

S.C. PETROM S.A.

INDEPENDENT AUDITORS' REPORT

**AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2009

**prepared in accordance with Ministry of Finance Order no. 1752/2005
and the subsequent amendments issued by the Ministry of Public Finance**

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

Independent Auditor's Report

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.


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' Report with the Financial Statements

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

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

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

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	<u>41,056,083</u>	<u>99,327,785</u>
	Total (rows 01 to 05)	1 b) 06	<u>1,129,715,521</u>	<u>987,168,130</u>
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	<u>4,386,971,350</u>	<u>4,276,599,535</u>
	Total (rows 07 to 10)	1 a) 11	<u>13,655,674,197</u>	<u>15,828,768,819</u>
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	<u>2,045,113,862</u>	<u>2,282,130,885</u>
	Total (rows 12 to 17)	1 c) 18	<u>5,021,081,500</u>	<u>5,427,065,633</u>
	TOTAL FIXED ASSETS (rows 06+11+18)	19	<u>19,806,471,218</u>	<u>22,243,002,582</u>
B	CURRENT ASSETS			
I	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	<u>94,517,339</u>	<u>42,760,821</u>
	Total (rows 20 to 23)	10.3 24	<u>2,394,434,361</u>	<u>2,097,889,862</u>
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	<u>1,704,211,989</u>	<u>2,035,806,491</u>

Free translation from the Romanian version which is the original
Notes on pages 13 to 45 form integral part of these financial statements.

S.C. PETROM S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	December 31, 2008	December 31, 2009
III	Short term investments			
1	Investments in affiliates	31	-	-
2	Other short term investments	32	724,024,630	-
	Total (rows 31 to 32)	33	724,024,630	-
IV	Cash and bank accounts	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
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

S.C. PETROM S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)


No		Notes	Row	December 31, 2008	December 31, 2009
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	<u>6,262,466,399</u>	<u>6,176,529,278</u>
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	<u>146,258,559</u>	<u>97,208,977</u>
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	<u>5,664,410,834</u>	<u>5,664,410,834</u>
II	Premium related to capital		68	-	-
III	Revaluation reserve		69	50,904,252	81,614,855
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	<u>6,315,308,717</u>	<u>5,483,143,103</u>
	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	<u>13,568,598,447</u>	<u>14,056,147,239</u>
	Public patrimony		84	-	-
	TOTAL EQUITY (rows 83+84)		85	<u>13,568,598,447</u>	<u>14,056,147,239</u>


These financial statements were approved on March 25th, 2010.

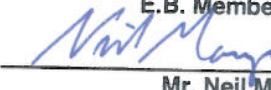

Mrs. Mariana Gheorghe
Chief Executive Officer


Mr. Reinhard Pichler
Chief Financial Officer

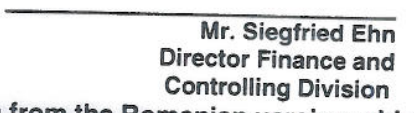

Mr. Johann Pleininger
E.B. Member E&P


Mr. Siegfried Gugu
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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

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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	<u>16,750,726,457</u>	<u>12,842,384,017</u>
	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	<u>139,996,979</u>	<u>157,743,750</u>
	Total operating revenue (rows 01+06-07+08+09)	10	<u>17,399,624,687</u>	<u>13,206,182,757</u>
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	<u>2,328,955,335</u>	<u>2,344,256,632</u>
	a) Salaries	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	<u>2,256,092,738</u>	<u>1,752,308,449</u>
	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	<u>143,291,376</u>	<u>135,861,336</u>
	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	<u>4,137,052,619</u>	<u>3,989,067,869</u>
	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	<u>644,151,339</u>	<u>(482,777,610)</u>
	Expenses	30	1,547,984,039	468,072,436
	Revenues	31	903,832,700	950,850,046
	Total operating expenses (rows 11 to 15+18+21+24+29)	32	<u>16,090,391,456</u>	<u>12,008,904,293</u>
	Operating Result			
	- profit (rows 10-32)	4 33	<u>1,309,233,231</u>	<u>1,197,278,464</u>
	- loss (rows 32-10)	34	<u>-</u>	<u>-</u>

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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
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			
	- profit (rows 42-49)	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	-	-
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

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	<u>Notes</u>	<u>Row</u>	<u>Year ended December 31, 2008</u>	<u>Year ended December 31, 2009</u>
Profit before tax				
- profit (rows 58-59)		60	1,605,563,340	1,697,519,745
- loss (rows 59-58)		61	-	-
Tax on profit	10.8	62	583,175,877	329,392,114
Other tax expenses not shown above		63	-	-
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	-	-



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G. Vap
Mr. Gerald Kappes
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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

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)

	<u>Notes</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>
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)
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


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)

	<u>Notes</u>	<u>December 31, 2008</u>	<u>December 31, 2009</u>
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

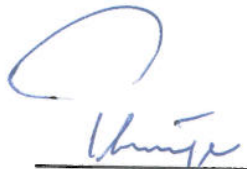
These financial statements were approved on March 25th, 2010.




