

Independent Auditor's Report*

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, 2009, 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 14,056,147,239 |
| ▶ Net profit for the year: | RON 1,368,127,631 |

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, 2009, 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.

*Translator's explanatory note: the above translation is provided as a free translation from Romanian which is the official and binding version

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, 2009 within the timeframe stipulated in the legislation.

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's Report is not a part of the financial statements. In the Supervisory Board's 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, 2009.



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, Romania
March 25, 2010

S.C. PETROM S.A.**BALANCE SHEET AS AT DECEMBER 31, 2009**

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

COUNTY **Bucharest**COMPANY **S.C. Petrom S.A.**ADDRESS **Bucharest** sector **1**Str. **Calea Dorobanti** nr. **239**,TEL: **4060189** FAX **4060431**NO. OF TRADE REGISTER **J40/8302/1997**TYPE OF PROPERTY **22****State (<50%) and private owned companies**TYPE OF ACTIVITY **Crude oil extraction**CODE GROUP CAEN **0610**UNIQUE REGISTRATION CODE **1590082**

| No. | Notes | Row | December 31, 2008 | December 31, 2009 |
|------------|--|----------------|-----------------------|-----------------------|
| 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 | 1,088,659,438 | 887,840,345 |
| 4 | Goodwill | 04 | - | - |
| 5 | Advances and intangible assets in progress | 05 | 41,056,083 | 99,327,785 |
| | Total (rows 01 to 05) | 1b) 06 | 1,129,715,521 | 987,168,130 |
| II | Tangible assets | | | |
| 1 | Land and buildings | 07 | 6,803,105,041 | 8,328,497,496 |
| 2 | Plant and machinery | 08 | 2,372,378,280 | 3,133,097,459 |
| 3 | Other equipment and furniture | 09 | 93,219,526 | 90,574,329 |
| 4 | Advances and tangible assets in progress | 10 | 4,386,971,350 | 4,276,599,535 |
| | Total (rows 07 to 10) | 1a) 11 | 13,655,674,197 | 15,828,768,819 |
| III | Financial assets | | | |
| 1 | Investments in companies within the group | 12 | 1,098,007,913 | 1,064,136,922 |
| 2 | Loans to the companies within the group | 13 | 1,861,948,614 | 2,066,639,241 |
| 3 | Investments in associated companies | 14 | 16,011,111 | 14,158,585 |
| 4 | Amounts owed by subsidiaries and associated companies | 15 | - | - |
| 5 | Long term financial Investments as assets | 16 | - | - |
| 6 | Other debts | 17 | 2,045,113,862 | 2,282,130,885 |
| | Total (rows 12 to 17) | 1 c) 18 | 5,021,081,500 | 5,427,065,633 |
| | TOTAL FIXED ASSETS (rows 06+11+18) | 19 | 19,806,471,218 | 22,243,002,582 |

Notes on pages 105 to 139 form integral part of these financial statements

| No. | Notes | Row | December 31, 2008 | December 31, 2009 |
|------------|--|----------------|----------------------|----------------------|
| B | CURRENT ASSETS | | | |
| 1 | Inventories | | | |
| | 1 Raw materials and consumables | 20 | 1,140,181,226 | 1,045,174,928 |
| | 2 Work in progress | 21 | 156,525,477 | 123,714,225 |
| | 3 Finished goods and merchandise | 22 | 1,003,210,319 | 886,239,888 |
| | 4 Advances for stock purchase | 23 | 94,517,339 | 42,760,821 |
| | Total (rows 20 to 23) | 10.3 24 | 2,394,434,361 | 2,097,889,862 |
| II | Receivables | | | |
| | 1 Trade receivables (net) | 25 | 1,079,775,706 | 1,201,906,533 |
| | 2 Amounts to be received from affiliates | 26 | 125,353,757 | 491,475,056 |
| | 3 Amounts to be received from investments | 27 | - | - |
| | 4 Other receivables | 28 | 499,082,526 | 342,424,902 |
| | 5 Receivables for subscribed and not paid in share capital | 29 | - | - |
| | Total (rows 25 to 29) | 5 30 | 1,704,211,989 | 2,035,806,491 |
| III | Short term investments | | | |
| | 1 Investments in affiliates | 31 | - | - |
| | 2 Other short term investments | 10.4 32 | 724,024,630 | - |
| | Total (rows 31 to 32) | 33 | 724,024,630 | - |
| IV | Cash and bank accounts | 10.2 34 | 261,438,312 | 280,035,791 |
| | TOTAL CURRENT ASSETS (rows 24+30+33+34) | 35 | 5,084,109,292 | 4,413,732,144 |
| C | PREPAYMENTS | 36 | 36,865,667 | 56,803,658 |
| D | PAYABLES WITHIN ONE YEAR | | | |
| | 1 Debenture loans | 37 | - | - |
| | 2 Payables to credit institutions | 38 | 300,526,268 | 182,778,964 |
| | 3 Advances cashed for orders | 39 | 59,432,176 | 74,010,678 |
| | 4 Trade payables | 40 | 2,230,757,574 | 1,952,945,315 |
| | 5 Bills of exchange payables | 41 | - | - |
| | 6 Payables to related parties | 42 | - | 237,093,529 |
| | 7 Payables to other investment companies | 43 | - | - |
| | 8 Other payables, including tax and social security payables | 44 | 855,311,352 | 1,114,507,093 |
| | Total (rows 37 to 44) | 5 45 | 3,446,027,370 | 3,561,335,579 |

Notes on pages 105 to 139 form integral part of these financial statements

| No. | Notes | Row | December 31, 2008 | December 31, 2009 |
|------------|---|-------------|-----------------------|-----------------------|
| E | CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-62) | 46 | 1,546,602,219 | 823,564,982 |
| F | TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46) | 47 | 21,353,073,437 | 23,066,567,564 |
| G | PAYABLES IN MORE THAN ONE YEAR | | | |
| | 1 Debenture loans | 48 | - | - |
| | 2 Payables to credit institutions | 49 | 1,486,003,422 | 2,176,218,785 |
| | 3 Advances cashed for orders | 50 | - | - |
| | 4 Trade payables | 51 | 2,841,432 | - |
| | 5 Bills of exchange payables | 52 | - | - |
| | 6 Amounts payable to related parties | 53 | - | 634,230,000 |
| | 7 Payables to investments participation | 54 | - | - |
| | 8 Other payables, including tax and social security payables | 55 | 15,250,548 | 11,868,526 |
| | Total (rows 48 to 55) | 5 56 | 1,504,095,402 | 2,822,317,311 |
| H | PROVISIONS | | | |
| | 1 Provisions for pensions and other liabilities | 57 | - | - |
| | 2 Provisions for taxes | 58 | - | - |
| | 3 Other provisions | 59 | 6,262,466,399 | 6,176,529,278 |
| | TOTAL PROVISIONS (rows 57 to 59) | 2 60 | 6,262,466,399 | 6,176,529,278 |
| I | DEFERRED INCOME | | | |
| | 1 Investments subsidies | 61 | 17,913,189 | 11,573,736 |
| | 2 Deferred income | 62 | 128,345,370 | 85,635,241 |
| | Total (rows 61+62) | 63 | 146,258,559 | 97,208,977 |
| 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 | 50,904,252 | 81,614,855 |

Notes on pages 105 to 139 form integral part of these financial statements

| No. | Notes | Row | December 31, 2008 | December 31, 2009 |
|-----------|--|-----------|-----------------------|-----------------------|
| IV | Reserves | | | |
| 1 | Legal reserve | 70 | 474,624,841 | 553,748,670 |
| 2 | Statutory or contractual capital reserve | 71 | - | - |
| 3 | Realized revaluation reserves | 72 | 20,780,867 | 22,967,076 |
| 4 | Other reserves | 73 | 5,819,903,009 | 4,906,427,357 |
| | TOTAL (row 70 to 73) | 74 | 6,315,308,717 | 5,483,143,103 |
| | Own shares | 75 | - | - |
| | Earnings related to owners' equity items | 76 | - | - |
| | Losses related to owners' equity items | 77 | - | - |
| V | Retained earnings | | | |
| | - Cr balance | 78 | 587,632,269 | 1,537,974,645 |
| | - Dr balance | 79 | - | - |
| VI | Profit for the period | | | |
| | - Cr balance | 80 | 1,022,387,463 | 1,368,127,631 |
| | - Dr balance | 81 | - | - |
| | Profit appropriation | 82 | 72,045,088 | 79,123,829 |
| | Total shareholders' equity (rows 67+68+69+74-75+76-77+78-79+80-81-82) | 83 | 13,568,598,447 | 14,056,147,239 |
| | Public patrimony | 84 | - | - |
| | TOTAL EQUITY (rows 83+84) | 85 | 13,568,598,447 | 14,056,147,239 |

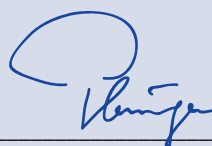
These financial statements were approved on March 25, 2010.



