

2009

Annual Report



PETROM
Member of OMV Group

At a glance

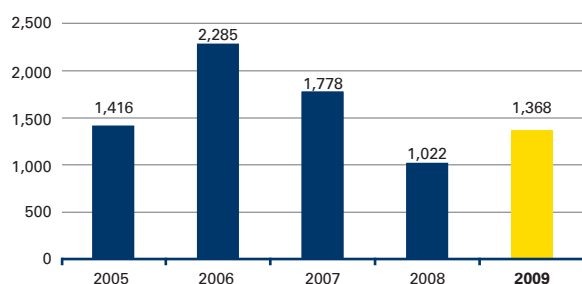
Operational results

	2007	2008	2009
Total production (mn boe)	70.27	68.98	66.00
Crude oil and NGL production (mn t)	4.54	4.54	4.39
Natural gas production (bcm)	5.75	5.55	5.27
Crude oil processed (mn t)	5.92	6.12	5.16
Refinery capacity utilization rate (%)	74	77	65
Petroleum products sales (mn t)	4.71	5.21	4.82
Number of operating filling stations	450	448	442
Number of employees at the end of period	26,397	33,311	27,470

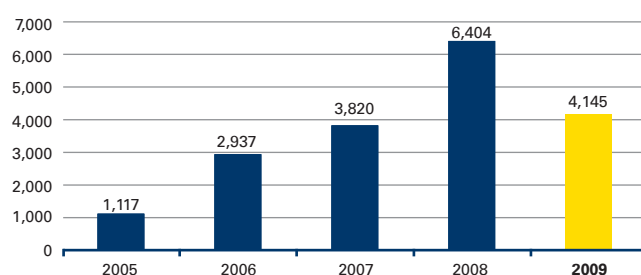
Financial results

	2007	2008	2009
Net turnover (RON mn)	12,284	16,751	12,842
EBITDA (RON mn)	3,111	3,565	2,950
EBIT (RON mn)	1,965	1,309	1,197
Net profit (RON mn)	1,778	1,022	1,368
Operating cash flow (RON mn)	2,486	4,383	2,657
Investments (RON mn)	3,820	6,404	4,145
ROACE (%)	16	7	9

