	**a) Adjusting the value of tangible and intangible assets (rows 19-20)**		18	**1,146,101,922**	**2,256,092,738**
	a. 1) Expenses		19	1,167,435,970	2,268,743,945
	a. 2) Revenues		20	21,334,048	12,651,207
	b) Adjusting the value of current assets (rows 22-23)		21	**(35,304,253)**	**143,291,376**
	b. 1) Expenses		22	180,519,872	288,238,885
	b. 2) Revenues		23	215,824,125	144,947,509
8	**Other operating expenses (rows 25 to 28)**		24	**3,747,555,913**	**4,137,052,619**
	8.1 Third parties services		25	2,722,199,495	2,896,215,547
	8.2 Other taxes, duties and similar expenses		26	601,895,562	828,870,302
	8.3 Other operating expenses		27	423,460,856	411,966,770
	Interest related to refinancing activities		28	-	-
	Adjustments for provisions for risks and charges (rows 30-31)		29	**(42,297,402)**	**644,151,339**
	Expenses		30	460,666,444	1,547,984,039
	Revenues		31	502,963,846	903,832,700
	Total operating expenses (rows 11 to 15+18+21+24+29)		32	**10,520,348,294**	**16,090,391,456**
	Operating Result				
	- profit (rows 10-32)	4	33	**1,964,598,430**	**1,309,233,231**
	- loss (rows 32-10)		34	-	-

Free translation from the Romanian version which is the original
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(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	Year ended December 31, 2007	Year ended December 31, 2008
9	Income from investments		35	35,417,362	175,686,353
	- out of which, within the group		36	26,142,904	174,153,842
10	Income from other financial investments and receivables, part of financial assets		37	-	-
	- out of which, within the group		38	-	-
11	Income from interest		39	233,590,275	135,263,405
	- out of which, within the group		40	74,674,023	87,520,178
	Other financial revenues including forex gain		41	229,289,327	1,620,812,172
	Total financial revenues (rows 35+37+39+41)		42	**498,296,964**	**1,931,761,930**
12	**Adjustment of financial assets and investments held (rows 44-45)**		43	**(85,928,284)**	**133,753,212**
	Expenses		44	114,827,010	180,604,658
	Revenues		45	200,755,294	46,851,446
13	Interest expenses		46	-	23,563,439
	- out of which, within the group		47	-	-
	Other financial expenses including forex loss		48	399,196,650	1,478,115,170
	Total financial expenses (rows 43+46+48)		49	**313,268,366**	**1,635,431,821**
	Financial result				
	- profit (rows 42-49)		50	**185,028,598**	**296,330,109**
	- loss (rows 49-42)		51	-	-
14	**Current profit(loss)**				
	- profit (rows 10+42-32-49)		52	**2,149,627,028**	**1,605,563,340**
	- loss (rows 32+49-10-42)		53	-	-
15	Extraordinary revenues		54	-	-
16	Extraordinary expenses		55	-	-
17	**Extraordinary result**				
	- profit (rows 54-55)		56	-	-
	- loss (rows 55-54)		57	-	-
	Total revenues (rows 10+42+54)		58	**12,983,243,688**	**19,331,386,617**
	Total expenses (rows 32+49+55)		59	**10,833,616,660**	**17,725,823,277**
	Profit before tax				
	- profit (rows 58-59)		60	**2,149,627,028**	**1,605,563,340**
	- loss (rows 59-58)		61	-	-
18	**Tax on profit**	10.8	62	**371,584,727**	**583,175,877**

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No		Notes	Row	Year ended December 31, 2007	Year ended December 31, 2008
19	Other tax expenses not shown above		63	-	-
20	**Net result of financial year**				
	- profit (rows 60-62-63)		64	1,778,042,301	**1,022,387,463**
	- loss (rows 61+62+63); (rows 62+63-60)		65	-	-

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Chief Executive Officer

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E.B. Member Gas, Power & Chemicals

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Director of Accounting Department

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	Notes	December 31, 2007	December 31, 2008
Cash flow from operating activities			
Profit before taxation		**2,149,627,028**	**1,605,563,340**
Adjustments for:			
Interest expenses		-	23,563,439
Interest income		(233,590,275)	(135,263,405)
Net movement in provisions for:			
- Fixed asset impairment		284,208,231	1,085,094,436
- Financial assets	2	(93,980,150)	135,568,674
- Inventories	2	354,384	48,720,913
- Receivables	2	(74,836,771)	19,994,770
- Litigations	2	179,797,383	692,715,236
- Environmental expenditures	2	(100,583,281)	(29,042,225)
- Retirement benefits	2	6,769,483	(15,661,454)
- Other provisions for risk and charges	2	(12,501,929)	(34,170,398)
- Restructuring	2	(94,333,814)	48,216,515
Loss / (Gain) on disposals of fixed assets		14,737,604	(54,076,097)
Depreciation and amortization expense	1	860,459,210	1,170,900,413
Gain on disposal of financial assets		(11,177,863)	(64,350,516)
Cash generated from operating activities before working capital movements		**2,874,949,240**	**4,497,773,641**
(Increase)/ decrease in inventories		(457,601,108)	(520,779,931)
(Increase)/ decrease in receivables and prepayments		(604,111,657)	368,555,162
Increase/ (decrease) in liabilities and deferred revenues		699,418,312	658,621,555
Interest received		235,254,945	68,715,234
Interest paid		-	(5,375,581)
Tax on profit paid		(262,532,626)	(683,894,489)
Net cash generated from operating activities		**2,485,377,106**	**4,383,615,591**
Cash flow from investment activities			
Purchase of tangible and intangible assets		(3,637,786,297)	(6,217,797,162)
Proceeds from sale of fixed assets		180,311,618	176,555,215
Proceeds from sale of financial assets		54,711,875	1,198,347,052
Acquisition of financial assets		(358,018,714)	(685,863,596)
Net cash used from investment activities		**(3,760,781,518)**	**(5,528,758,491)**
Cash flow from financial activities			
Loans received during the year		-	1,768,387,650
Dividends paid		(1,422,986,498)	(1,114,441,209)
Net cash used for financial activities		**(1,422,986,498)**	**653,946,441**
Total cash flows		**(2,698,390,910)**	**(491,196,459)**
Cash and cash equivalents at the beginning of the year	10.2	**3,451,025,681**	**752,634,771**
Cash and cash equivalents at the end of the year	10.2	**752,634,771**	**261,438,312**

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Mr. Siegfried Gugu E.B. Member E&P Services	Mr. Gerald Kappes E.B. Member Gas, Power & Chemicals	Mr. Neil Morgan E.B. Member Refining
Mr. Tamas Mayer E.B. Member Marketing	Mr. Siegfried Ehn Director Finance and Controlling Division	Mrs. Mihaela Milinschi Director of Accounting Department