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



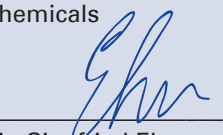
Mr. Gerald Kappes
E.B. Member Gas, Power &
Chemicals



Mr. Neil Morgan
E.B. Member Refining



Mr. Rainer Schlang
E.B. Member Marketing



Mr. Siegfried Ehn
Director Finance and
Controlling Division



Mrs. Mihaela Milinschi
Director of Accounting
Department

Notes on pages 105 to 139 form integral part of these financial statements

S.C. PETROM S.A.
INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

| No. | Notes | Row | Year ended December 31, 2008 | Year ended December 31, 2009 |
|----------|--|-------------|------------------------------------|------------------------------------|
| 1 | Net turnover (rows 02 to 05) | 01 | 16,750,726,457 | 12,842,384,017 |
| | Sales of production | 02 | 15,795,814,081 | 11,251,543,470 |
| | Sales of merchandise | 03 | 954,912,376 | 1,590,840,547 |
| | Interest income- from lease companies | 04 | - | - |
| | Interest from subsidies related to net turnover | 05 | - | - |
| 2 | Movements in stocks of finished goods | | | |
| | – Cr balance | 06 | 366,871,954 | - |
| | – Dr balance | 07 | - | 1,860,989 |
| 3 | Own work capitalized | 08 | 142,029,297 | 207,915,979 |
| 4 | Other operating revenue | 09 | 139,996,979 | 157,743,750 |
| | Total operating revenue (rows 01+06-07+08+09) | 10 | 17,399,624,687 | 13,206,182,757 |
| 5 | a) Raw materials and consumables expenses | 11 | 5,112,307,267 | 2,401,790,216 |
| | Other materials expenses | 12 | 54,885,214 | 42,888,818 |
| | b) Other utilities expenses (energy and water) | 13 | 538,886,526 | 500,328,874 |
| | Purchases of goods for resale | 14 | 874,769,042 | 1,325,179,709 |
| 6 | Salary expenses (rows 16+17) | 15 | 2,328,955,335 | 2,344,256,632 |
| | a) Salaries | 8 16 | 1,820,059,602 | 1,822,027,783 |
| | b) Social security contributions | 17 | 508,895,733 | 522,228,849 |
| 7 | a) Adjusting the value of tangible and intangible assets (rows 19-20) | 18 | 2,256,092,738 | 1,752,308,449 |
| | a. 1) Expenses | 19 | 2,268,743,945 | 1,797,220,345 |
| | a. 2) Revenues | 20 | 12,651,207 | 44,911,896 |
| | b) Adjusting the value of current assets (rows 22-23) | 21 | 143,291,376 | 135,861,336 |
| | b. 1) Expenses | 22 | 288,238,885 | 367,806,204 |
| | b. 2) Revenues | 23 | 144,947,509 | 231,944,868 |
| 8 | Other operating expenses (rows 25 to 28) | 24 | 4,137,052,619 | 3,989,067,869 |
| | 8.1 Third parties services | 25 | 2,896,215,547 | 2,722,796,166 |
| | 8.2 Other taxes, duties and similar expenses | 26 | 828,870,302 | 665,086,775 |
| | 8.3 Other operating expenses | 27 | 411,966,770 | 601,184,928 |
| | Interest related to refinancing activities | 28 | - | - |
| | Adjustments for provisions for risks and charges (rows 30-31) | 29 | 644,151,339 | (482,777,610) |
| | Expenses | 30 | 1,547,984,039 | 468,072,436 |
| | Revenues | 31 | 903,832,700 | 950,850,046 |

Notes on pages 105 to 139 form integral part of these financial statements

| No. | Notes | Row | Year ended December 31, 2008 | Year ended December 31, 2009 |
|---|--|-----------|------------------------------------|------------------------------------|
| Total operating expenses (rows 11 to 15+18+21+24+29) | | | | |
| | | 32 | 16,090,391,456 | 12,008,904,293 |
| Operating Result | | | | |
| | | | | |
| | 4 | 33 | 1,309,233,231 | 1,197,278,464 |
| | | 34 | - | - |
| 9 | Income from investments | 35 | 175,686,353 | 183,833,432 |
| | - out of which, within the group | 36 | 174,153,842 | 180,974,269 |
| 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 | 135,263,405 | 119,402,753 |
| | - out of which, within the group | 40 | 87,520,178 | 87,180,978 |
| | Other financial revenues including forex gain | 41 | 1,620,812,172 | 816,143,358 |
| | Total financial revenues (rows 35+37+39+41) | 42 | 1,931,761,930 | 1,119,379,543 |
| 12 | Adjustment of financial assets and investments held (rows 44-45) | 43 | 133,753,212 | 137,497,382 |
| | Expenses | 44 | 180,604,658 | 138,950,257 |
| | Revenues | 45 | 46,851,446 | 1,452,875 |
| 13 | Interest expenses | 46 | 23,563,439 | 104,136,725 |
| | - out of which, within the group | 47 | - | 26,244,216 |
| | Other financial expenses including forex loss | 48 | 1,478,115,170 | 377,504,155 |
| | Total financial expenses (rows 43+46+48) | 49 | 1,635,431,821 | 619,138,262 |
| Financial result | | | | |
| | | | | |
| | | 50 | 296,330,109 | 500,241,281 |
| | - loss (rows 49-42) | 51 | - | - |
| 14 | Current profit(loss) | | | |
| | - profit (rows 10+42-32-49) | 52 | 1,605,563,340 | 1,697,519,745 |
| | - loss (rows 32+49-10-42) | 53 | - | - |

Notes on pages 105 to 139 form integral part of these financial statements

| No. | Notes | Row | Year ended December 31, 2008 | Year ended December 31, 2009 |
|-----|---|-----------|------------------------------------|------------------------------------|
| 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 | 19,331,386,617 | 14,325,562,300 |
| | Total expenses (rows 32+49+55) | 59 | 17,725,823,277 | 12,628,042,555 |
| | Profit before tax | | | |
| | - profit (rows 58-59) | 60 | 1,605,563,340 | 1,697,519,745 |
| | - loss (rows 59-58) | 61 | - | - |
| 18 | Tax on profit | 10.8 62 | 583,175,877 | 329,392,114 |
| 19 | Other tax expenses not shown above | 63 | - | - |
| 20 | Net result of financial year | | | |
| | - profit (rows 60-62-63) | 64 | 1,022,387,463 | 1,368,127,631 |
| | - loss (rows 61+62+63); (rows 62+63-60) | 65 | - | - |

These financial statements were approved on March 25, 2010.



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S.C. PETROM S.A.