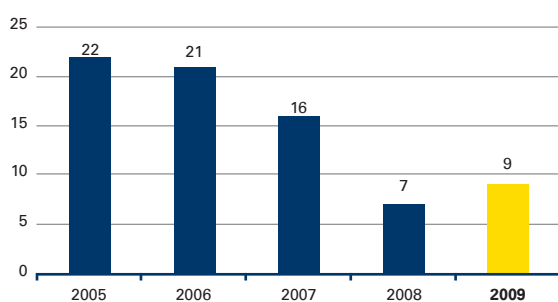
Net profit in RON mn



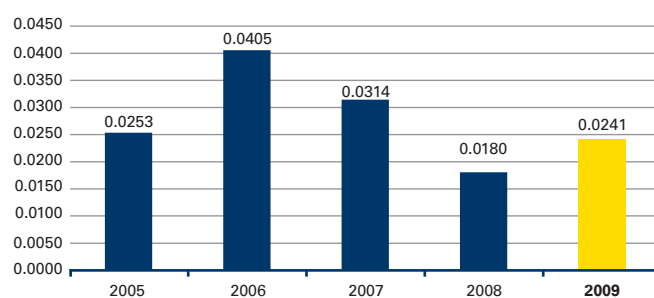
Investments in RON mn



ROACE in %

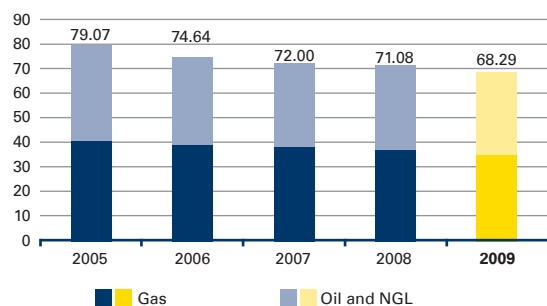


Earnings per share in RON

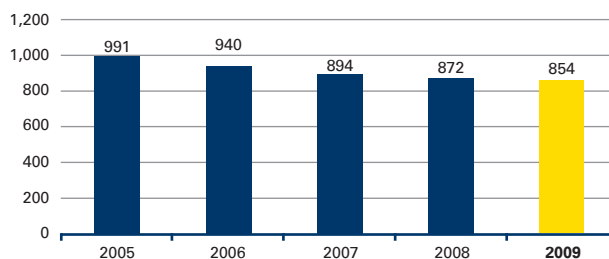


Exploration and Production

Production in mn boe - Petrom Group

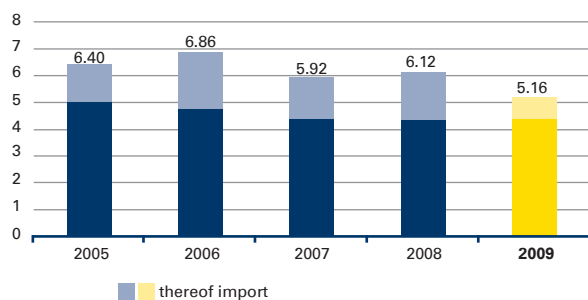


Proved reserves in mn boe - Petrom Group

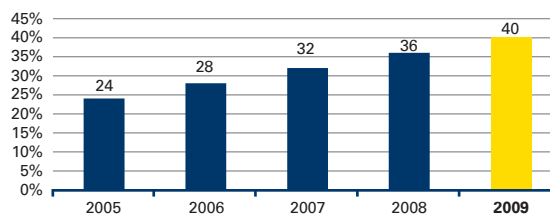


Refining and Marketing

Processed crude in mn t

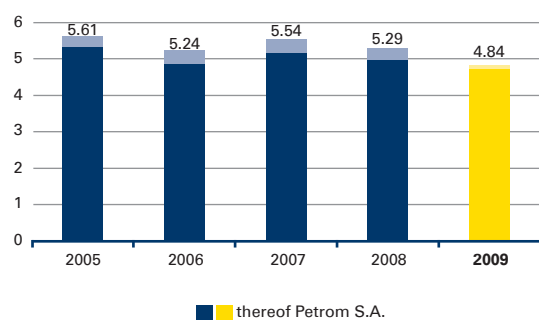


Retail market share in %

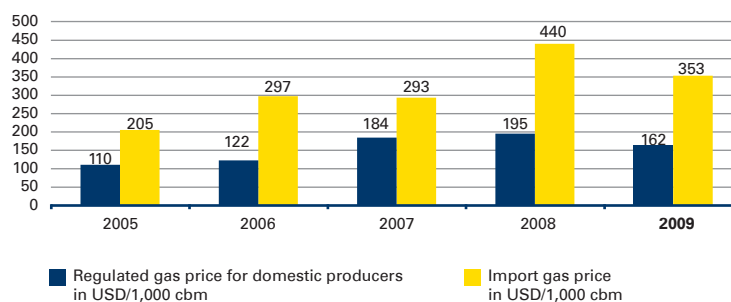


Gas and Power

Gas sales in bcm - Petrom Group



Gas prices





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



2009 was a challenging year, during which we had to balance our long-term priorities with the short-term challenges of a major economic and financial downturn that affected Romania at least as much as the other economies that are important to us. Since privatization, Petrom has embarked on a journey of reconstruction and investment to build a sustainable business that will add value to all of our stakeholders including our investors, our business partners and the communities within which we do our business. Through this report you will see a commitment to developing a responsible business that uses teamwork to create long term value from change, based on a clear understanding of our integration opportunities.



Highlights

The difficult 2009 gave us the chance to experience the strength of the Petrom team. In particular, we have shown that the better a team works together, the quicker they are able to react. That is true of a leadership board, an operational team or the whole Petrom community.

We have demonstrated consistent strategic direction with appropriate investment programs. We have achieved this within a framework of sound corporate governance that has allowed us to mobilize the skills and energy of our people to set, and maintain, high standards across our business.

WHAT HELPS YOU WITHSTAND DIFFICULTIES?
Teamwork and prompt response.



Members of the Executive Board

The Executive Board is elected by the Supervisory Board and consists of seven members.

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

The Executive Board has the following structure as of February 1, 2010:



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

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



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

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



Johann Pleininger – Responsible for Exploration and Production

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



Siegfried Gugu – Responsible for Exploration and Production Services

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



Gerald Kappes – Responsible for Gas and Power (including Chemicals)

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



Neil Anthony Morgan – Responsible for Refining and Petrochemicals

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



Rainer Schlang – Responsible for Marketing

Rainer Schlang, graduate of the Academy of Commerce and holder of an MBA from Krems University (Austria), joined OMV in 1980 and occupied various positions within OMV Group. In the last 15 years, Rainer Schlang has coordinated the marketing activities of OMV in Southeastern Europe, spending the last 12 years in Romania. From 2007, he occupied the position of General Manager of OMV Romania, responsible for retail and commercial distribution in OMV's networks in Romania, Bulgaria and Serbia and was also General Manager of OMV Croatia. He was appointed member of Petrom's Executive Board starting February 1, 2010.

Rainer Schlang has replaced **Tamas Mayer**, who took over new responsibilities at Petrol Ofisi, Turkey's leading fuel and lubricants distribution company, in which OMV holds a 41.58% stake. Tamas Mayer was a member of Petrom's Executive Board responsible for Marketing starting 2005.

Statement of the Chief Executive Officer

Dear shareholders,

Since privatization, Petrom has embarked on a journey of reconstruction and investment to build a sustainable business that will add value to all of our stakeholders including our investors, our business partners and the communities within which we do our business. Therefore, we have made considerable progress in stabilising oil production, improving our reserve replacement rate, bringing our products to European standards and in optimizing our filling station network and services.

2009 was a year during which we had to balance our long-term priorities with the short-term challenges of a major economic and financial crisis that affected Romania at least as much as the other economies that are important to us.

The overall context was that the national GDP contracted by 7% with the RON decreasing substantially in value against both the US dollar and the euro.

Against this background of reduced demand, the management team was able to make a number of key decisions to mitigate the effects of these challenges while maintaining our strategic directions.

Lower price levels and volumes decreased our net turnover by 23%. EBIT decreased by 9% principally due to the unfavorable oil price environment and weak refining margins. This was partly offset by our cost reduction measures.

Our net profit was positively impacted by our decision to hedge against oil prices fluctuations (hedging gain of RON 524 mn) and increased by 34% to RON 1,368 mn.

We brought forward some cost reduction measures and restructuring decisions as part of the revaluation and prioritisation of our projects and activities in the deteriorating economic environment.

Investment was reduced in 2009 by 35% but remains high in historical terms. To maintain

our progress, there is a continuing need for investment of between EUR 1.2 bn and EUR 1.5 bn a year. To that end, we secured external financing to maintain our strong financial position and balance sheet, compliant with OMV Group's overall gearing policy.