Mrs. Mariana Gheorghe
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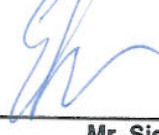
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S.C. PETROM S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2008
(all amounts are expressed in RON, unless otherwise specified)

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	-	-	-	-	57,417,759
Legal reserves	402,579,752	72,045,089	72,045,089	6,513,507 *	4,937,598	50,904,252
Reserves representing surplus from revaluation reserves	15,843,269	4,937,598	4,937,598	-	-	474,624,841
Other reserves	311,496,087	445,570,757 **	-	-	-	20,780,867
Other reserves-geological quota	5,062,836,164	-	-	-	-	757,066,844
Retained earnings	1,669,534,740	-	-	-	-	5,062,836,164
Profit for the year	-	1,022,387,463	-	1,081,902,469 ***	-	587,632,271
				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.

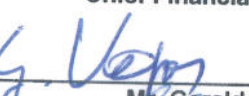
These financial statements were approved on March 25th, 2010.

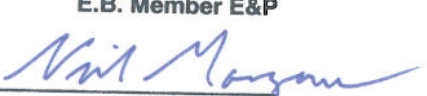

Mrs. Mariana Gheorghe
Chief Executive Officer


Mr. Reinhard Pichler
Chief Financial Officer

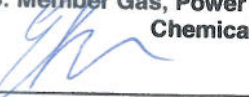

Mr. Johann Pleininger
E.B. Member E&P


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

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Notes on pages 13 to 45 form integral part of these financial statements.

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

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.

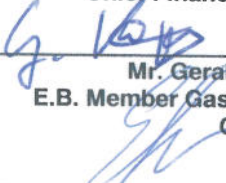
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Chief Executive Officer



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Notes on pages 13 to 45 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 **	38,294,152	-	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 Petrobrazil 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.

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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 (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.

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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)

FIXED ASSETS (continued)

b) Intangible assets

COST	Balance as at 1.01.2009	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as 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 as at 1.01.2009	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as 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 as at 1.01.2009	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as 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

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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 (continued)

c) Financial assets

COST	Balance at 01.01.2009	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.

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 (continued)

c) Financial assets (continued)

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

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION LLP	Oil exploration and drilling In Kazahstan	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 Kazahstan	100.00%	38,187,206	-

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 (continued)

c) Financial assets (continued)

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
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
AIR TOTAL 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
TELESCAUN TIHUTA 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			<u>1,393,025,911</u>	<u>314,730,404</u>

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)

2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS

PROVISIONS	Balance at 01.01.2009	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

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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)

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.

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)

3. PROFIT ALLOCATION

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

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

	<u>December 31, 2008</u>	<u>December 31, 2009</u>
1. Net turnover	<u>16,750,726,457</u>	<u>12,842,384,017</u>
2. Costs of goods sold and services rendered (3+4+5)	<u>14,577,604,116</u>	<u>10,769,034,836</u>
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)	<u>2,173,122,341</u>	<u>2,073,349,181</u>
7. Selling and distribution expenses	801,944,866	798,067,191
8. Administrative expenses	201,941,223	235,747,276
9. Other operating revenues	<u>139,996,979</u>	<u>157,743,750</u>
10. Operating profit (6-7-8+9)	<u>1,309,233,231</u>	<u>1,197,278,464</u>

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
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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	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Loans from financial institutions	1,768,387,650	300,182,614	1,468,205,036	-
Interest for loans	18,187,858	389,472	17,798,386	-
Suppliers and similar accounts	2,233,599,007	2,230,757,575	2,841,432	-
Advance payments from customers	59,432,176	59,432,176	-	-
Other creditors	63,549,656	63,549,656	-	-
Guarantees from suppliers	45,881,856	31,819,071	14,062,785	-
Employees rights	224,169,047	224,169,047	-	-
Contribution to social security	41,372,457	41,372,457	-	-
Contribution to unemployment fund	1,007,263	1,007,263	-	-
Contribution to special funds	12,566,444	12,566,444	-	-
Tax on salaries	15,671,658	15,671,658	-	-
Tax on profit	9,980,301	9,980,301	-	-
VAT payable	13,339,060	13,339,060	-	-
Dividends to be paid	43,491,404	43,491,404	-	-
Other payables	399,486,935	398,299,172	1,187,763	-
Total	4,950,122,772	3,446,027,370	1,504,095,402	-

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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	Due term		
		Up to 1 year	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	-

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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 UniCredit Tirioc 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:

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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.

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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	<u>1,468,205,036</u>	<u>2,810,448,785</u>

(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).

(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.

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5. RECEIVABLES AND PAYABLES (continued)

(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 Tiriatic 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.

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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
<i>Analysed as follows:</i>		
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

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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.

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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.

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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:

	<u>Years</u>
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.

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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.

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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.

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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.

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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.

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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.

	<u>December 31, 2008</u>	<u>December 31, 2009</u>
As at December 31	<u>56,644,108,335</u>	<u>56,644,108,335</u>

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

	<u>No. of shares</u>	<u>Percent</u>
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	<u>3,520,046,256</u>	<u>6.21%</u>
Total	<u>56,644,108,335</u>	<u>100.00%</u>

*) 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.

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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
Administrators 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

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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 Kazahstan. 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.

10.4. 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	-

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10. OTHER INFORMATION (continued)

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 beared 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

10.6 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

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10. OTHER INFORMATION (continued)

Name	Balance	Transactions
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

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

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10. OTHER INFORMATION (continued)

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.

10.8 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

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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

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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).

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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 USD 1).

10.15. Commodity price risk management

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

In 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.

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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 1st, 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 1st, 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 1st, 2010.