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2009

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

| | Notes | December 31, 2008 | December 31, 2009 |
|--|-------|------------------------|------------------------|
| Cash flow from operating activities | | | |
| Profit before taxation | | 1,605,563,340 | 1,697,519,745 |
| Adjustments for: | | | |
| Interest expenses | | 23,563,439 | 104,136,725 |
| Interest income | | (135,263,405) | (119,402,753) |
| Net movement in provisions for: | | | |
| - Fixed asset impairment | | 1,085,094,436 | 285,822,721 |
| - Financial assets | 2 | 135,568,674 | 125,950,925 |
| - Inventories | 2 | 48,720,913 | 62,848,514 |
| - Receivables | 2 | 19,994,770 | 64,470,819 |
| - Litigations | 2 | 692,715,236 | (360,518,961) |
| - Environmental expenditures | 2 | (29,042,225) | (53,509,424) |
| - Retirement benefits | 2 | (15,661,454) | 31,680,069 |
| - Other provisions for risk and charges | 2 | (34,170,398) | 59,999,385 |
| - Restructuring | 2 | 48,216,515 | (141,603,428) |
| Loss / (Gain) on disposals of fixed assets | | (54,076,097) | 201,902,876 |
| Depreciation and amortization expense | 1 | 1,170,900,413 | 1,466,485,715 |
| (Gain)/ Loss on financial assets | | (64,350,516) | 50,315,705 |
| Cash generated from operating activities before working capital movements | | 4,497,773,641 | 3,476,098,633 |
| (Increase)/ decrease in inventories | | (520,779,931) | 233,695,985 |
| (Increase)/ decrease in receivables and prepayments | | 368,555,162 | (268,356,012) |
| Increase/ (decrease) in liabilities and deferred revenues | | 658,621,555 | (549,246,952) |
| Interest received | | 68,715,234 | 96,353,528 |
| Interest paid | | (5,375,581) | (95,195,994) |
| Tax on profit paid | | (683,894,489) | (236,380,526) |
| Net cash generated from operating activities | | 4,383,615,591 | 2,656,968,662 |
| Cash flow from investment activities | | | |
| Purchase of tangible and intangible assets | | (6,217,797,162) | (4,072,744,878) |
| Proceeds from sale of fixed assets | | 176,555,215 | 136,699,486 |
| Proceeds from sale of financial assets | | 1,198,347,052 | 217,418,000 |
| Purchase of financial assets | | (106,144,562) | (56,564,693) |
| Net loans given to subsidiaries | | (579,719,034) | (283,302,907) |
| Net cash used from investment activities | | (5,528,758,491) | (4,058,494,992) |

Notes on pages 105 to 139 form integral part of these financial statements

| | Notes | December 31, 2008 | December 31, 2009 |
|---|-------------|----------------------|----------------------|
| Cash flow from financial activities | | | |
| Loans received during the year | | 1,768,387,650 | 1,434,805,038 |
| Dividends paid | | (1,114,441,209) | (14,681,229) |
| Net cash used for financial activities | | 653,946,441 | 1,420,123,809 |
| Total cash flows | | (491,196,459) | 18,597,479 |
| Cash and cash equivalents at the beginning of the year | 10.2 | 752,634,771 | 261,438,312 |
| Cash and cash equivalents at the end of the year | 10.2 | 261,438,312 | 280,035,791 |

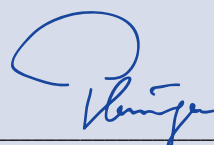
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S.C. PETROM S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2008

(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:

- RON 517,640,630 represents fair value of the hedging made by the Company in 2008.
- RON (74,056,386) relates to the fair value of the available for sale investments that have been disposed during 2008.
- 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.

These financial statements were approved on March 25, 2010.




Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer



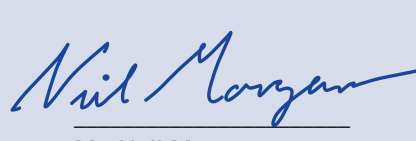
Mr. Johann Pleininger
E.B. Member E&P



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. Rainer Schlang
E.B. Member Marketing



Mr. Siegfried Ehn
Director Finance and
Controlling Division



Mrs. Mihaela Milinschi
Director of Accounting
Department

Notes on pages 105 to 139 form integral part of these financial statements

| Shareholders' equity | Balance at 1.01.2009 | Increase out of which | Transfer | Decrease out of which | Transfer | Balance at 31.12.2009 |
|---|-------------------------|--------------------------|-------------------|--------------------------|-------------------|--------------------------|
| Subscribed share capital | 5,664,410,834 | - | - | - | - | 5,664,410,834 |
| Revaluation reserve | 50,904,252 | 33,389,226**** | - | 2,678,623*** | 2,186,209 | 81,614,855 |
| Legal reserves | 474,624,841 | 79,123,829 | 79,123,829 | - | - | 553,748,670 |
| Reserves representing surplus from revaluation reserves | 20,780,867 | 2,186,209 | 2,186,209 | - | - | 22,967,076 |
| Other reserves | 757,066,844 | 15,816,341* | - | 929,291,992** | - | (156,408,807) |
| Other reserves-geological quota | 5,062,836,164 | - | - | - | - | 5,062,836,164 |
| Retained earnings | 1,537,974,645 | - | - | - | - | 1,537,974,645 |
| Profit for the year | - | 1,368,127,631 | - | 79,123,829 | 79,123,829 | 1,289,003,802 |
| Total | 13,568,598,447 | 1,498,643,236 | 81,310,038 | 1,011,094,444 | 81,310,038 | 14,056,147,239 |

* RON 15,816,341 represents land for which ownership was obtained but was not included in social capital.

** RON 929,291,992 is made up from:

a. RON 517,640,630 represents the hedge receivable realized by the Company in the year 2009.

b. RON 411,651,362 represents the fair value of the hedging liability made by the Company in the year 2009.

*** RON 2,678,623 is made up from RON 2,186,209 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings and other special constructions that were revalued at December 2006 and RON 492,414 representing impairment of buildings and other special constructions that were revalued at December 2006.

**** RON 33,389,226 represents the revaluation of buildings and other special constructions at December 2009.

These financial statements were approved on March 25, 2010.



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Director of Accounting
Department

Notes on pages 105 to 139 form integral part of these financial statements

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS

a) Tangible assets

| GROSS BOOK VALUE | Balance as at 1.01.2009 | Increase out of which | Transfers | Revaluation | Decrease out of which | Transfers | Revaluation | Balance as at 31.12.2009 |
|--|-------------------------|-----------------------|----------------------|-------------------|-----------------------|----------------------|--------------------|--------------------------|
| Land | 605,961,237 | 74,278,542** | 38,29 4,152 | - | 32,932,297 | 25,499,061 | - | 647,307,482 |
| Buildings and constructions | 9,962,028,558 | 2,370,466,706 | 1,370,626,841 | 44,804,681 | 702,732,030 | 76,430,742 | 517,817,443 | 11,629,763,234 |
| Machinery and equipment | 4,573,080,279 | 1,520,640,878 | 1,200,636,183 | - | 468,822,260 | 214,228,883 | - | 5,624,898,897 |
| Other equipment and furniture | 174,493,684 | 28,613,809 | 16,502,232 | - | 14,594,480 | 3,752,025 | - | 188,513,013 |
| Advances and tangible assets in progress | 5,134,874,784 | 2,905,280,772 | 256,308,145 | - | 3,013,680,685 | 2,590,854,570 | - | 5,026,474,871 |
| Total | 20,450,438,542 | 6,899,280,707 | 2,882,367,553 | 44,804,681 | 4,232,761,752* | 2,910,765,281 | 517,817,443 | 23,116,957,497 |

| ACCUMULATED DEPRECIATION | Balance as at 1.01.2009 | Increase out of which | Transfers | Revaluation | Decrease out of which | Transfers | Revaluation | Balance as at 31.12.2009 |
|-------------------------------|-------------------------|-----------------------|-------------------|-------------|-----------------------|-------------------|--------------------|--------------------------|
| Buildings and constructions | 2,496,520,433 | 753,022,746 | 10,034,601 | - | 245,657,515 | 9,093,968 | 216,288,521 | 3,003,885,664 |
| Machinery and equipment | 1,149,389,159 | 460,145,625 | 48,595,715 | - | 163,657,083 | 48,319,654 | - | 1,445,877,701 |
| Other equipment and furniture | 51,561,701 | 26,030,584 | 958,131 | - | 5,478,128 | 1,247,066 | - | 72,114,157 |
| Total | 3,697,471,293 | 1,239,198,955 | 59,588,447 | - | 414,792,726 | 58,660,688 | 216,288,521 | 4,521,877,522 |

* The decrease in tangible assets includes also write off of capital work in progress amounting to RON 422,826,115. This amount includes RON 265,709,563 representing write off of Petrobraz assets following the revision of the original investment plan.