In **Exploration and Production**, we made some significant improvements despite the challenging environment. For the second consecutive year, we maintained the reserves replacement rate at the level set as strategic objective for 2010 of 70%. We have two new offshore wells in production, the Midia gas processing plant has been commissioned and production has started in the Komsomolskoe oil field in Kazakhstan. Moreover, we reduced the production cost per barrel as a result of successful reorganization and restructuring activities. Following the acquisition of the oil service business of Petromservice in 2007, we are on track to deliver an additional reduction in production cost of USD 1.5/ boe thanks to the successful integration of E&P Services. E&P represented 68% of our investment in 2009 as we continue to focus on optimization of gas delivery and processing, the drilling of development and production wells, workovers and production facilities.

Although EBIT in **Refining and Marketing** remained negative, we improved it to RON (828) mn from RON (1,895) mn in 2008, despite depressed refining margins. This was achieved through continuing improvements in marketing and optimizing refinery utilization. Our retail sales increased by 12% in the Romanian market that declined 3% overall. The throughputs of our filling stations increased by 12% over the already high 2008 levels, thus exceeding our 2010 strategic objective. The medium-term outlook remains challenging with depressed refining margins and overcapacity across Europe. Our aim is to process 100% of domestic crude production. We have therefore adjusted our investment plans which are now based on a capacity of 4.2 mn t/year at Petrobrazi with an investment of EUR 750 mn between 2010 and 2014. We also took the decision to operate the Arpechim refinery on an 'as needed' basis while we review the options for its future.

During 2009 we had to balance our long-term priorities with the short-term challenges

Gas and Power was also impacted by lower demand. The gas prices for domestic producers remained unchanged in RON terms since February 2008, which means an effective 17% decrease in US dollar terms for Romanian producers in 2009 over 2008. Whilst Romanian gas demand dropped 15%, our gas sales decreased by 4% compared to 2008. In 2009 we made investments of RON 353 mn in the gas and power sector, including the construction of our Brazi power plant that is on schedule and on budget. We took the decision to close the Doljchim chemical plant by the end of 2010 because of prevailing market conditions, as well as due to the fact that the chemicals business is not core to our strategy.

Looking forward to 2010 we believe that the crude price, downstream margins and foreign exchange rates will all remain volatile and that market demand will remain under pressure as Romania begins a slow recovery from the financial and economic crisis.

Our task is to continue to focus on the fundamentals of the business while continuing the process of modernization and development, to pursue our strategic aim of transformation from a leading integrated oil and gas company to a key energy player in Southeastern Europe.

The restructuring and reorganizations that we are pursuing will deliver increased effectiveness and efficiencies in the years to come. We have committed to the introduction of a management culture based on performance, which will further improve our management capability to deal with the increasingly complex and demanding marketplace of the future.

The last five years have seen us invest in skills, technology, improved processes and new opportunities to create value. These investments have considerably exceeded our contractual obligations stated in the privatization agreement. We believe that maintaining this program is essential to our future sustainability and, together with the strength of our cash flow and the health of our balance sheet, is the correct use of our financial resources. Management's

proposal is that no dividends should be distributed for 2009. This recommendation, together with the investment budget is subject to shareholder approval at the General Meeting of Shareholders on April 29, 2010. Furthermore, in order to ensure the necessary funds to finance such an ambitious investment program, there is a reasonable probability that we will seek to raise additional capital in 2010.

Our investors require sustainable value creation and high levels of transparency to make their judgment about our progress. I am pleased to announce that, starting with the first quarter of 2010, Petrom will report its consolidated results in line with International Financial Reporting Standards in our quarterly, half-year and annual releases.

This success is down to the skill, teamwork and enterprise of the people who work for Petrom. The company has a leadership and management team that has evolved through handling rapid change in difficult times and many thousands of employees who consistently and successfully rise to the challenges that they are set. I thank them all.

2009 was a year that tested our commitment to our long-term concerns and our ability to confront immediate and short-term challenges. We were successful with this dual challenge in a manner that generates confidence for the important years ahead.



Mariana Gheorghe

**Starting Q1/10
Petrom will
report its
consolidated
results according
to IFRS**

Highlights 2009

January

- At the beginning of **January**, amid the Russian-Ukrainian gas crisis, Petrom increased the natural gas volume delivered to Romanian consumers by injecting additional quantities in the national gas transport system, bringing new natural gas on stream. In addition, on January 5, Petrom decided to initiate the temporary closure of all gas consuming units of Doljchim chemical plant until mid-February 2009.
- In **January**, Petrom contracted a EUR 500 mn revolving financing facility from its majority shareholder, OMV. The financing is part of a larger program agreed upon in June 2008, necessary to support the restructuring and modernization of the company.

February

- Following completion of the mandatory public takeover on **February 5**, Petrom increased its stake in Petrom Aviation to 93.40%.

March

- In **March**, Petrom commissioned a new FCC (fluid catalytic cracker) post-treater plant for gasoline production with low sulfur content at Petrobrazî. The FCC plant, with an annual capacity of more than 700,000 t, contributes to the supply of Euro V gasoline for the internal and external market.
- On **March 31**, Petrom announced it concluded a corporate senior unsecured loan of up to EUR 300 mn by means of EBRD. The funds will be used to set enhanced standards in the industry with regard to environment, health and safety and to increase energy efficiency, thereby improving the sustainability of oil and gas operations.

April



May

- On **May 8**, Petrom announced having signed two unsecured corporate credits with EIB and EBRD, each for the amount of EUR 200 mn, thereby securing funding for the construction of the gas-fired power plant in Brazi, a project which amounts to around EUR 500 mn.