(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2007	Increase out of which	Transfer	Decrease out of which	Transfer	Balance at 31.12.2007
Subscribed share capital	5,664,410,834	-	-	-	-	5,664,410,834
Revaluation reserve	74,590,359	-	-	17,172,600*	15,843,269	57,417,759
Legal reserves	292,550,780	110,028,972	110,028,972	-	-	402,579,752
Reserves representing surplus from revaluation reserves	-	15,843,269	15,843,269	-	-	15,843,269
Other reserves	214,865,543	96,630,544**	-	-	-	311,496,087
Other reserves-geological quota	5,062,836,164	-	-	-	-	5,062,836,164
Retained earnings	1,015,450,950	-	-	1,013,929,539***	-	1,521,411
Profit for the year	-	1,778,042,301	-	110,028,972	110,028,972	1,668,013,329
Total	**12,324,704,630**	**2,000,545,086**	**125,872,241**	**1,141,131,111**	**125,872,241**	**13,184,118,605**

* RON 17,172,600 is made up from RON 15,843,269 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings that were revalued at December 2006 and RON 1,329,329 representing impairment of buildings and other special constructions related to closure of filling stations.

** RON 96,630,544 is made up from RON 86,950,402 representing revaluation for available for sale investments at their fair value and RON 9,680,142 representing land for which ownership was obtained but was not included in social capital.

*** RON 1,013,929,539 represents dividends distributed to shareholders in 2007.

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(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2008	Increase out of which	Transfer	Decrease out of which	Transfer	Balance at 31.12.2008
Subscribed share capital	5,664,410,834	-	-	-	-	5,664,410,834
Revaluation reserve	57,417,759	-	-	6,513,507*	4,937,598	50,904,252
Legal reserves	402,579,752	72,045,089	72,045,089	-	-	474,624,841
Reserves representing surplus from revaluation reserves	15,843,269	4,937,598	4,937,598	-	-	20,780,867
Other reserves	311,496,087	445,570,757**	-	-	-	757,066,844
Other reserves-geological quota	5,062,836,164	-	-	-	-	5,062,836,164
Retained earnings	1,669,534,740	-	-	1,081,902,469***	-	587,632,271
Profit for the year	-	1,022,387,463	-	72,045,089	72,045,089	950,342,374
Total	**13,184,118,605**	**1,544,940,907**	**76,982,687**	**1,160,461,065**	**76,982,687**	**13,568,598,447**

* RON 6,513,507 is made up from RON 4,937,598 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings that were revalued at December 2006 and RON 1,575,909 representing impairment of buildings and other special constructions that were revalued at December 2006.

** RON 445,570,757 is made up from:

a. RON 517,640,630 represents fair value of the hedging made by the Company in 2008.

b. RON (74,056,386) relates to the fair value of the available for sale investments that have been disposed during 2008.

c. RON 1,986,513 represents land for which ownership was obtained but was not included in share capital.

*** RON 1,081,902,469 represents dividends distributed to shareholders in 2008

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1. FIXED ASSETS

a) Tangible assets

GROSS BOOK VALUE	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Land	601,489,142	80,693,299**	56,322,211	76,221,204	50,001,891	605,961,237
Buildings and constructions	7,094,618,913	3,850,647,921	2,721,147,759	983,238,276	827,344,336	9,962,028,558
Machinery and equipment	3,970,057,056	1,723,211,332	1,036,755,404	1,120,188,109	985,371,233	4,573,080,279
Other equipment and furniture	132,364,191	57,382,285	22,693,573	15,252,792	2,291,708	174,493,684
Advances and tangible assets in progress	3,878,587,935	3,457,567,769	116,529,205	2,201,280,920	2,091,180,013	5,134,874,784
Total	**15,677,117,237**	**9,169,502,606**	**3,953,448,152**	**4,396,181,301***	**3,956,189,181**	**20,450,438,542**

ACCUMULATED DEPRECIATION	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Buildings and constructions	1,836,494,522	958,037,014	396,446,504	298,011,103	273,585,172	2,496,520,433
Machinery and equipment	974,753,575	443,234,943	90,461,511	268,599,359	212,936,784	1,149,389,159
Other equipment and furniture	37,078,435	18,926,913	277,316	4,443,647	666,808	51,561,701
Total	**2,848,326,532**	**1,420,198,870**	**487,185,331**	**571,054,109**	**487,188,764**	**3,697,471,293**

* The decrease in tangible assets includes also write off of capital work in progress amounting to RON 110,100,907.
** The increase in land includes an amount of RON 1,986,513 representing land title deeds obtained by the Company during 2008.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Land	408,544,975	45,813,749	45,419,812	62,586,069	46,558,136	391,772,655
Buildings and constructions	826,002,521	154,292,298	16,267,592	103,703,153	2,505,648	876,591,666
Machinery and equipment	588,214,700	517,192,595	102,423,895	54,094,455	6,121,820	1,051,312,840
Other equipment and furniture	25,737,004	7,373,727	141,842	3,398,274	582,228	29,712,457
Advances and tangible assets in progress	415,958,728	581,886,076	47,497,452	249,941,370	155,668,963	747,903,434
Total	**2,264,457,928**	**1,306,558,445**	**211,750,593**	**473,723,321**	**211,436,795**	**3,097,293,052**
NET BOOK VALUE	**10,564,332,777**					**13,655,674,197**

Included in fixed assets presented above, in category "Machinery and equipment" are fixed assets acquired in 2008 through finance lease with a carrying amount of RON 5,622,751 as at December 31, 2008.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

b) Intangible assets

COST	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Intangible assets	247,497,235	1,234,985,418*	162,382,905	64,720,104	648,723	1,417,762,549
Advances and intangible assets in progress	197,150,843	8,893,560	-	161,557,648	158,993,153	44,486,755
Total	**444,648,078**	**1,243,878,978**	**162,382,905**	**226,277,752**	**159,641,876**	**1,462,249,304**

ACCUMULATED DEPRECIATION	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Intangible assets	131,030,614	238,397,367	510,493	47,420,733	507,064	322,007,248
Total	**131,030,614**	**238,397,367**	**510,493**	**47,420,733**	**507,064**	**322,007,248**

ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2008	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2008
Intangible assets	10,061,179	1,256,333	160,005	4,221,649	3,051,599	7,095,863
Advances and intangible assets in progress	-	6,327,308	2,909,941	2,896,636	332,141	3,430,672
Total	**10,061,179**	**7,583,641**	**3,069,946**	**7,118,285**	**3,383,740**	**10,526,535**