** The increase in land includes an amount of RON 15,816,341 representing land title deeds obtained by the Company during 2009

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

| ACCUMULATED IMPAIRMENT LOSSES | Balance as at 1.01.2009 | Increase out of which | Transfers | Revaluation | Decrease out of which | Transfers | Revaluation | Balance as at 31.12.2009 |
|--|------------------------------------|----------------------------------|--------------------|--------------------|----------------------------------|--------------------|--------------------|-------------------------------------|
| Land | 391,772,655 | 18,554,145 | 18,554,145 | - | 23,068,900 | 18,554,146 | - | 387,257,900 |
| Buildings and constructions | 876,591,666 | 61,073,626 | 32,126,786 | - | 380,235,636 | 11,591,826 | 289,560,398 | 557,429,656 |
| Machinery and equipment | 1,051,312,840 | 153,427,718 | 74,147,422 | - | 158,816,821 | 52,071,007 | - | 1,045,923,737 |
| Other equipment and furniture | 29,712,457 | 2,828,931 | 895,258 | - | 6,716,861 | 415,442 | - | 25,824,527 |
| Advances and tangible assets in progress | 747,903,434 | 343,591,085 | 124,287,515 | - | 341,619,183 | 167,378,705 | - | 749,875,336 |
| Total | 3,097,293,052 | 579,475,505 | 250,011,126 | - | 910,457,401 | 250,011,126 | 289,560,398 | 2,766,311,156 |
| NET BOOK VALUE | 13,655,674,197 | | | | | | | 15,828,768,819 |

Buildings were revalued at 31 December 2009 by Colliers Romania, independent appraisers, on the basis of market value. The valuation was performed in accordance with International Valuation Standards. As a result, the net book value of the buildings increased by RON 33,389,226 against revaluation reserve and decreased with RON 553,069 which was shown in statement of operations.

Net impairments losses booked during the year ended December 31, 2009 for tangible and intangible assets were mainly related to E&P segment amounting RON 197,976,448, R&M amounting RON 78,098,125 and also other segments RON 9,748,150.

1. FIXED ASSETS (continued)

b) Intangible assets

| COST | Balance at 1.01.2009 | Increase out of which | Transfers | Decrease out of which | Transfers | Balance at 31.12.2009 |
|---|---------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| Intangible assets | 1,417,762,549 | 107,446,855 * | 65,077,331 | 57,390,930 | 20,868,083 | 1,467,818,474 |
| Advances and intangible assets in progress | 44,486,755 | 74,091,963 | 8,741 | 15,833,566 | 15,820,261 | 102,745,152 |
| Total | 1,462,249,304 | 181,538,818 | 65,086,072 | 73,224,496 | 36,688,344 | 1,570,563,626 |

| ACCUMULATED DEPRECIATION | Balance at 1.01.2009 | Increase out of which | Transfers | Decrease out of which | Transfers | Balance at 31.12.2009 |
|-------------------------------------|---------------------------------|----------------------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| Intangible assets | 322,007,248 | 298,116,631 | 11,241,424 | 47,446,493 | 12,169,183 | 572,677,386 |
| Total | 322,007,248 | 298,116,631 | 11,241,424 | 47,446,493 | 12,169,183 | 572,677,386 |

| ACCUMULATED IMPAIRMENT LOSSES | Balance at 1.01.2009 | Increase out of which | Transfers | Decrease out of which | Transfers | Balance at 31.12.2009 |
|---|---------------------------------|----------------------------------|------------------|----------------------------------|------------------|----------------------------------|
| Intangible assets | 7,095,863 | 1,733,390 | 463,150 | 1,528,510 | 463,150 | 7,300,743 |
| Advances and intangible assets in progress | 3,430,672 | 8,741 | 8,741 | 22,046 | 8,741 | 3,417,367 |
| Total | 10,526,535 | 1,742,131 | 471,891 | 1,550,556 | 471,891 | 10,718,110 |
| NET BOOK VALUE | 1,129,715,521 | | | | | 987,168,130 |

1. FIXED ASSETS (continued)

c) Financial assets

| COST | Balance at 1.01.2009 | Increase | Decrease | Balance at 31.12.2009 |
|--|---------------------------------|--------------------|-------------------|----------------------------------|
| Investments (a) | 1,354,557,917 | 56,564,693 | 18,096,699 | 1,393,025,911 |
| Other receivables (b) | 1,885,964,752 | 258,512,963 | - | 2,144,477,715 |
| Expenditure recoverable from Romanian State (c) | 2,037,919,562 | 278,207,107 | 43,253,006 | 2,272,873,663 |
| Total | 5,278,442,231 | 593,284,763 | 61,349,705 | 5,810,377,289 |
| WRITE DOWN ALLOWANCE | | | | |
| Investments (a) | 240,538,893 | 74,270,601 | 79,090 | 314,730,404 |
| Other receivables (b) | 16,821,838 | 51,759,414 | - | 68,581,252 |
| Total | 257,360,731 | 126,030,015 | 79,090 | 383,311,656 |
| NET BOOK VALUE | 5,021,081,500 | | | 5,427,065,633 |

(a) The increase in investments during 2009 represents acquisition of additional shares in the company PETROM AVIATION SA and acquisition of shares in the company KORNED LLP. The decrease represents the disposals of investment in AVIATION PETROLEUM SRL, BEYFIN GAZ SRL, SOCIETATEA ROMANA DE PETROL SA, ROBIPLAST COMPANY SRL, D.E.E.M. ALGOCAR SA, PRIMA PETROL SRL and cost correction for ICS PETROM MOLDOVA SA.

(b) Other receivables include loans given to subsidiaries in Kazakhstan (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 E&P segments, such as OMV BULGARIA LTD and RING OIL HOLDING & TRADING LTD. Loans given to subsidiaries bear an interest rate based on Euribor plus a variable margin and have different maturities.

(c) 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.

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Investments as at December 31, 2009 consist of the following:

| Company Name | Field of Activity | Share interest percentage | Cost | Write down allowance |
|---|---|---------------------------|-------------|----------------------|
| Subsidiaries (>50%) | | | | |
| TASBULAT OIL CORPORATION LLP | Oil exploration and drilling in Kazakhstan | 100.00% | 13,426,985 | - |
| PETROM GAS SRL | Gas distribution | 100.00% | 8,601,510 | - |
| PETROM DISTRIBUTIE GAZE SRL | Gas distribution | 99.99% | 13,010,677 | 13,010,677 |
| OMV ROMANIA MINERALOEL SRL | Fuel distribution | 99.90% | 380,125,971 | - |
| OMV BULGARIA OOD | Fuel distribution | 99.90% | 138,024,259 | - |
| OMV SRBIJA DOO | Fuel distribution | 99.90% | 5,594,968 | - |
| PETROM NADLAC SRL | Oil products distribution | 98.51% | 6,521,923 | 1,910,711 |
| POLIFLEX SRL | Polyethylene production and distribution | 96.84% | 518,170 | 518,170 |
| M.P. PETROLEUM DISTRIBUTIE SRL | Fuel distribution | 95.00% | 116,638,420 | 11,171,662 |
| KOM MUNAI LLP | Oil exploration | 95.00% | 33,121,000 | - |
| RING OIL HOLDING & TRADING LTD | Holding Company | 74.90% | 333,946,263 | 278,163,909 |
| ICS PETROM MOLDOVA SA | Fuel distribution | 100.00% | 100,709,480 | - |
| PETROM LPG SA | LPG distribution | 99.99% | 122,307,743 | - |
| PETROMED SOLUTIONS 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 | 50.00% | 5 | - |
| PETROCHEMICALS ARGES SRL | Refining petrochemicals production | 95.00% | 200 | - |
| PETROM AVIATION SA | Kerosene distribution | 95.63% | 51,267,443 | - |
| KORNED LLP | Oil exploration and drilling in Kazakhstan | 100.00% | 38,187,206 | - |