June

- On **June 3**, Petrom began the actual construction of the Brazi gas fired power plant after having started preparatory work in 2008.
- On **June 25**, Petrom announced its first oil production from the Komsomolskoe field located in the Mangistau region of western Kazakhstan. Initial production was approximately 1,000 bbl/d and increased steadily as further wells were opened for flow; the plateau rate of 10,000 bbl/d is expected to be reached in 2010. The proved and probable reserves are an estimated 34 mn bbl.

July

- ▶ On **July 20**, Petrom announced the subscription of shares issued by Petrom Aviation as part of the capital increase of Petrom Aviation. Petrom subscribed 69,795,951 of newly issued Petrom Aviation shares for the issue price of RON 0.1/share. Following this transaction, Petrom currently holds 95.20% of the increased share capital of Petrom Aviation.

August

- ▶ On **August 3**, Petrom announced its first exploration success in Russia, as both oil and gas discoveries were confirmed in the exploration well Lugovaya-1, located in the Kamenski district in the Saratov region. The first tests showed a flow of oil and gas from three layers at a combined rate of approximately 6,500 boe/d.
- ▶ On **August 10**, Petrom announced commencement of exploration activities in the Black Sea, Neptun Block, in joint venture with ExxonMobil Exploration and Production Romania Ltd, an affiliate of ExxonMobil Corporation.

September

- ▶ On **September 14**, Petrom announced its first oil production from the recently drilled offshore wells Delta 6 and Lebada Vest 4, located in the offshore block Histria XVIII in the Black Sea. The first tests showed a combined flow rate of approximately 3,100 boe/d from the two wells.

October

- ▶ On **October 29**, Petrom inaugurated a new gas processing plant in Midia, near Constanta. The new unit has a daily gas processing capacity of 3.8 mn cbm/d, more than twice as much capacity as the old installation, and can process the entire offshore gas production of Petrom. This new plant has a 99% efficiency rate in the recovery of heavy components from gas.



November

December

- ▶ On **December 16**, Petrom announced the review of its strategic development options and the financial implications thereof. As such, Petrom has redefined the framework for its future refining strategy while also deciding to exit the chemicals sector by the end of 2010.
- ▶ On **December 18**, Petrom finalized negotiations with Oltchim, regarding the transfer of assets related to the petrochemical activities of Arpechim. The transaction took effect at the beginning of 2010.
- ▶ On **December 21**, Petrom announced it had signed a EUR 500 mn new credit facility for a period of 3 years. The loan will be used to fund future investments, general corporate activities and potential repayments of the existing liabilities.
- ▶ In **December**, Petrom finalized the acquisition of Korned LLP in Kazakhstan. Korned LLP holds an exploration license including the undeveloped Kultuk oilfield, located only 34 km away from Petrom's Komsomolskoe field.