NET BOOK VALUE	**303,556,285**					**1,129,715,521**

* During the year the Company acquired the business of an oilfield service Company. Upon the fair value exercise the Company identified the fair value of tangible and intangible assets of the business acquired.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets

COST	Balance at 1.01.2008	Increase	Decrease	Balance at 31.12.2008
Investments (a)	1,276,056,014	106,152,177	27,650,274	1,354,557,917
Other financial assets (b)	1,180,402,647	-	1,180,402,647	-
Other receivables (c)	1,464,523,289	627,825,463	206,384,000	1,885,964,752
Expenditure recoverable from Romanian State (d)	1,707,751,023	330,168,539	-	2,037,919,562
Total	**5,628,732,973**	**1,064,146,179**	**1,414,436,921**	**5,278,442,231**
WRITE DOWN ALLOWANCE				
Investments	75,282,861	176,687,183	11,431,151	240,538,893
Other financial assets	31,485,773	-	31,485,773	-
Other receivables (c)	15,023,423	1,798,415	-	16,821,838
Total	**121,792,057**	**178,485,598**	**42,916,924**	**257,360,731**
NET BOOK VALUE	**5,506,940,916**			**5,021,081,500**

(a) The increase in investments during 2008 represents mainly acquisition of additional shares in the companies ICS PETROM MOLDOVA S.A. and PETROM AVIATION S.A.. The decrease represents the sale of investment in RAFISERV PETROBRAZI S.A., RAFISERV ARPECHIM S.A. and BUTAN GAS ROMANIA S.A..

(b) The decrease in other financial assets represents the disposal of investment in mutual funds and in other financial instruments through umbrella funds.

(c) Other receivables include loans given to subsidiaries in Kazahstan (KOM MUNAI LLP, TASBULAT OIL CORPORATION BVI) whose principal activities are exploration and production of oil and gas and also loans given to the other subsidiaries in R&M and Gas segments, such as OMV BULGARIA LTD, OMV SRBIJA d.o.o., PETROM DISTRIBUȚIE GAZE SRL. Loans given to subsidiaries bear an interest rate based on Euribor plus a variable margin and have different maturities. The decrease in other receivables represents bonds issued by the World Bank and acquired by Petrom in 2006 with maturity in September 2009 that were reclassified from long term financial assets to short term investments.

(d) As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the Romanian State as these pertain to Exploration and Production (E&P) activities prior to privatization of the Company in 2004. The change during the year 2008 (RON 237,491,721) is related to reassessment of the decommissioning expenditure and consequently of the recoverable amounts from the Romanian State. The Company also recorded an increase of the receivable from State related to environmental liabilities for sludge pits and lagoons belonging to E&P, Refining and Doljchim amounting to RON 92,676,818 as these were existing prior to privatization of the Company.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Investments as at December 31, 2008 consist of the following:

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION BVI	Oil exploration and drilling in Kazahstan	100.00%	13,426,985	-
PETROM GAS SRL	Intermediary in fuel, minerals and chemical products trade	100.00%	8,601,510	-
PETROM DISTRIBUȚIE GAZE SRL	Gas distribution	99.99%	13,010,677	-
OMV ROMANIA MINERALOEL SRL	Fuel distribution	99.90%	380,125,971	-
OMV BULGARIA LTD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,968	-
PETROM NĂDLAC SRL	Oil products distribution	98.51%	6,521,923	1,910,711
POLIFLEX SRL	Polyetilene production and distribution	96.84%	518,170	-
M.P. PETROLEUM DISTRIBUTIE SRL	Fuel distribution	95.00%	116,638,420	-
KOM MUNAI LLP	Oil products distribution	95.00%	33,121,000	-
AVIATION PETROLEUM SRL	Kerosene distribution	95.00%	13,126,576	-
RING OIL HOLDING & TRADING LTD	Holding Company	74.90%	333,946,263	229,223,974
ICS PETROM MOLDOVA S.A.	Fuel distribution	100.00%	104,378,150	-
PETROM LPG S.A.	LPG distribution	99.99%	122,307,743	-
PETROMED SOLUTION SRL	Medical services	99.99%	2,999,900	-
TRANS GAS SERVICES SRL	Transfer of LPG (buthane; propane) from large railroad system trucks to normal railroad system trucks	80.00%	3,909,919	-
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	100.00%	5	-
PETROCHEMICALS ARGEȘ SRL	Refining petrochemicals production	95.00%	200	-
PETROM AVIATION S.A.	Kerosene distribution	69.37%	32,889,956	-

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1. FIXED ASSETS (continued)

c) Financial assets (continued)

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Associated companies (20-50%)				
SOCIETATEA ROMÂNĂ DE PETROL S.A.	Oil products production and distribution	49.00%	49,000	49,000
ROBIPLAST COMPANY SRL	Plastic materials production	45.00%	1,080	1,080
BEYFIN GAZ SRL	Gas production and distribution	40.00%	1,222,363	-
FRANCIZA PITEŞTI SRL	Other financial services	40.00%	144,000	-
BRAZI OIL & ANGHELESCU PROD COM SRL	Oil products distribution	37.70%	310,800	-
FONTEGAS PECO MEHEDINŢI S.A.	Fuel distribution	37.40%	295,881	194,442
CONGAZ S.A.	Natural gas distribution	28.59%	14,158,085	-
D.E.E.M. ALGOCAR S.A.	Oil products distribution	27.92%	17,035	17,035
BURSA MARITIMĂ ŞI DE MĂRFURI S.A.	Other financial services	20.09%	100,000	100,000
ASOCIAŢIA ROMÂNĂ PENTRU RELAŢIA CU INVESTITORII	Public relations and public representation	20.00%	500	-
Other financial investments (<20%)				
GTI OIL CO S.A.	Fuel distribution	13.00%	61,722	61,722
PRIMA PETROL SRL	Fuel distribution	11.98%	11,975	11,975
AIR TOTAL ROMANIA S.A.	Kerosene distribution in Romania	6.41%	8,929,975	8,865,240
BURSA DE MĂRFURI OLTENIA CRAIOVA	Other financial services	2.63%	1,526	691
TELESCAUN TIHUŢA S.A.	Cable transportation	1.68%	420	13
AGRIBAC S.A.	Animals breeding	0.79%	28,060	28,060
BENZ OIL S.A.	Oil products distribution	0.48%	700	-
CREDIT BANK	Other financial services	0.22%	500	500
INSTITUTUL ROMÂN PENTRU ASIGURĂRI	Insurance services	0.10%	7,250	-
OFICIUL PATRONAL JUDEŢEAN MUREŞ	Economic and Union activities development	0.01%	1,000	1,000
MD INDIA	Exploration and production	0.01%	73,450	73,450
TOTAL			**1,354,557,917**	**240,538,893**