1. FIXED ASSETS (continued)

c) Financial assets (continued)

| Company Name | Field of Activity | Share interest percentage | Cost | Write down allowance |
|---|--|---------------------------|----------------------|----------------------|
| Associated companies (20-50%) | | | | |
| FRANCIZA PETROM 2001 SA | Other financial services | 40.00% | 144,000 | 144,000 |
| BRAZI OIL & ANGHELESCU PROD COM SRL | Oil products distribution | 37.70% | 310,800 | 310,800 |
| FONTEGAS PECO MEHEDINTI SA | Fuel distribution | 37.40% | 295,881 | 295,881 |
| CONGAZ SA | Natural gas distribution | 28.59% | 14,158,085 | - |
| BURSA MARITIMA SI DE MARFURI SA | Other financial services | 20.09% | 100,000 | 100,000 |
| ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII | Public relations and public representation | 20.00% | 500 | - |
| Other financial investments (<20%) | | | | |
| GTI OIL CO SA | Fuel distribution | 13.00% | 61,722 | 61,722 |
| AIRTOTAL ROMANIA SA | Kerosene distribution in Romania | 6.41% | 8,929,975 | 8,929,966 |
| BURSA DE MARFURI OLTENIA CRAIOVA | Other financial services | 2.63% | 1,526 | 1,526 |
| TELESCAUNTIHUTA SA | Cable transportation | 1.68% | 420 | 420 |
| AGRIBAC SA | Animals breeding | 0.79% | 28,060 | 28,060 |
| BENZ OIL SA | Oil products distribution | 0.48% | 700 | 700 |
| CREDIT BANK | Other financial services | 0.22% | 500 | 500 |
| INSTITUTUL ROMAN PENTRU ASIGURARI | Insurance services | 0.10% | 7,250 | 7,250 |
| OFICIUL PATRONAL JUDETEAN MURES | Economic and Union activities development | 0.01% | 1,000 | 1,000 |
| MD INDIA | Exploration and production | 0.01% | 73,450 | 73,450 |
| TOTAL | | | 1,393,025,911 | 314,730,404 |

2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS

| PROVISIONS | Balance at 1.01.2009 | Increase | Decrease | Balance at 31.12.2009 |
|---|-------------------------|----------------------|----------------------|--------------------------|
| Provision for litigations (i) | 1,034,653,542 | 16,304,638 | 376,823,599 | 674,134,581 |
| Provision for decommissioning expenses – Petrom (ii) | 2,383,721,954 | - | 5,512,024 | 2,378,209,930 |
| Provision for expenditure to be incurred on behalf of State | 1,695,105,426 | 173,121,139 | 19,888,837 | 1,848,337,728 |
| Provision for retirement benefits (iii) | 246,490,975 | 60,177,815 | 28,497,746 | 278,171,044 |
| Provision for environmental expenditures- Petrom (iv) | 99,799,733 | 46,241,936 | 31,602,873 | 114,438,796 |
| Provision for environmental expenditures to be incurred on behalf of State (iv) | 332,990,271 | 204,894,099 | 68,148,487 | 469,735,883 |
| Provision for restructuring (v) | 430,716,149 | 210,427,148 | 352,030,576 | 289,112,721 |
| Other provisions for risk and charges (vi) | 38,988,349 | 128,192,968 | 42,792,722 | 124,388,595 |
| Total | 6,262,466,399 | 839,359,743 | 925,296,864 | 6,176,529,278 |
| PROVISIONS/ ADJUSTMENTS ON THE VALUE OF ASSETS | | | | |
| Adjustments for clients (Note 5) | 586,675,998 | 250,725,884 | 197,801,519 | 639,600,363 |
| Adjustments for short term financial assets (Note 5) | 8,065,767 | 11,588,267 | 41,813 | 19,612,221 |
| Adjustments for depreciation of inventories (Note 10.3) | 115,660,803 | 97,027,869 | 34,179,355 | 178,509,317 |
| Adjustments for impairment of fixed assets (Note 1) | 3,107,819,587 | 581,217,636 | 912,007,957 | 2,777,029,266 |
| Adjustments for depreciation of financial assets (Note 1c) | 257,360,731 | 126,030,015 | 79,090 | 383,311,656 |
| Total | 4,075,582,886 | 1,066,589,671 | 1,144,109,734 | 3,998,062,823 |

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.

(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. As at December 31, 2009, the decommissioning provision for Company liability is RON 2,378,209,930.

(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, 2009. The Company recorded environmental liabilities against receivable from the Romanian State in E&P, Refining and Doljchim as these lagoons existed prior to privatization of the Company.

As at December 31, 2009, 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 until 2009. 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.

3. PROFIT ALLOCATION

| | December 31, 2008 | December 31, 2009 |
|-----------------------------------|----------------------|----------------------|
| Net profit to be allocated | 1,022,387,463 | 1,368,127,631 |
| - legal reserve | 72,045,089 | 79,123,829 |
| - dividends | - | - |
| Profit not allocated | 950,342,374 | 1,289,003,802 |

The General Meeting of the Shareholders held on April 28, 2009 approved no allocation of the 2008 profit to dividends. The profit for the year ended December 31, 2009 will be allocated based on the decision of the General Meeting of the Shareholders.

4. ANALYSIS OF OPERATING PROFIT

| | December 31, 2008 | December 31, 2009 |
|---|-----------------------|-----------------------|
| 1. Net turnover | 16,750,726,457 | 12,842,384,017 |
| 2. Costs of goods sold and services rendered (3+4+5) | 14,577,604,116 | 10,769,034,836 |
| 3. Operating activity expenses | 10,986,029,480 | 8,115,801,008 |
| 4. Secondary activity expenses | 2,244,711,875 | 1,658,254,689 |
| 5. Indirect production expenses | 1,346,862,761 | 994,979,139 |
| 6. Gross profit due to net turnover (1-2) | 2,173,122,341 | 2,073,349,181 |
| 7. Selling and distribution expenses | 801,944,866 | 798,067,191 |
| 8. Administrative expenses | 201,941,223 | 235,747,276 |
| 9. Other operating revenues | 139,996,979 | 157,743,750 |
| 10. Operating profit (6-7-8+9) | 1,309,233,231 | 1,197,278,464 |

5. RECEIVABLES AND PAYABLES

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 | Up to 1 year | Due term | |
|-----------------------------------|----------------------|----------------------|----------------------|--------------|
| | | | 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 | - |

5. RECEIVABLES AND PAYABLES (continued)

Receivables

| | December 31, 2009 | Liquidity term | |
|--|----------------------|----------------------|--------------|
| | | Up to 1 year | Over 1 year |
| Customers and similar accounts | 1,204,023,820 | 1,115,231,620 | 88,792,200 |
| Advances to suppliers | 64,039,412 | 64,039,412 | - |
| Other debtors | 533,212,390 | 533,212,390 | - |
| Advances to personnel | 11,088,923 | 11,088,923 | - |
| Interest receivable | 78,108,119 | 78,108,119 | - |
| Other receivables | 43,200,946 | 43,200,946 | - |
| Provision for doubtful receivables* | (659,212,584) | (570,420,384) | (88,792,200) |
| VAT not due | 144,720,008 | 144,720,008 | - |
| Other taxes and similar accounts | 90,277,887 | 90,277,887 | - |
| Special funds- taxes and similar accounts | 847,412 | 847,412 | - |
| Loans given to subsidiaries – short term portion | 425,692,027 | 425,692,027 | - |
| Expenditure recoverable from Romanian State | 99,808,131 | 99,808,131 | - |
| Total | 2,035,806,491 | 2,035,806,491 | - |

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

Payables

| | December 31, 2009 | Up to 1 year | Due term | |
|--|----------------------|----------------------|----------------------|-----------------|
| | | | Between 1-5 years | Over 5 years |
| Loans from financial institutions | 2,334,286,159 | 158,067,374 | 2,176,218,785 | - |
| Interest for loans | 24,711,589 | 24,711,589 | - | - |
| Amounts owed to affiliates | 868,906,530 | 234,676,530 | 634,230,000 | - |
| Interest related to amounts owed to affiliates | 2,417,000 | 2,417,000 | - | - |
| Hedge liabilities | 411,651,362 | 411,651,362 | - | - |
| Suppliers and similar accounts | 1,952,945,315 | 1,952,945,315 | - | - |
| Advance payments from customers | 74,010,678 | 74,010,678 | - | - |
| Other creditors | 28,973,357 | 28,973,357 | - | - |
| Guarantees from suppliers | 32,656,408 | 21,418,570 | 11,237,838 | - |
| Employees rights | 105,532,673 | 105,532,673 | - | - |
| Contribution to social security | 50,163,955 | 50,163,955 | - | - |
| Contribution to unemployment fund | 1,059,020 | 1,059,020 | - | - |
| Contribution to special funds | 10,867,810 | 10,867,810 | - | - |
| Tax on salaries | 15,557,559 | 15,557,559 | - | - |
| Tax on profit | 102,991,889 | 102,991,889 | - | - |
| VAT payable | 78,007,848 | 78,007,848 | - | - |
| Dividends to be paid | 28,810,175 | 28,810,175 | - | - |
| Other payables | 260,103,563 | 259,472,875 | 630,688 | - |
| Total | 6,383,652,890 | 3,561,335,579 | 2,822,317,311 | - |

5. RECEIVABLES AND PAYABLES (continued)

Liabilities from hedge contracts

To protect the cash flow, Petrom S.A. entered into crude oil hedges in the second quarter of 2009 for a volume of 38,000 bbl/d. Liabilities from hedge contracts are valued at the market value of RON 411,651,362 as at December 31, 2009.