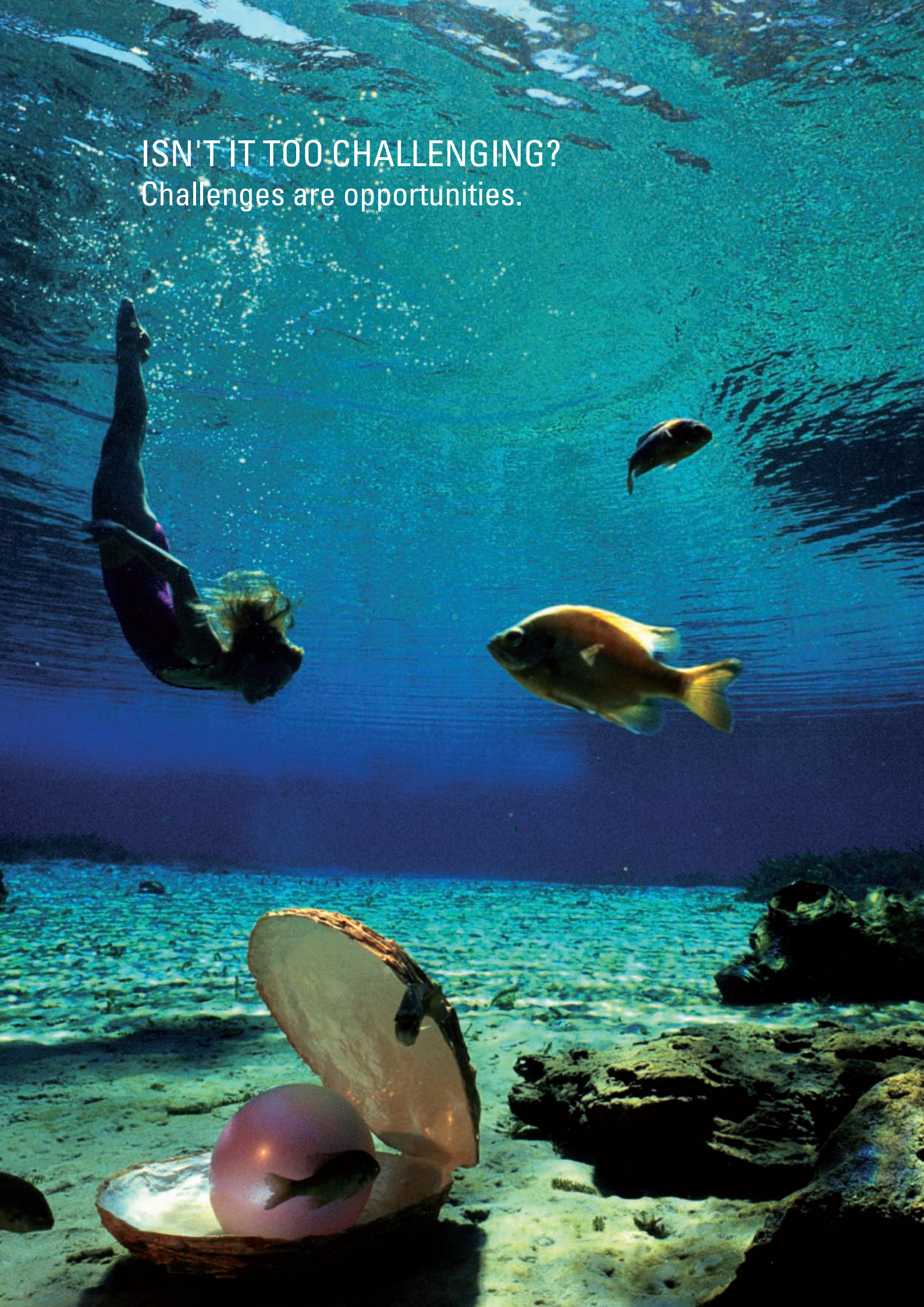
Company

The challenging environment highlighted the importance of the disciplines of cost awareness and risk management.

We reviewed, and continue to do so, our business objectives and the structures and shape to address them. We assess and grasp new opportunities that take us towards our goal of market leadership in economic value and responsibility.

Our investments continue to enable our strategic ambitions. We have expanded the gas value chain by entering the power market. We know that sustainable development through diversification of energy sources and enhancing the potential of integration creates value not only for our shareholders but also for all stakeholders.

ISN'T IT TOO CHALLENGING?
Challenges are opportunities.



Our strategic directions and objectives

Where we are

Petrom, a member of the OMV Group, is the largest oil and gas producer in Southeastern Europe. Our business segments are Exploration and Production, Refining and Marketing, and Gas and Power. They represent the core activities of the company and our main focus to increase efficiency.

Our Exploration and Production business explores for and extracts oil and natural gas in Romania and other countries in the Caspian region (Russia and Kazakhstan). Petrom is the sole crude oil producer in Romania and accounts for approximately half of Romanian gas production. Our domestic and international oil and gas production amounted to around 187,000 boe/d in 2009 while proved reserves were approximately 854 mn boe at the end of December 2009.

We process our produced crude oil at two refineries, Petrobrazi and Arpechim, with a total installed capacity of 8 mn t/year. We supply our products through a network of more than 800 filling stations operated together with our affiliates, both in Romania, where we have around 550 filling stations, and in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. We are also the leading provider of aviation fuel services in Romania and the number one player in the local LPG market. In 2009, we finalized the negotiations with Oltchim, leader in the petrochemicals market, for the transfer of non-core assets related to the petrochemical activities of Arpechim.

We are an important player in the Romanian gas market, covering all gas market segments. In 2009, Petrom Group maintained its strong presence in all sectors of the gas market, with a market share of around 40%. In order to leverage the value of natural gas and ensure the sustainable development of the company, management decided to further expand the value chain and develop a power generation business utilizing both conventional and renewable energy sources.

Further expanding our value chain by developing a power generation business

Our strategic directions

Our strategy

As a member of the OMV Group, Petrom has embedded in its operations the '3plus' strategy. The company's core activities are represented by the three business segments - Exploration & Production, Refining & Marketing, and Gas & Power – and operated with a focus on their sustainability. As a regional center within the OMV Group for Southeastern Europe, Petrom plays an essential role in delivering concrete economic results in one of OMV's three growth markets - CEE, SEE and Turkey. Additionally, Petrom focuses on the three values of the OMV Group – Pioneers, Professionals and Partnership - which distinguish us from our competitors and strengthen our competitive advantage in technical and commercial activities.

Enhance value of integration, key element to value creation

We derive our value from integration in our business model and we constantly endeavor to identify and make the most of the synergies along our value chain. To this end, we focus on restructuring measures while constantly pursuing financial discipline and strict cost management to maximise operational efficiency and earnings strength. In order to adapt Petrom's value chain and to tailor it to fit significantly altered supply-and-demand fundamentals, we changed the scope of our original investment plan in refining. As such, Refining's primary role will be to process only domestic crude production. We also decided to exit the chemicals sector by the end of 2010. Furthermore, we are adjusting our asset portfolio by strengthening our E&P and G&P businesses, investing selectively in power generation and renewable energy sources.

Capitalize on leading position as oil and gas producer in SEE to become a key energy player

We committed to transforming ourselves from a leading integrated oil and gas company in Southeastern Europe to a key energy player by expanding into power generation. As an integrated oil and gas company accounting for approximately half of the Romanian gas

production, with extensive market knowledge and experience, Petrom is best positioned to seize the opportunities in both oil and gas as well as in power markets. We therefore committed to developing a power generation portfolio in order to leverage the value of natural gas while pursuing relevant opportunities in the renewable energy field. Meanwhile, we will continue to leverage our role as the OMV Group operational hub for marketing in Southeastern Europe and for exploration and production in Romania and the Caspian region, which is our core priority.

Sustainable development through diversification of energy sources

The extension of our activities in the energy sector is a significant component for the sustainable development of the company. To this end, we plan to develop a portfolio of projects covering energy from both conventional and renewable sources. As part of this process, we are expanding our value chain to leverage the value of the natural gas by developing our own power generation business and we are positioning ourselves to enter the renewable energy market, with a focus on wind projects in order to reduce carbon intensity.

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

Our objectives

In line with our strategic directions, our objective is to continue increasing productivity and profitability through realizing efficiency and the cost reduction potential of Petrom. In doing so, we will focus on maximizing the performance potential of our people, and to strengthen the organization and its management.