Free translation from the Romanian version which is the original

(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS

PROVISIONS	Balance at 1.01.2008	Increase	Decrease	Balance at 31.12.2008
Provision for litigations (i)	341,938,306	1,329,420,166	636,704,930	1,034,653,542
Provision for decommissioning expenses – Petrom (ii)	2,401,676,759	-	17,954,805	2,383,721,954
Provision for expenditure to be incurred on behalf of State (Note 1c)	1,457,613,705	237,491,721	-	1,695,105,426
Provision for retirement benefits (iii)	188,366,479	102,282,443	44,157,947	246,490,975
Provision for environmental expenditures-Petrom (iv)	119,018,093	28,905,743	48,124,103	99,799,733
Provision for environmental expenditures to be incurred on behalf of State (iv) (Note 1c)	250,137,318	92,676,818	9,823,865	332,990,271
Provision for restructuring (v)	382,499,634	180,340,857	132,124,342	430,716,149
Other provisions for risk and charges (vi)	55,203,942	3,948,690	20,164,283	38,988,349
Total	**5,196,454,236**	**1,975,066,438**	**909,054,275**	**6,262,466,399**
PROVISIONS/ ADJUSTMENTS ON THE VALUE OF ASSETS				
Provisions for clients (Note 5)	566,751,408	149,813,763	129,889,173	586,675,998
Provisions for short term financial assets (Note 5)	7,995,587	138,979	68,799	8,065,767
Provisions for depreciation of inventories (Note 10.3)	66,939,890	63,820,971	15,100,058	115,660,803
Provisions for impairment of fixed assets (Note 1)	2,274,519,107	1,314,142,085	480,841,605	3,107,819,587
Provisions for depreciation of financial assets (Note 1c)	121,792,057	178,485,598	42,916,924	257,360,731
Total	**3,037,998,049**	**1,706,401,396**	**668,816,559**	**4,075,582,886**

2. PROVISIONS (continued)

(i) The Company monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and outside legal advisors. The Company has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows. The increase of litigation provision in 2008 is due to litigations with former and current employees for various types of claims due to differing interpretations of some of the clauses of the Petrom Collective Labour Agreement.

(ii) Until December 31, 2005 decommissioning provisions were set up using the best possible estimate considering the applicable legislation. In determining those provisions management considered existing and future technologies that were expected to be used from the period when it was expected that the costs will be incurred.

Since then, in accordance with the provisions of Romanian accounting law, the decommissioning provision related to Company liability has not been reassessed, being only used for the decommissioning work done during the year. As at December 31, 2008, the decommissioning provision for Company liability is RON 2,383,721,954.

(iii) The Collective Labor Agreement concluded between the Company and its employees provides that on retirement an employee will receive a one-off payment amounting to two to four month salaries according to the length of service. Employees that have worked for more than 15 years in the oil industry are entitled to receive a payment of four monthly salaries. The collective labor agreement also provides that the Company will pay funeral expenses for employees and also for the family members. The Company assessed the accrual of post-employment obligations based on independent professional actuarial calculation.

(iv) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2008. The Company recorded environmental liabilities against receivable from the Romanian State for sludge pits and sludge lagoons belonging to E&P, Refining and Doljchim as these lagoons existed prior to privatization of the Company.

As at December 31, 2008, the Company had not shortfall in EU allowances allocated compared to the CO2 emissions of installations subject to the EU Emission Trading Scheme.

(v) The Company started a restructuring plan in 2005 and continued with this plan in 2006, 2007 and 2008. In order to run the Company in the most effective and efficient manner, the Company's management has approved this restructuring plan and the plan has been communicated.

(vi) Other risks and charges primarily relate to the provision for excises, VAT and other taxes related to the missing stocks.

(all amounts are expressed in RON, unless otherwise specified)

3. PROFIT ALLOCATION

	December 31, 2007	December 31, 2008
Net profit to be allocated	**1,778,042,301**	**1,022,387,463**
- legal reserve	110,028,972	72,045,089
- dividends	1,081,902,469	-
Profit not allocated	**586,110,860**	**950,342,374**

Allocation of the 2007 profit amounting to RON 1,081,902,469 to dividends has been approved by General Meeting of the Shareholders on April 22, 2008. The profit for the year ended December 31, 2008 will be allocated based on the decision of the General Meeting of the Shareholders.

4. ANALYSIS OF OPERATING PROFIT

	December 31, 2007	December 31, 2008
1. Net turnover	**12,284,378,408**	**16,750,726,457**
2. Costs of goods sold and services rendered (3+4+5)	**9,162,016,827**	**14,577,604,116**
3. Operating activity expenses	6,904,713,982	10,986,029,480
4. Secondary activity expenses	1,410,800,280	2,244,711,875
5. Indirect production expenses	846,502,565	1,346,862,761
6. Gross profit due to net turnover (1-2)	**3,122,361,581**	**2,173,122,341**
7. Selling and distribution expenses	969,209,000	801,944,866
8. Administrative expenses	246,193,000	201,941,223
9. Other operating revenues	57,638,849	139,996,979
10. Operating profit (6-7-8+9)	**1,964,598,430**	**1,309,233,231**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES

Receivables	December 31, 2007	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,604,181,114	1,604,181,114	-
Advances to suppliers	281,245,332	281,245,332	-
Other debtors	352,990,054	352,990,054	-
Advances to personnel	6,224,338	6,224,338	-
Interest receivable	5,687,383	5,687,383	-
Other receivables	90,580,672	90,580,672	-
Provision for doubtful receivables*	(574,746,995)	(574,746,995)	-
VAT not due	92,080,533	92,080,533	-
Other taxes and similar accounts	69,966,925	69,966,925	-
Special funds - taxes and similar accounts	847,412	847,412	-
Loans given to subsidiaries – short term portion	86,752,959	86,752,959	-
Total	**2,015,809,727**	**2,015,809,727**	**-**

*) Refer to Note 2 for movement in above provision.