As at December 31, 2008 and 2009, the Company had the following loans:

Short term loans

| | December 31, 2008 | December 31, 2009 |
|---|----------------------|----------------------|
| Banca Comerciala Intesa Sanpaolo Romania S.A. (a) | - | 105,788,473 |
| Raiffeisen Bank SA (b) | 100,882,614 | 52,278,901 |
| Unicredit Bank Austria AG (c) | 199,300,000 | - |
| Cash pooling (d) | - | 234,676,530 |
| Accrued interest | - | 27,128,589 |
| Total interest bearing debts short term | 300,182,614 | 419,872,493 |

- (a) Overdraft facility contracted from Banca Comerciala Intesa Sanpaolo Romania S.A. up to RON 106,000,000 (equivalent of EUR 25,000,000) obtained by the Company for general corporate expenditure, with maturity date April 30, 2012 and interest rate 1 month ROBOR plus an applicable margin. The facility is not secured.
- (b) Overdraft facility received from Raiffeisen Bank S.A. up to EUR 85,000,000 obtained by the Company, with maturity date May 31, 2011 and interest rate 1 month ROBOR plus an applicable margin. The facility is not secured.
- (c) Short-term loan of EUR 50,000,000 signed by the Company with UniCredit Bank Austria AG as Bank and UniCreditTiriac Bank as Agent. The maturity date was October 15, 2009 and the interest rate was variable, being calculated as EURIBOR plus an applicable margin. The facility was not secured and was fully reimbursed in 2009.
- (d) Cash pooling agreements were signed as follows:

5. RECEIVABLES AND PAYABLES (continued)

- 1) A cash pooling agreement for amounts up to RON 35,000,000 was signed by the Company and Petromed Solutions S.R.L. on June 1, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 3,617,880.
- 2) A cash pooling agreement for amounts up to RON 10,000,000 was signed by the Company and AVIATION PETROLEUM SRL on September 15, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 1,467,800.
- 3) A cash pooling agreement for amounts up to RON 150,000,000 was signed by the Company and PETROM LPG SA on December 2, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 91,556,000.
- 4) A cash pooling agreement for amounts up to RON 60,000,000 was signed by the Company and M.P. PETROLEUM DISTRIBUTIE SRL on September 15, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 47,426,800.
- 5) A cash pooling agreement for amounts up to RON 150,000,000 was signed by the Company and OMV ROMANIA MINERALOEL SRL on December 2, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 7,260,000.
- 6) A cash pooling agreement for amounts up to RON 150,000,000 was signed by the Company and PETROM GAS SRL on September 1, 2009, with validity until April 28, 2010. The applicable interest rate is the minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month. The balance as at December 31, 2009 amounts to RON 83,348,050.

5. RECEIVABLES AND PAYABLES (continued)

Long term loans

| | December 31, 2008 | December 31, 2009 |
|---|----------------------|----------------------|
| Banks Consortium (agent: UniCredit Bank Austria AG) (e) | 1,468,205,036 | 1,520,847,785 |
| European Bank for Reconstruction and Development (f) | - | 618,374,250 |
| Black Sea Trade and Development Bank (g) | - | 36,996,750 |
| OMV AG (h) | - | 634,230,000 |
| Total interest bearing debts long term | 1,468,205,036 | 2,810,448,785 |

(e) Banks Consortium represents a revolving unsecured credit facility given to the Company by a Consortium of Banks that includes 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 was prolonged to October 14, 2012. The total facility is EUR 375,000,000 and the drawings can be made in EUR, USD or RON. The interest rates are based on EURIBOR and respectively ROBOR plus an applicable margin. The drawings as at December 31, 2009 were RON 1,006,347,785 (equivalent of EUR 238,008,558) (December 31, 2008: RON 953,705,036, equivalent of EUR 239,263,682) and RON 514,500,000 (December 31, 2008: 514,500,000).

(f) During 2009, the Company concluded two loan agreements with European Bank for Reconstruction and Development:

a. An unsecured corporate loan agreement for a maximum amount of EUR 200,000,000 for the construction of the Power Plant in Petrobrazi. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. Interest rate is calculated as the interbank rate applicable for interest period plus an applicable margin. The drawings as at December 31, 2009 amounted to RON 211,410,000 (equivalent of EUR 50,000,000).

b. An unsecured corporate loan agreement for a maximum amount of EUR 275,000,000, with the purpose of funding an environmental projects program in respect of various operations (upstream, midstream and downstream), dated March 31, 2009, with final maturity date November 15, 2015. Interest rate is calculated as the interbank rate applicable for interest period plus an applicable margin. The drawings as at December 31, 2009 were RON 406,964,250 (equivalent of EUR 96,250,000).

(g) For the funding of the environmental program the Company concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25,000,000. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. Interest rate is calculated as the interbank rate applicable for interest period plus an applicable margin. The drawings as at December 31, 2009 amounted to RON 36,996,750 (equivalent of EUR 8,750,000).

5. RECEIVABLES AND PAYABLES (continued)

- (h) Long-term loan of EUR 500,000,000 signed by the Company with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The drawings as at December 31, 2009 were in value of RON 634,230,000 (equivalent of EUR 150,000,000). The interest rate is based on 3 years interest rate swap plus an applicable margin.
- (i) On December 21, 2009 the Company concluded a second Banks Consortium agreement, unsecured, for a maximum amount of EUR 500,000,000, with a Consortium of banks, as follows: Banca Românească S.A., BAWAG P.S.K. Bank, Caja de Ahorros y Pensiones de Barcelona, Erste Group Bank AG, Banca Comercială Română S.A., Eurobank EFG Private Bank Luxembourg AG, ING Bank N.V., Marfin Egnatia Bank S.A., Raiffeisen Bank S.A., Raiffeisen Zentralbank Österreich AG and UniCredit Tiriac Bank SA. The Agent is UniCredit Bank Austria AG. The final maturity date is December 21, 2012 and the interest rates are calculated as the interbank rates (EURIBOR for drawings in EUR and ROBOR for drawings in RON) plus an applicable margin. No amount from this facility was withdrawn as at December 31, 2009.
- (j) During 2009 the Company concluded a loan agreement for a maximum amount of EUR 200,000,000 with European Investment Bank also for the construction of a Petrobrazi Power Plant. The agreement was signed on May 8, 2009 and the final maturity date is October 12, 2022. No amount from this loan was withdrawn as at December 31, 2009.
- (k) Overdraft facility up to USD 3,000,000 obtained by the Company from RBS Bank S.A., to be utilized only for issuance of letters of guarantee, with maturity date December 28, 2009. The facility is not secured. No amount from this overdraft was withdrawn as at December 31, 2009.
- (l) Overdraft facility up to EUR 91,591,645 obtained by the Company from BRD – Groupe Société Générale S.A., to be utilized only for issuance of a letter of guarantee for fiscal authorities. The validity period for the credit facility is July 31, 2010. No amount from this overdraft was withdrawn as at December 31, 2009. The facility is not secured.

As at December 31, 2009, the Company is in compliance with financial covenants stipulated by loan agreements.