In **Exploration and Production**, our main objective is to unlock full E&P potential by increasing recovery rates and by minimizing the impact of the natural decline on production, especially through field re-development projects, as well as by focusing on optimization of our

organization to lower complexity and further integrating EPS into E&P. Other major objectives for Petrom's E&P business will be to continue deepwater exploration in the Black Sea, to de-bottleneck gas infrastructure and to selectively modernize its facilities. In addition, we will also pursue the strengthening of market position in Kazakhstan.

In **Refining**, we will direct our efforts into streamlining our business by upgrading and improving Petrobrazi performance to maximize Petrom integration value and enable the processing of 100% of Romanian crude production. To this end, we will adjust the capacity of the Petrobrazi refinery to 4.2 mn t per year by investing approximately EUR 750 mn between 2010 and 2014 in modernizing and maintaining the facility. The Arpechim bulk refinery – depending on the prevailing margin and supply conditions – will operate solely on an 'as needed' basis until 2011. Alternative options for the Arpechim bulk refinery will be assessed thereafter. In **Marketing**, we will focus on the harmonization of organizational structure within Petrom Group R&M activities towards the OMV R&M standard. This is aimed at consolidating market position, boosting profitability and the marketing terminals modernization completion.

In **Gas and Power**, we aim to tap gas potential and achieve sustainable growth into power and renewables, focusing on commissioning the Brazi gas-fired power plant in 2011. We also pursue gas infrastructure modernization and setting a sizeable gas business in the neighbouring countries. In the meantime, we will also follow through our decision to exit the non-viable, non-core chemical business of Doljchim by the end of 2010.

**EUR 750 mn
to be invested
in Petrobrazi
refinery during
2010-2014**

Exploration and Production

Petrom is the sole producer of crude oil in Romania and accounts for approximately half of the country's gas production. As a result of exploration and development activities, the Group's reserve replacement rate was 73% in 2009, 3 percentage points above the level reached in 2008. The domestic reserve replacement rate was 70%, remaining at approximately the same level as in 2008. In 2009, Petrom Group's average production of oil and gas was slightly above 187,100 boe/day, while domestic production was slightly above 180,800 boe/day. Domestic production cost in RON/boe decreased by 2% compared to 2008, due to strict cost management and successful integration of E&P Services (EPS). In EPS, the turnaround program was successfully continued.

Our achievements in 2009

- ▶ Domestic oil production at 86,420 boe/d
- ▶ Successful production start-up of Delta offshore project and Lebada Vest 4
- ▶ Deep offshore exploration project in Neptun Block in partnership with ExxonMobil started with the largest 3D seismic survey ever undertaken in Romania
- ▶ New gas processing plant in Midia commissioned
- ▶ Construction works for the Hurezani gas de-bottlenecking project commenced and are progressing according to schedule
- ▶ First energy efficiency pilot project completed
- ▶ Significant cost reductions achieved thanks to strict cost management and implementation of EPS turnaround program
- ▶ Production start-up of the Komsomolskoe field in Kazakhstan
- ▶ Acquisition of Kultuk oil field in Kazakhstan
- ▶ First exploration success registered in Russia: well Lugovaya 1

Our objectives for 2010

- ▶ Re-develop key fields
- ▶ Maintain the domestic reserve replacement rate at around 70%
- ▶ Drill high impact exploration wells
- ▶ Complete the gas de-bottlenecking project in Hurezani
- ▶ Focus investments on high impact fields
- ▶ Increase the energy efficiency of our operations
- ▶ Further improve the safety in our activities

Production start-up in Komsomolskoe field (Kazakhstan)

Our strengths

- ▶ Leader in the Southeast European upstream market
- ▶ Strict cost management and focused investment program
- ▶ Large scale application of proven and new technologies

Our strategic directions

- ▶ Minimize natural decline impact on production level
- ▶ Continue optimization of the E&P and EPS organization
- ▶ Optimize and ensure long-term production
- ▶ Acquire and extend quality exploration acreage
- ▶ Apply strict cost management
- ▶ Develop upstream activities in the Caspian Region

Refining and Marketing

Petrom is the number one downstream operator in Romania, with a total installed capacity of 8 mn t per year at its two refineries, Petrobrazî and Arpechim, while also operating 546 filling stations in Romania and another 268 stations in neighboring countries, together with its affiliates. We are also the leading supplier of aviation fuel services and the number one player in the local LPG market.

Our achievements in 2009

- ▶ Significant improvement in HSEQ performance
- ▶ Successful start-up of the new FCC Gasoline Hydrotreater - Post Treatment unit in Petrobrazî
- ▶ Further increase of middle distillates yield from 37% to 38% of refinery product slate
- ▶ Sale of Arpechim petrochemical operations to Oltchim
- ▶ Improved flexibility in refinery operation in adaptation to the challenging economic environment
- ▶ Average throughput per station increased by 12% over 2008 to a level of 4.8 mn liters
- ▶ Despite static market conditions and a 30% decrease of new car registrations in Romania, retail sales increased by 12% compared to 2008 while our retail market share reached 40%¹
- ▶ Substantial non-oil business sales increase: 9% over 2008 thanks to effective marketing techniques
- ▶ Good progress of operations at Petrom Moldova: full agency system was implemented in 102 filling stations while Chisinau Terminal started operations in December 2009
- ▶ Reopening of the first modernized terminal - Jilava - compliant with OMV standards, European requirements and HSEQ principles
- ▶ Further consolidation of our aviation-related business

Our strengths

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

Our strategic directions

- ▶ Low cost conversion of Romanian crude oil into high quality transport fuels for the Southeast European market
- ▶ Modernization of Petrobrazî refinery to ensure capability to process 100% of domestic crude
- ▶ Continue energy efficiency and yield structure improvements
- ▶ Maintain retail market share by providing best-in-class customer service and increasing efficiency
- ▶ Increase LPG market share and strengthen Petrom's position in the aviation fuel market