Payables	December 31, 2007	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Suppliers and similar accounts	1,776,623,529	1,760,904,056	15,719,473	-
Advance payments from customers	24,789,910	24,789,910	-	-
Other creditors	57,087,141	57,087,141	-	-
Guarantees from suppliers	29,810,741	16,548,204	13,262,537	-
Employees rights	60,925,557	60,925,557	-	-
Contribution to social security	29,090,233	29,090,233	-	-
Contribution to unemployment fund	1,464,334	1,464,334	-	-
Contribution to special funds	9,997,344	9,997,344	-	-
Tax on salaries	10,331,794	10,331,794	-	-
Tax on profit	110,698,913	110,698,913	-	-
VAT payable	104,689,927	104,689,927	-	-
Dividends to be paid	76,030,144	76,030,144	-	-
Other payables	317,467,870	317,467,870	-	-
Total	**2,609,007,437**	**2,580,025,427**	**28,982,010**	**-**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

Receivables	December 31, 2008	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,225,113,924	1,225,113,924	-
Advances to suppliers	64,095,470	64,095,470	-
Other debtors	571,110,241	571,110,241	-
Advances to personnel	7,559,483	7,559,483	-
Interest receivable	3,857,494	3,857,494	-
Other receivables	87,653,129	87,653,129	-
Provision for doubtful receivables*	(594,741,765)	(594,741,765)	-
VAT not due	129,976,051	129,976,051	-
Other taxes and similar accounts	80,266,053	80,266,053	-
Special funds - taxes and similar accounts	847,414	847,414	-
Loans given to subsidiaries – short term portion	128,474,495	128,474,495	-
Total	**1,704,211,989**	**1,704,211,989**	**-**

*) Refer to Note 2 for movement in above provision.

Payables	December 31, 2008	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Loans from financial institutions	1,768,387,650	300,182,614	1,468,205,036	-
Interest for loans	18,187,858	389,472	17,798,386	-
Suppliers and similar accounts	2,233,599,007	2,230,757,575	2,841,432	-
Advance payments from customers	59,432,176	59,432,176	-	-
Other creditors	63,549,656	63,549,656	-	-
Guarantees from suppliers	45,881,856	31,819,071	14,062,785	-
Employees rights	224,169,047	224,169,047	-	-
Contribution to social security	41,372,457	41,372,457	-	-
Contribution to unemployment fund	1,007,263	1,007,263	-	-
Contribution to special funds	12,566,444	12,566,444	-	-
Tax on salaries	15,671,658	15,671,658	-	-
Tax on profit	9,980,301	9,980,301	-	-
VAT payable	13,339,060	13,339,060	-	-
Dividends to be paid	43,491,404	43,491,404	-	-
Other payables	399,486,935	398,299,172	1,187,763	-
Total	**4,950,122,772**	**3,446,027,370**	**1,504,095,402**	**-**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

As at December 31, 2008 and 2007, the Company had the following loans from financial institutions:

Short term loans from financial institutions

	December 31, 2008	December 31, 2007
Raiffeisen Bank SA (a)	100,882,614	-
Unicredit Bank Austria AG (b)	199,300,000	-
Total interest bearing debts short term	**300,182,614**	-

(a) Overdraft facility up to EUR 85,000,000 obtained by Petrom S.A. with maturity date May 31, 2009 and interest rate 1 month ROBOR plus an applicable margin. The facility is not secured.

(b) Short-term loan of EUR 50,000,000 signed by Petrom S.A. with Unicredit Bank Austria AG as Bank and Unicredit Tiriac Bank SA as Agent. The maturity date is October 15, 2009 and the interest rate is variable, being calculated as EURIBOR plus an applicable margin. The facility is not secured.

Long term loans from financial institutions

As of December 31, 2008 Petrom SA contracted a revolving credit facility from a Consortium of Banks that include BRD – Groupe Société Générale S.A., Crédit Agricole Luxembourg S.A., Emporiki Bank-Romania S.A., Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG, Société Générale Bank & Trust S.A. and UniCredit Bank Austria AG. The agreement was signed on October 14, 2008 and the final maturity date is October 14, 2011. The total facility is EUR 375,000,000 and the drawings can be made in EUR, USD or RON. The drawings as at December 31, 2008 were RON 953,705,036 (equivalent of EUR 239,263,682) and RON 514,500,000. The interest rate is based on EURIBOR, LIBOR and respectively ROBOR plus an applicable margin.

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

Finance lease liability

In other payables as at December 31, 2008 is included the short and long portion of finance lease liability. The Company acquired in 2008 through finance lease mainly cars, equipments and few power generators.

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

	December 31, 2008	December 31, 2007
Obligations under finance leases		
Amounts due within 1 year	1,016,179	-
Amounts due after more than 1 year but not later than 5 years	1,290,081	-
Total lease obligations	**2,306,260**	**-**
Less future finance charges on finance leases	**(227,781)**	**-**
Present value of finance lease liabilities	**2,078,479**	**-**
Analyzed as follows:		
Maturing within 1 year	890,715	-
Maturing after more than 1 year but not later than 5 years	1,187,764	-
Total present value of finance lease liabilities	**2,078,479**	**-**

6. ACCOUNTING PRINCIPLES AND METHODS

Basis of preparation

These financial statements are the responsibility of the management of the Company and are prepared in accordance with the Ministry of Finance Order ("MOF") no. 1752/2005 with the subsequent amendments.

Currency of presentation

These financial statements are stated in lei (RON), using going concern principles.

ORDER No. 1752/2005 of the Ministry of Public Finances ("Accounting Regulations conformant with the European Directives) as amended

These financial statements are under the responsibility of the Company's management and have been drafted in accordance with the Order of Ministry of Public Finance no. 1752/ 2005 ("OMF nr. 1752/ 2005"), with the subsequent amendments.

The Order comprises Accounting Regulations in accordance with European Directives, namely:

a) EEC Directive IV 78/660/EEC dated July 25, 1978, as revised and detailed in MOF No.1752/2005;

b) EEC Directive VII 83/349/EEC dated June 13, 1983 related to consolidated financial statements, as revised and detailed in MOF No. 1752/2005.

The MOF No.1752/2005 is harmonized to the EEC Directive IV and EEC Directive VII and differs from the International Financial Reporting Standards. Therefore, these financial statements are not in accordance with International Financial Reporting Standards.

Consolidated financial statements

These are the stand alone statutory financial statements. The Company also prepares consolidated financial statements for the same period in accordance with International Financial Reporting Standards (IFRS). IFRS Consolidated financial statements have been authorized for issue by the management on March 17th, 2009.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Prior Year Restatements and Retained Earnings

Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, which leads to retrospective correction in the account "Retained earnings from correction of errors".

Geological quota

Until December 31, 2006, the Company benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

Use of estimates

The preparation of financial statements in conformity with Romanian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As discussed in Notes 1 and 2 the Company used best possible information and estimation available. Actual results could differ from those estimates.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Property plant and equipment

(i) Cost/ Valuation

Property, plant and equipment is valued at cost, except for buildings which are stated at revalued amounts.

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

The last revaluation of buildings has been performed as at December 2006. Revaluations of buildings are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

The revaluation of the buildings recorded in December 2006 did not influence the fiscal book value of the assets and consequently the profit tax calculation for the year ended December 31, 2006.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and it is recognized in Statement of Operations.