5. RECEIVABLES AND PAYABLES (continued)

Finance lease liability

In other payables as at December 31, 2009 is included the short and long portion of finance lease liability. The Company acquired in 2008 and 2009 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, 2009 |
|--|----------------------|----------------------|
| Obligations under finance leases | | |
| Amounts due within 1 year | 1,016,179 | 649,574 |
| Amounts due after more than 1 year but not later than 5 years | 1,290,081 | 644,191 |
| Total lease obligations | 2,306,260 | 1,293,765 |
| Less future finance charges on finance leases | (227,781) | (51,643) |
| Present value of finance lease liabilities | 2,078,479 | 1,242,122 |
| Analysed as follows: | | |
| Maturing within 1 year | 890,715 | 611,434 |
| Maturing after more than 1 year but not later than 5 years | 1,187,764 | 630,688 |
| Total present value of finance lease liabilities | 2,078,479 | 1,242,122 |

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) as adopted by European Union (EU). IFRS Consolidated financial statements for the year ended December 31, 2009 have been authorized for issue by the management on March 25th, 2010.

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. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

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 was performed as at December 2009. 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 2009 did not influence the fiscal book value of the assets and consequently the profit tax calculation for the year ended December 31, 2009.

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.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

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.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

(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.

Receivables

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

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

Interest on borrowings incurred directly for the acquisition, construction or production of qualifying assets is capitalized until the assets are effectively ready for their intended use or for sale. All other costs of borrowing are expensed 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.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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;
- ▶ 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, 2009 the exchange rate was RON 2.9361 to USD 1 and RON 4.2282 to EUR 1 (31 December 2008: RON 2.8054 to USD 1 and RON 3.9860 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.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

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: E&P, 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.

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, 2008 | December 31, 2009 |
|--------------------------|-----------------------|-----------------------|
| As at December 31 | 56,644,108,335 | 56,644,108,335 |

Shareholder Structure as at December 31, 2008 and December 31, 2009

| | No. of shares | Percent |
|--|-----------------------|----------------|
| OMV Aktiengesellschaft | 28,894,467,414 | 51.01% |
| Ministry of Economy*) | 11,690,694,418 | 20.64% |
| Property Fund SA | 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% |

*) 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 the Ministry of Economy, representing 20.64% of Petrom's share capital.

8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees in 2009 is 30,391 (2008: 29,854). 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 2008 | Salaries in 2008 | No. of employees in 2009 | Salaries in 2009 |
|---|--------------------------|----------------------|--------------------------|----------------------|
| Supervisory Board members and directors | 54 | 12,497,774 | 65 | 18,003,261 |
| Direct and administrative employees | 29,807 | 1,807,561,828 | 30,333 | 1,804,024,522 |
| Total | 29,861 | 1,820,059,602 | 30,398 | 1,822,027,783 |

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

| | 2008 | 2009 |
|-------------------------------------|--------|--------|
| Liquidity ratios | | |
| Current assets | 1.49 | 1.26 |
| Acid test | 0.79 | 0.67 |
| Risk ratios | | |
| Indebtness ratio* | 11.09% | 19.99% |
| Interest cover | 69.14 | 17.30 |
| Operational ratios | | |
| Stock turnover – days | 52 | 76 |
| Days in receivables – days | 30 | 32 |
| Days in payables – days | 40 | 56 |
| Total assets turnover | 0.67 | 0.48 |
| Profitability ratios | | |
| Return on capital employed (%) ROCE | 10.81% | 10.67% |
| Earnings per share (RON) | 0.0180 | 0.024 |
| Profit before tax (%) | 9.59% | 13.22% |

*) Indebtness ratio is calculated as (Payables to credit institutions- long term + Amounts payable to related parties- long term) / Equity x100

10. OTHER INFORMATION

10.1. Nature of activity

The Company's headquarters is located at Calea Dorobanti 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, 2008 | December 31, 2009 |
|---------------|----------------------|----------------------|
| Bank accounts | 239,500,792 | 256,298,790 |
| Petty cash | 21,817,637 | 23,733,989 |
| Other values | 119,883 | 3,012 |
| Total | 261,438,312 | 280,035,791 |

10.3. Inventories

| | December 31, 2008 | December 31, 2009 |
|---|----------------------|----------------------|
| Raw materials and materials | 1,000,385,295 | 1,009,850,240 |
| Small tools | 23,314,360 | 28,721,526 |
| Finished products | 719,492,112 | 740,739,553 |
| Work in progress | 156,525,477 | 123,714,225 |
| Packaging and other | 1,022,270 | 413,676 |
| Materials at third parties | 224,312,286 | 181,443,481 |
| Products at third parties | 114,429,160 | 78,939,573 |
| Goods purchased for resale at third parties | 176,096,865 | 69,816,084 |
| Provision for inventories* | (115,660,803) | (178,509,317) |
| Advances for stocks | 94,517,339 | 42,760,821 |
| Total | 2,394,434,361 | 2,097,889,862 |

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

10. OTHER INFORMATION (continued)

10.4. Short term financial investments

| | December 31, 2008 | December 31, 2009 |
|--|----------------------|----------------------|
| Receivable from hedge contracts | 517,640,630 | - |
| Bonds issued by World Bank (see Note 1c) | 206,384,000 | - |
| Other | - | - |
| Total | 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. During the year 2009 the oil price hedge was realized, resulting in a revenue in Petrom S.A. of RON 523,648,490. As a result, there are no related balances for this hedge as of December 31, 2009. As at December 31, 2008 the receivable from hedge contract was valued at the market value and amounted to RON 517,640,630.

Bonds issued by World Bank

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

10.5. Earning per share

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

| | December 31, 2008 | December 31, 2009 |
|---|----------------------|----------------------|
| Net profit for the year | 1,022,387,463 | 1,368,127,631 |
| Weighted average of ordinary shares during the year | 56,644,108,335 | 56,644,108,335 |
| Basic earnings per share – RON | 0.018 | 0.024 |

10. OTHER INFORMATION (continued)

10.6. Related Parties Transactions and Balances

During 2009, the Company had the following purchases transactions with related parties:

Related party suppliers

| Name | Balance | Transactions |
|--|--------------------|----------------------|
| Aviation Petroleum SRL | 349,490 | 4,071,294 |
| M.P. Petroleum Distributie SRL | 11,093,104 | 50,621,484 |
| Petrom Distributie Gaze SRL | 66,240 | 436,640 |
| Petrom Gas SRL | - | 32,313,161 |
| OMV Romania Mineraloel SRL | 19,198 | 10,776,577 |
| ICS Petrom Moldova SA | 29 | 455,004 |
| OMV Aktiengesellschaft | - | 3,358,424 |
| OMV Bulgaria Ltd | 134,013 | 1,279,695 |
| OMV Exploration & Production GmbH | 4,790,054 | 30,086,055 |
| OMV Gas & Power GmbH | 255,975 | 1,920,088 |
| OMV Deutschland GmbH | 1,645,858 | 1,658,954 |
| OMV Gas GmbH | - | 581,433 |
| OMV Refining & Marketing GmbH | 12,489,407 | 132,701,730 |
| OMV Solutions GmbH | - | 5,935,726 |
| OMV Supply & Trading AG | 134,973,060 | 1,622,489,741 |
| Petrom Exploration & Production Limited | - | 45,758,530 |
| OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság | - | 375,441 |
| Petrol Ofisi A.S. | 1,244,213 | 10,987,069 |
| Petrom Aviation SA | 307,342 | 7,838,251 |
| Borealis AG | 46,630 | 1,095,061 |
| Congaz SA | 816 | 37,214 |
| OMV Srbija d.o.o. | - | 28,018 |
| Petrom LPG SA | 7,272,398 | 47,817,895 |
| Petromed Solution SRL | 893,717 | 22,273,590 |
| Trans Gas Services SRL | - | 434,574 |
| Petrom Nadlac SRL | - | 824,080 |
| Total | 175,581,544 | 2,036,155,729 |

10. OTHER INFORMATION (continued)

During 2009, the Company had the following sales transactions with related parties:

Related party receivables

| Name | Balance | Transactions |
|---|--------------------|----------------------|
| Aviation Petroleum SRL | 7,122 | 376,646 |
| M.P. Petroleum Distributie SRL | 32,657,031 | 201,779,644 |
| Petrom Distributie Gaze SRL | 7,458,129 | 29,492,423 |
| Petrom Gas SRL | 73,365,121 | 383,463,251 |
| Korned LLP | 620,363 | 620,363 |
| OMV Gas GmbH | 252,993 | - |
| OMV Romania Mineraloel SRL | 140,720,637 | 847,505,492 |
| OMV Bulgaria LTD | 27,211,228 | 411,529,332 |
| ICS Petrom Moldova SA | 13,965,591 | 176,844,332 |
| OMV Srbija d.o.o. | 11,468,441 | 125,234,129 |
| Tasbulat Oil Corporation BVI | 24,087,192 | 40,185,191 |
| OMV Refining & Marketing GmbH | - | - |
| Kom Munai LLP | 34,030,355 | 9,088,018 |
| OMV Solutions GmbH | 1,862,217 | - |
| Petrom Nadlac SRL | 358,650 | 18,343 |
| OMV Aktiengesellschaft | 426,954 | - |
| Petrom Exploration & Production Limited | 2,109,577 | 859 |
| Petrom Aviation SA | 29,942,906 | 172,410,029 |
| Petrol Ofisi A.S. | - | 16,134 |
| Trans Gas Services SRL | 1,652 | 47,601 |
| Borealis AG | 114,891 | 95,359,665 |
| OMV Deutschland GmbH | 21,685,799 | 123,068,715 |
| OMV Exploration & Production GmbH | - | - |
| Petrom LPG SA | 24,787,540 | 222,905,815 |
| Petromed Solution SRL | 160,578 | 1,626,522 |
| Poliflex SRL | 287 | 107,312 |
| Total | 447,295,254 | 2,841,679,816 |

10.7. Legal reserves

At December 31, 2009 the legal reserve amounted to RON 553,748,670 (December 31, 2008: RON 474,624,841). 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. OTHER INFORMATION (continued)

10.8. Tax on profit calculation

| | December 31, 2008 | December 31, 2009 |
|--|----------------------|----------------------|
| Revenues | 19,331,386,617 | 14,325,562,300 |
| Expenses | 17,725,823,277 | 12,628,042,555 |
| Gross profit | 1,605,563,340 | 1,697,519,745 |
| Deductions | (1,412,133,519) | (1,351,171,115) |
| Non-deductible expenses | 3,705,524,061 | 1,825,160,296 |
| Fiscal depreciation for fixed assets | (1,160,516,069) | (1,509,245,120) |
| Accounting depreciation for fixed assets | 1,170,900,413 | 1,466,485,715 |
| Other taxable elements | 38,752,808 | 30,670,213 |
| Other non taxable elements | (243,718,659) | (166,276,733) |
| Taxable profit | 3,704,372,375 | 1,993,143,001 |
| Preliminary tax on profit | 592,699,580 | 318,902,880 |
| less sponsorship expenses | (20,672,898) | (38,527,166) |
| External fiscal credit | - | (1,122,319) |
| Income tax related to previous years | 11,149,195 | 50,138,719 |
| Income tax due for the period | 583,175,877 | 329,392,114 |

10. OTHER INFORMATION (continued)

10.9. Segmental reporting

| | E&P | Refining & Marketing | Gas & Power | Corporate & Other | Inter segmental elimination | Total |
|---|----------------------|-----------------------|----------------------|----------------------|-----------------------------|-----------------------|
| Revenue | | | | | | |
| External Sales | 80,215,114 | 10,293,818,981 | 2,454,372,708 | 13,977,214 | - | 12,842,384,017 |
| Inter-segment Sales | 7,543,367,681 | 81,291,005 | 198,536,074 | - | (7,823,194,760) | - |
| Other revenues | 235,589,279 | (520,723,635) | (25,581,634) | 2,964,447 | 671,550,283 | 363,798,740 |
| Total Revenues | 7,859,172,074 | 9,854,386,351 | 2,627,327,148 | 16,941,661 | (7,151,644,477) | 13,206,182,757 |
| Total Expenses | 5,493,488,398 | 10,682,470,725 | 2,619,844,528 | 197,656,928 | (6,984,556,286) | 12,008,904,293 |
| Operating result (EBIT) | 2,365,683,676 | (828,084,374) | 7,482,620 | (180,715,267) | (167,088,191) | 1,197,278,464 |
| Financial gain | | | | | | 500,241,281 |
| Income tax | | | | | | (329,392,114) |
| Net Result | | | | | | 1,368,127,631 |
| Other information | | | | | | |
| Capital expenditure - Tangibles and intangibles | 2,768,102,496 | 540,427,618 | 353,143,114 | 426,887,991 | - | 4,088,561,219 |
| Capital expenditure - Investments | 38,187,206 | 18,377,487 | - | - | - | 56,564,693 |
| Depreciation and amortization | 1,084,937,357 | 238,923,682 | 274,871 | 142,349,805 | - | 1,466,485,715 |
| Impairment loss, net | 197,976,448 | 78,098,125 | 7,091,216 | 2,656,934 | - | 285,822,723 |
| Balance Sheet | | | | | | |
| Segment tangibles and intangibles assets | 12,429,929,964 | 2,854,649,366 | 711,750,831 | 819,606,788 | - | 16,815,936,949 |
| Segment financial assets | 3,766,860,265 | 1,578,997,343 | 78,207,625 | 3,000,400 | - | 5,427,065,633 |

10. OTHER INFORMATION (continued)

10.10. Commitments and guarantees

Commitments

As at December 31, 2009 the total commitments engaged by the Company for investments amount to RON 2,295,946,388. (December 31, 2008: RON 2,565,799,136)

10.11. Contingencies

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 portion 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.

There is a pending claim of Petrom with the Escrow Agent and until December 31, 2009 no amount has been released to either party by the Escrow Agent pending decision of the claim.

As of December 31, 2009 the amount in the Escrow Account is of RON 146,483,304 (December 31, 2008: RON 132,449,872), while RON 121,065,390 represents the initial amount deposited and RON 25,417,914 interest earned until December 31, 2009 (December 31, 2008: RON 11,384,482).

10. OTHER INFORMATION (continued)

10.12. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2009 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 2009 was under 10% (respectively 4.75%) 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 2.9361 to USD 1 and RON 4.2282 to EUR 1 (31 December 2008: RON 2.8054 to USD 1 and RON 3.9860 to EUR 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 2009 the Company used derivative instruments in order to protect the Company's cash flow from the adverse impact of falling oil prices for a volume of 38,000 bbl/d in 2010, securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero-cost structure). In case the oil price is below USD 54/bbl in 2010, the hedge pays out the difference to the realized market price, while the Company would not be able to profit from oil prices above approximately USD 75/bbl in 2010 for the above stated volume. In case the oil price in 2010 is between the two intervals, no cash settlement is required. The hedges are over-the-counter (OTC) contracts with first class banks and will be settled on a quarterly basis in 2010. As at December 31, 2009 the nominal value of the open contracts is of RON 3,163,010,323 and the fair value amounts to RON 411,651,362, same as the related liability (see Note 5).

In 2008, in order to protect the Company's cash flow from the adverse impact of falling oil prices, derivative instruments were 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 were settled on a quarterly basis in 2009. During the year 2009 the oil price hedge was realized, resulting in a revenue in Petrom S.A. of RON 523,648,490. 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. OTHER INFORMATION (continued)

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) Starting January 1, 2010, the Company name changed to OMV PETROM S.A., following the Decision of the Extraordinary General Meeting of Shareholders held on October 20, 2009. The Company's brand and logo remain unchanged.
- b) Starting February 1, 2010, following a decision by the Company's Supervisory Board, Rainer Schlang became a member of Petrom's Executive Board, responsible for Marketing. He succeeds Tamas Mayer, who assumed new responsibilities at Petrol Ofisi, Turkey's leading fuel and lubricants distribution company, in which OMV holds a 41.58% stake.
- c) The Company reorganized its activities in Gas division by consolidating sales and supply activities within Petrom Gas SRL starting February 1, 2010.