Our objectives for 2010

- ▶ Progress with Petrobrazî modernization
- ▶ Execute turnaround at Petrobrazî and position for the five-year turnaround cycle
- ▶ Continue energy efficiency improvements and reduce CO₂ emissions
- ▶ Optimize refinery operations to maximize Petrom's integration value
- ▶ Maintain the average throughput per filling station in Petrom S.A. at 2009 level
- ▶ Further optimization of the retail filling station network
- ▶ Consolidate aviation business by delisting Petrom Aviation S.A. and completing its merger with Aviation Petroleum S.R.L.
- ▶ Harmonization of organizational structure within Petrom Group R&M activities towards OMV R&M standard (subject to AGM approval on April 29)

Optimize refinery operations to maximize Petrom's integration value

¹The market data used for the calculation of the retail market share is from the Romanian Petroleum Association

Gas and Power

Petrom is a leading player in the Romanian gas market, covering all gas market user segments from small households to large-scale industrial consumers and power producers. In order to leverage the value of natural gas, we took the decision to move the value chain one step forward by developing our own power generation business. Gas and Power also includes chemicals, this segment being represented by the Doljchim chemical plant.

Our achievements in 2009

- ▶ Consolidation of our position in the Romanian gas market under a difficult business environment
- ▶ Construction of the 860 MW power plant continued according to schedule and budget
- ▶ Further steps to move into the field of renewable energy
- ▶ Prepare for the entry into compressed natural gas supply to the automotive sector
- ▶ Prepare for entry into the power market in 2011, by successful commissioning of the Brazi power plant and by operating one renewable energy project
- ▶ Exit the chemical business by the end of 2010

Our strengths

- ▶ One of the leading producers and marketers in Romania
- ▶ High degree of flexibility and competence, taking advantage of our wellhead-to-burnertip vertical integration
- ▶ Full coverage of the requirements of all market segments in Romania
- ▶ Best placed to further expand the gas value chain by entering into power business
- ▶ Professional integration of IT and business processes

Our strategic directions

- ▶ Enlarge Petrom's gas position to become leader in the Romanian gas market and a recognized player in Southeastern Europe (SEE)
- ▶ Develop gas storage business
- ▶ Enter power generation market by building the 860 MW gas fired power plant at Brazi
- ▶ Establish an electricity sales and trade concept within Petrom
- ▶ Enter renewable energy business
- ▶ Complete engineering concept of a Zero Emission Power Plant which will contribute to the reduction of the carbon footprint of Petrom and create synergies with E&P

Our objectives for 2010

- ▶ Increase gas marketing volume in Romania and consolidate domestic market share
- ▶ Establish a basic foundation for a sizeable gas business in the neighboring countries

Enter power generation market through the Brazi power plant

Members of the Supervisory Board

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

Wolfgang Ruttenstorfer – President

Chief Executive Officer of OMV and Chairman of the OMV Executive Board

First elected at the GMS held on January 11, 2005

Gerhard Roiss – Deputy Chairman

Deputy Chairman of OMV Executive Board, responsible for Refining and Marketing including Petrochemicals and Chemicals

First elected at the GMS held on January 11, 2005

David C. Davies

Chief Financial Officer of OMV and member of OMV Executive Board

First elected at the GMS held on January 11, 2005

Helmut Langanger

Member of the OMV Executive Board, responsible for Exploration and Production

First elected at the GMS held on January 11, 2005

Werner Auli

Member of the OMV Executive Board, responsible for Gas and Power

First elected at the GMS held on April 25, 2006

Marian Turlea

Head of Minister of Economy Cabinet, representing the Ministry of Economy in Petrom's Supervisory Board

First elected at the GMS on April 28, 2009

Gheorghe Ionescu

Representative of the Ministry of Economy in Petrom's Supervisory Board replacing **Emanoil Neguț**, whose tenure as a member of Petrom's Supervisory Board started April 17, 2007

First elected at the GMS on April 28, 2009

Daniel Costea

Counselor to the executive management of EximBank S.A.; representative of Fondul Proprietatea S.A. (the Property Fund) in Petrom's Supervisory Board replacing **Cristian Marian Olteanu**, whose tenure as a member of Petrom's Supervisory Board started April 17, 2007

First elected at the GMS on April 28, 2009

Riccardo Puliti

Business Group Director in charge of the energy and natural resources sectors at the EBRD; representative of the EBRD in Petrom's Supervisory Board replacing **Kevin Bortz**, whose tenure as a member of Petrom's Supervisory Board started April 25, 2006

First elected at the GMS on April 28, 2009

Statement of the President of the Supervisory Board

Dear shareholders,

Over the last five years, the Supervisory Board has endorsed and supported the Executive Board at Petrom in their continuing and accelerating progress towards our shared strategic objectives, higher operational performance and as a pace setter for corporate governance.

This progress has created a solid basis for a sustainable future of value creation.

Our commitment to such a sustainable future was tested in 2009. The year was dominated by the financial crisis and downturn within the economy that began in such a dramatic fashion in 2008. During this time, the Executive Board and leadership team at Petrom were required to balance long-term strategic ambitions with the short-term challenges of day-to-day operations.

To secure the interests of the company's shareholders, the Supervisory Board works closely with the Executive Board to ensure the successful implementation of the agreed strategy. The Supervisory Board monitors performance and offers support and constructive challenge. This partnership proved its effectiveness as Petrom succeeded in maintaining its long-term course while making the necessary adjustments to respond to the challenging external environment.