Exploration and Appraisal Costs

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as capital work in progress oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon commencement of the production. The status of such prospects is reviewed regularly by executive management.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Development and Production Costs

Development costs including costs incurred to gain access to proved reserves and to prepare well locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as incurred. Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

(ii) Depreciation

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date, except for the core items within the Exploration & Production segment which are depreciated using the unit of production method.

Useful lives used for different categories of tangible assets are as follows:

	Years
Intangible assets	4 - 20
Property and plant	10 - 40
Machinery and equipment	5 - 20
Vehicles	5
Office equipment	5 - 10

Intangible assets

(iii) Intangible assets

Intangible assets that are acquired by the Company are stated at cost or fair value less accumulated amortization and impairment losses. They are depreciated on the estimated useful life.

(iv) Impairment of assets

Provision is made for the impairment of the Company's assets whenever the carrying value of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of its net selling price and value in use. Value in use of an asset is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

(v) Provision for Decommissioning Costs

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

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

Until December 2005, a decommissioning provision was made for oil and gas installations in accordance with environmental regulations in force. These provisions were recorded in full at the commencement of oil and gas production. The amount recognized was the present value of the expenditures expected to be required to settle the obligation, determined in accordance with local conditions and requirements. A corresponding property, plant and equipment of an amount equivalent to the provision was also created. This was subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure was reflected as an adjustment to the provision.

Starting January 1st, 2006, changes in the amount of estimated expenditure are not recorded as an adjustment to the amount already capitalized. Decommissioning provision is only decreased with the amounts used for actual work performed.

Based on the privatization agreement, part of the Company decommissioning cost will be reimbursed by the Romanian State. The portion of decommissioning provision to be reimbursed by the Romanian State has been reassessed in order to reflect the current best estimate of the cost at present value. A non-current receivable is established in respect of the reimbursement.

Inventories

Costs of production comprise directly attributable costs and fixed and variable indirect material and production overheads. Inventories are registered at the lower of cost and net realizable value. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and selling expenses. Appropriate provisions are made for any obsolete or slow moving stocks based on the management's assessments.

In 2007, the Company changed the accounting policy for evaluation of the inventories from first in first out to weighted average cost. However, due to significant turnover of stocks, this change does not have any material effects on the financial statements.

Receivables

Receivables are stated at their recoverable amounts. Doubtful debts are removed from the balance sheet when they are considered to be irrecoverable.

Contributions for employees

The Company pays all contributions to the State Budget according to the levels established by the legislation during the year. The value of these contributions is recorded in the income statement in the same period with corresponding salary expenses.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Tax on profit

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Leases are classified as operating leases whenever risks and rewards of ownership are not assumed by the Company. Rental payables under operating leases are charged to expenses on accrual basis over the term of the relevant lease.

Financial leases

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

Borrowing costs

All borrowing costs are recognized in the statement of operations in the period in which they are incurred.

Revenue recognition

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

Sale of goods

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

• the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the entity;
and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

• installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

• servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
• revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

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

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

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Provisions

Provisions are recognized where it is probable that expenditure will be required and liability will arise in the future as a result of a past transaction.

Operational expenses

Operational expenses are recorded as expenses within the period they occurred.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date. At December 31, 2008 the exchange rate was RON 2.8054 to USD 1 and RON 3.9860 to EUR 1 (31 December 2007: RON 2.4564 to USD 1 and RON 3.6102 to EUR 1).

All differences resulting from foreign currency amounts settlements are recognized in profit and loss account in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in profit and loss account for the year.

Components of cash and cash equivalents

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

Long-term investments

Long term investments are carried at lower of cost and share of net assets of the investee or quoted market value of shares if available.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Retirement Benefit Costs

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Actuarial gains and losses are recognized in full in the period in which they occur as a provision for risks and charges.

Restructuring provision

A provision for restructuring is recognized when the entity has a detailed formal plan for the restructuring of a part of the business and has raised valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Available-for-sale financial assets

Available-for-sale financial assets represent investments intended to be held for an undetermined period of time, which may be sold for liquidity purposes due to changes in interest rates, exchange rates and equity prices. They are initially recorded at cost and are subsequently measured at fair value without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses resulting from subsequent measurement are recognized in equity until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recycled to the Income Statement.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity and shall be measured at amortized cost.

Hedging

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Valuation is at market value (fair value).

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

The changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recorded in equity. The amounts recorded in equity are recycled in profit or loss in the periods when the hedging effect is realized. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recorded in equity is recognized immediately in profit or loss.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Segmental reporting

The Company has vertical integrated activities and presents the following reportable segments: Exploration and Production, Refining and Marketing, Gas and Power, Corporate and Other. The pricing of inter-segment transfer is based on market price for various types of products transferred between segments. As a result, the Earnings Before Interest and Taxes per segments presented in Note 10.9 reflects the results of each segment based on the transfer price. Financial assets have been presented according to their nature of activity.

(all amounts are expressed in RON, unless otherwise specified)

7. SHARE CAPITAL

The total share capital amounts to RON 5,664,410,834, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

	December 31, 2007	December 31, 2008
As at December 31	**56,644,108,335**	**56,644,108,335**

Shareholder Structure as at December 31, 2007 and December 31, 2008

	No. of shares	Percent
OMV Aktiengesellschaft	28,894,467,414	51.01%
The Authority for State Assets Recovery	11,690,694,418	20.64%
Property Fund S.A.	11,391,130,186	20.11%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	3,520,046,256	6.21%
Total	**56,644,108,335**	**100.00%**

8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees in 2008 is 29,854 (2007: 29,617). In addition to the average number of employees, in the table below are also included 7 administrators representing members of the Supervisory Board.

	No. of employees in 2007	Salaries in 2007	No. of employees in 2008	Salaries in 2008
Administrators and directors	52	8,737,127	54	12,497,774
Direct and administrative employees	29,572	1,268,151,727	29,807	1,807,561,828
Total	**29,624**	**1,276,888,854**	**29,861**	**1,820,059,602**

(all amounts are expressed in RON, unless otherwise specified)

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

	2007	2008
Liquidity ratios		
Current assets	1.86	1.49
Acid test	1.11	0.79
Risk ratios		
Indebtness ratio*	0.22%	11.09%
Interest cover	-	69.14
Operational ratios		
Stock turnover – days	52	52
Days in receivables – days	41	30
Days in payables – days	36	40
Total assets turnover	0.59	0.67
Profitability ratios		
Return on capital employed (%) ROCE	16.27%	10.81%
Earnings per share (RON)	0.0314	0.0180
Profit before tax (%)	17.50%	9.59%

*) Indebtness ratio is calculated as Long term debt/Equity x100

10. OTHER INFORMATION

10.1. Nature of activity

The Company's headquarters is located at Calea Dorobanţilor no 239, sector 1 Bucuresti, Romania. The Company was set up according to the Government Ordinance no.49/ oct.1997, modified by Law no.70/ April 1998. The Company has activities in exploration and production and related services, refining and marketing, gas distribution, chemicals, gas and power production and also has operations in Kazakhstan. The Company is listed on Bucharest Stock Exchange.

10.2. Cash and bank accounts

	December 31, 2007	December 31, 2008
Bank accounts	739,517,192	239,500,792
Petty cash	12,567,410	21,817,637
Other values	550,169	119,883
Total	**752,634,771**	**261,438,312**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.3. Inventories

	December 31, 2007	December 31, 2008
Raw materials and materials	621,029,613	1,000,385,295
Small tools	18,434,664	23,314,360
Finished products	620,646,908	719,492,112
Work in progress	249,573,292	156,525,477
Packaging and other	1,138,252	1,022,270
Materials at third parties	325,069,804	224,312,286
Products at third parties	65,341,704	114,429,160
Goods purchased for resale at third parties	41,740,028	176,096,865
Provision for inventories *	(66,939,890)	(115,660,803)
Advances for stocks	46,340,968	94,517,339
Total	**1,922,375,343**	**2,394,434,361**

*) Refer to Note 2 for movement in above provision.

10.4. Short term financial investments

	December 31, 2007	December 31, 2008
Receivable from hedge contracts	-	517,640,630
Bonds issued by World Bank (see Note 1c)	-	206,384,000
Other	7,616	-
Total	**7,616**	**724,024,630**

Receivable from hedge contracts

In 2008, Petrom S.A. entered into several derivatives contracts in order to hedge the adverse impact of falling oil prices in 2009. These derivative instruments were designed and effective as hedging instruments according to cash-flow hedge accounting. The receivable from hedge contracts is valued at the market value as at December 31, 2008 (RON 517,640,630), being recognized directly in equity.

Bonds issued by World Bank

The bonds bear an interest of 6.5% p.a. payable each semester and the maturity is September 2009. They are carried at cost amounting to RON 206,384,000 as at December 31, 2008.

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (CONTINUED)

10.5. Earning per share

Calculations of earnings per share are based on the following data:

	December 31, 2007	December 31, 2008
Net profit for the year	1,778,042,301	1,022,387,463
Weighted average of ordinary shares during the year	56,644,108,335	56,644,108,335
Basic earnings per share – RON	**0.03**	**0.02**

10.6. Related Parties Transactions and Balances

During 2008, the Company had the following purchases transactions with related parties:

Related party suppliers

Name	Balance	Transactions
Aviation Petroleum SRL	855,830	3,545,958
M.P. Petroleum Distribuție SRL	17,340,913	57,585,908
Petrom Distribuție Gaze SRL	150,594	197,455
Petrom Gas SRL	-	171,043,012
Rafiserv Arpechim S.A.	4,842,052	14,932,859
Rafiserv Petrobrazi S.A.	-	44,604,062
OMV Romania Mineraloel SRL	10,686,548	10,738,615
ICS Petrom Moldova S.A.	558,539	134,642
OMV Aktiengesellschaft	47,832	4,035,117
OMV Bulgaria Ltd	395,878	1,285,721
OMV Exploration & Production GmbH	344,760	17,964,910
OMV Gas GmbH	179,370	974,824
OMV Deutschland GmbH	42,453	10,744,986
OMV Gas International GmbH	-	547,770
OMV Refining & Marketing GmbH	41,612,538	188,435,012
OMV Solutions GmbH	3,083,007	13,114,407
OMV Supply & Trading AG	240,543,273	3,562,739,274
Petrom Exploration & Production Limited	2,276,901	24,600,266
OMV Austria Exploration & Production GmbH	181,658	179,511
Poliflex SRL	5,526	-
Petrol Ofisi A.S.	973,688	11,729,405
Petrom Aviation S.A.	1,466,292	10,555,945
Fontegas Peco Mehedinți S.A.	7,203	-
Borealis AG	1,989,834	10,062,878
Congaz S.A.	17,366	52,303
OMV Srbija d.o.o.	1,692	-
Petrom LPG S.A.	10,534,499	33,137,723
Petromed Solution SRL	2,487,257	11,310,660
Trans Gas Services SRL	35	457,413
Petrom Nădlac SRL	-	780,838
Total	**340,625,538**	**4,205,491,474**

Free translation from the Romanian version which is the original

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.6 Related Parties Transactions and Balances (continued)

During 2008, the Company had the following sales transactions with related parties:

Related party receivables

Name	Balance	Transactions
Aviation Petroleum SRL	53,994	210,792
M.P. Petroleum Distribuție SRL	35,480,272	241,632,628
Petrom Distribuție Gaze SRL	5,651,261	35,604,556
Petrom Gas SRL	102,863,728	397,826,729
Rafiserv Arpechim S.A.	-	24,588
Rafiserv Petrobrazi S.A.	-	105,065
OMV Romania Mineraloel SRL	147,103,236	1,249,729,789
OMV Bulgaria LTD	31,230,965	698,455,479
ICS Petrom Moldova S.A.	236,251	211,617,953
OMV Srbija d.o.o.	6,812,695	207,889,950
Tasbulat Oil Corporation BVI	7,913,780	22,014,887
OMV Refining & Marketing GmbH	-	5,915,828
Kom Munai LLP	41,898,283	46,894,733
Butan Gas România S.A.	-	7,488,234
Petrom Nădlac SRL	373,602	-
Air Total Romania S.A.	13,146,432	131,060,772
Beyfin Gaz SRL	-	6,769
Petrom Aviation S.A.	28,227,733	234,464,339
Petrol Ofisi A.S.	7,474	55,783
Trans Gas Services SRL	1,659	30,255
Borealis AG	16,683,582	342,835,614
OMV Deutschland GmbH	8,965,929	8,713,523
OMV Exploration & Production GmbH	758	112,883
Petrom LPG S.A.	41,954,400	163,635,261
Petromed Solution SRL	153,549	960,779
Poliflex SRL	61,106	2,035,535
Total	**488,820,689**	**4,009,322,724**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.7. Legal reserves

At December 31, 2008 the legal reserve amounted to RON 474,624,841 (December 31, 2007: RON 402,579,752). The legal reserve is established as a transfer of net income up to 5% of gross profit but not more than 20% of share capital. Legal reserve cannot be distributed to the shareholders but can be utilized by the Company in accordance with relevant regulations.

10.8. Tax on profit calculation

	December 31, 2007	December 31, 2008
Revenues	12,983,243,688	19,331,386,617
Expenses	10,833,616,660	17,725,823,277
Gross profit	**2,149,627,028**	**1,605,563,340**
Deductions	(1,169,519,139)	(1,412,133,519)
Non-deductible expenses	1,617,201,891	3,705,524,061
Fiscal depreciation for fixed assets	(809,879,352)	(1,160,516,069)
Accounting depreciation for fixed assets	860,458,193	1,170,900,413
Other taxable elements	25,200,122	38,752,808
Other non taxable elements	(225,630,018)	(243,718,659)
Taxable profit	**2,447,458,725**	**3,704,372,375**
Preliminary tax on profit	391,593,396	592,699,580
less sponsorship expenses	(15,909,412)	(20,672,898)
Income tax related to previous years	(4,099,257)	11,149,195
Income tax due for the period	**371,584,727**	**583,175,877**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.9 Segmental reporting

Primary segmental reporting

	E&P	Refining & Marketing	Gas & Power	Corporate & Other	Intersegmental elimination	Total
Revenue						
External Sales	502,357,297	13,718,161,177	2,524,182,170	6,025,813	-	**16,750,726,457**
Inter-segment Sales	9,110,258,669	137,024,932	714,693,709	-	**(9,961,977,310)**	**-**
Other revenues	214,943,384	(166,016,092)	19,337,177	(3,803,604)	**584,437,365**	**648,898,230**
Total Revenues	**9,827,559,350**	**13,689,170,017**	**3,258,213,056**	**2,222,209**	**(9,377,539,945)**	**17,399,624,687**
Total Expenses	**6,599,654,698**	**15,584,594,705**	**3,154,592,821**	**129,089,177**	**(9,377,539,945)**	**16,090,391,456**
Operating result (EBIT)	**3,227,904,652**	**(1,895,424,688)**	**103,620,235**	**(126,866,968)**	**-**	**1,309,233,231**
Financial gain						**296,330,109**
Income tax						**(583,175,877)**
Net Result						**1,022,387,463**
Other information						
Capital expenditure - Tangibles and intangibles	4,524,029,224	1,190,577,490	385,353,478	197,590,335	-	**6,297,550,527**
Capital expenditure - Investments	-	106,152,177	-	-	-	**106,152,177**
Depreciation and amortization	839,663,307	217,835,674	235,783	113,165,649	-	**1,170,900,413**
Impairment loss, net	422,029,591	622,946,080	39,963,474	253,180	-	**1,085,192,325**
Balance Sheet						
Segment tangibles and intangibles assets	10,972,960,526	2,908,410,905	365,868,209	538,150,078	-	**14,785,389,718**
Segment financial assets	3,141,817,694	1,784,963,735	91,291,179	3,008,892	-	**5,021,081,500**

Turnover reporting on geographical areas

	Romania	Rest of Central and Eastern Europe	Rest of Europe	Rest of world	Total
External Sales	12,805,667,201	1,644,698,495	2,195,711,631	104,649,130	**16,750,726,457**

10. OTHER INFORMATION (continued)

10.10 Commitments and guarantees

Commitments

As at December 31, 2008 the total commitments engaged by the Company for investments amount to RON 2,565,799,136.

10.11. Contingenties

Litigations

The Company is and may become party in some lawsuits in front of different courts and governmental agencies, involving contractual aspects, tax and duties and other aspects. As presented in Note 2 the Company booked a provision for certain potential liabilities related on-going litigation.

Tax system

In Romania there are a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appears to be subject to significantly less regulation and the company under review appears to have significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Company.

Contingent assets

In accordance with the provisions of the Business Transfer Agreement ("BTA") signed on February 4, 2008, Petrom S.A. and Petromservice agreed to deposit certain portions of the purchase price into an Escrow Account opened with an Escrow Agent in the name of Petrom S.A.. The amount in this account is kept as a guarantee for Petrom S.A. for any damages that may be claimed under the BTA stipulations during the 18 months period from February 4, 2008. After the expiry of that period, the Escrow Agent shall release to Petromservice all the amounts existing in the Escrow Account (including the interest), but excluding any arbitration claimed amounts by Petrom S.A., if the case.

As of December 31, 2008, the amount in the Escrow Account is of RON 132,449,872, while RON 121,065,390 represents the initial amount deposited and RON 11,384,482 interest earned until December 31, 2008.

10. OTHER INFORMATION (continued)

10.12. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2008 prepared in accordance with OMF 1752/2005 was of EUR 45,000.

10.13. Market risk

The financial assets, which could lead the Company to an exposure credit risk, mainly consist of receivables (customers and assimilated receivables). Given the big number of Company's customers, the credit risk is quite limited.

10.14. Foreign exchange and inflation risk

The Company undertakes transactions denominated in other currencies, including US Dollars and EUR. The official inflation rate in Romania, during the year ended December 31 2008 was under 10% (respectively 7.85%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004. The official exchange rates were RON 2.8054 to USD 1 and RON 3.9860 to EUR 1 (31 December 2007: RON 2.4564 to USD 1 and RON 3.6102 to USD 1).

10.15. Commodity price risk management

The Company produces crude oil & gas and uses crude oil mainly for its own production and also acquires crude oil from third parties. Financial instruments are used where appropriate to hedge the main industry risks associated with price volatility, such as the highly negative impact of low oil prices on cash flow.

In 2008, in order to protect the Company's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from the production of 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. In case the oil price is below USD 65/bbl in 2009, the hedge pays out USD 15/bbl in addition to the realized market price. The put spreads were financed via call options in order to avoid initial investment (zero cost structure), whereby the Company would not be able to profit from oil prices above approximately USD 110/bbl in 2009 for the above stated volume. The hedges are over-the-counter (OTC) contracts with first class banks and will be settled on a quarterly basis in 2009. As at December 31, 2008, the nominal value of the open contracts is of RON 1,468,840,808 and the fair value amounts to RON 517,640,614.

10.16. Credit risk

In the normal course of its business, the Company incurs credit risk from trade debtors and on funds deposited at the financial institutions. Management closely monitors its exposure to credit risk on a regular basis.

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

10.17. Subsequent events

Significant events subsequent to the balance sheet date:

a) According to the provisions of Law no 308/30.12.2008, the Central Depositary performed on January 15, 2009 the transfer of Petrom S.A. shares owned by the Authority for State Assets Recovery (AVAS) in the account of the Ministry of Economy, representing 20.64% of Petrom's share capital.

b) Following the closure of the mandatory public take over, Petrom S.A. increased its participation in Petrom Aviation S.A. to 93.14%.

c) In 2009, the Company contracted a loan facility amounting EUR 500 million from OMV Aktiengesellschaft.

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