The environment across the whole area was dominated by lower oil prices, strong pressure on refining margins and a reduced level of demand from both retail and business markets. In Romania, the demand decline worsened through the year and continues into early 2010.

After careful scrutiny and prioritization of the investment plans, the Supervisory Board endorsed the Executive Board strategy for maintaining a strong financial position with gearing ratios of around 20% at the year end

while retaining the ability to secure a sustainable basis for financing key strategic projects through external loans.

As a part of this process, we supported the decisions taken to shape the business in line with the strategic directions and preserve future cash flows and allocate resources in the most profitable way. Challenging restructuring and cost reduction program remain on track.

After thorough analysis of the refining industry and the weak longer-term demand outlook in the OECD countries and the prevailing depressed margin environment, the scope of the original investment plan was changed within the framework of a future refining strategy tailored to suit the new market situation. The revised program envisages EUR 750 mn to be invested between 2010 and 2014 in modernizing and maintaining the facility.

The major objective for Petrom's E&P business is to minimize the impact of the natural decline on its production rate. This is particularly challenging given the mature nature of Petrom's reserves base. Furthermore, the decision was taken to close the chemical plant at Doljchim by the end of 2010 and the sale of the petrochemical activities at Arpechim was closed.

We have invested an average of EUR 1 bn every year for the last five years in order to build a business that can continue to deliver value to all of its stakeholders over the long term.

To recognise this significance, we amended our Articles of Association in October 2009. The name of the legal entity was changed to OMV Petrom S.A. as of January 1, 2010.

Following thorough examination and discussions with the auditors at Audit Committee and

The last five years progress created a solid basis for a sustainable future of value creation

plenary meetings, the Supervisory Board approved the company's financial statements, prepared in accordance with the Ministry of Finance Order no. 1752/2005 and the subsequent amendments issued by the Ministry of Public Finance.

The Supervisory Board has endorsed the Executive Board's proposal to the Annual General Meeting that no dividend is to be distributed for 2009, given the high liquidity level required to continue significant investment needs in Romania for the next years. Furthermore, the Supervisory Board is also contemplating the possibility for the Company to seek access to fresh equity to finance such an ambitious investment program, subject to the relevant provisions of the Company's Articles of Association and regulations in force.

Finally, and most importantly, a word of thanks. At the end of a very difficult year, I would like to convey the Supervisory Board's appreciation of everyone's hard work in these turbulent

times. Even without challenging environments, the objectives we had set for ourselves were ambitious enough. The fact that Petrom has been able to continue our strategic process, while working through the immediate and urgent requirements of the general market and economic situations is a tribute to the high levels of professionalism, partnership and pioneering spirit that the team has been able to maintain.



Wolfgang Ruttenstorfer

**Maintained
high levels of
professionalism,
partnership and
pioneering**

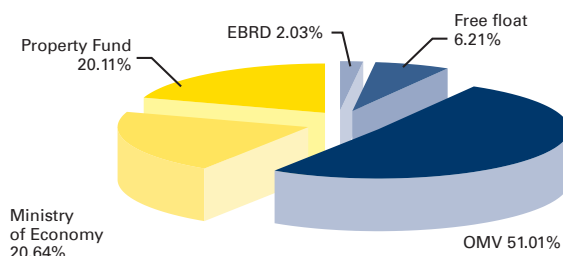
Petrom shares

Shareholding

On January 15, 2009, the Central Depository transferred the Petrom shares owned by the Authority for the State Assets Recovery (AVAS) into the account of the Ministry of Economy (ME), which owns now 11,690,694,418 shares.

Therefore, Petrom's shareholder structure has changed as follows: 51.01% OMV Aktiengesellschaft - the leading energy group in Central and Southeastern Europe, 20.64% the Ministry of Economy, 20.11% the Property Fund - a fund created by the Romanian state in order to compensate the persons who suffered from the nationalization of their assets during the communist regime (the fund manages a portfolio of shares with different stakes in Romanian companies), and 2.03% the European Bank for Reconstruction and Development (EBRD).

The remaining share of 6.21% is free float.



The Brent price also reached its year high in the fourth quarter of 2009 on November 18 at USD 78.9/bbl.

During 2009, the BET Index, which comprises the ten most liquid blue chip stocks listed on the Bucharest Stock Exchange (BSE), outperformed Petrom, rising by 62% on a yearly basis, nevertheless following the same evolution trend. The BET C (BET Composite) index, which includes all companies listed on the BSE, except for the SIFs¹, increased by 37%. Vienna Stock Exchange's ROTX Index which comprises the 14 most liquid blue chip stocks traded at the BSE, increased by 47% in 2009.

The BET-NG sectorial index which comprises stocks in the energy and utilities sectors, also increased by 71% year-on-year in 2009.

Petrom's market capitalization (on December 24, the last day of trading) of RON 14,104 mn represented 18% of BSE market capitalization.

Petrom share symbols

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

Shares

In 2009, Petrom's share price development experienced a steady come-back from the sharp decrease in 2008.

In the first part of 2009, the Petrom's share price was highly volatile, in line with the local and international markets, reaching its year low of RON 0.1160/share on March 3, also the lowest share price for the last six years.

After the sharp decline at the beginning of the year, when Brent crude oil price reached its year low of USD 39.7/bbl (on February 18), the capital markets started to steadily increase. Therefore, Petrom's share price rose to its year high on October 23, reaching the value of RON 0.2920/share, while on a full year basis the share price increased by 38%.

Petrom share price rose by 38% in 2009

¹Investment Funds (Societăți de Investiții Financiare)

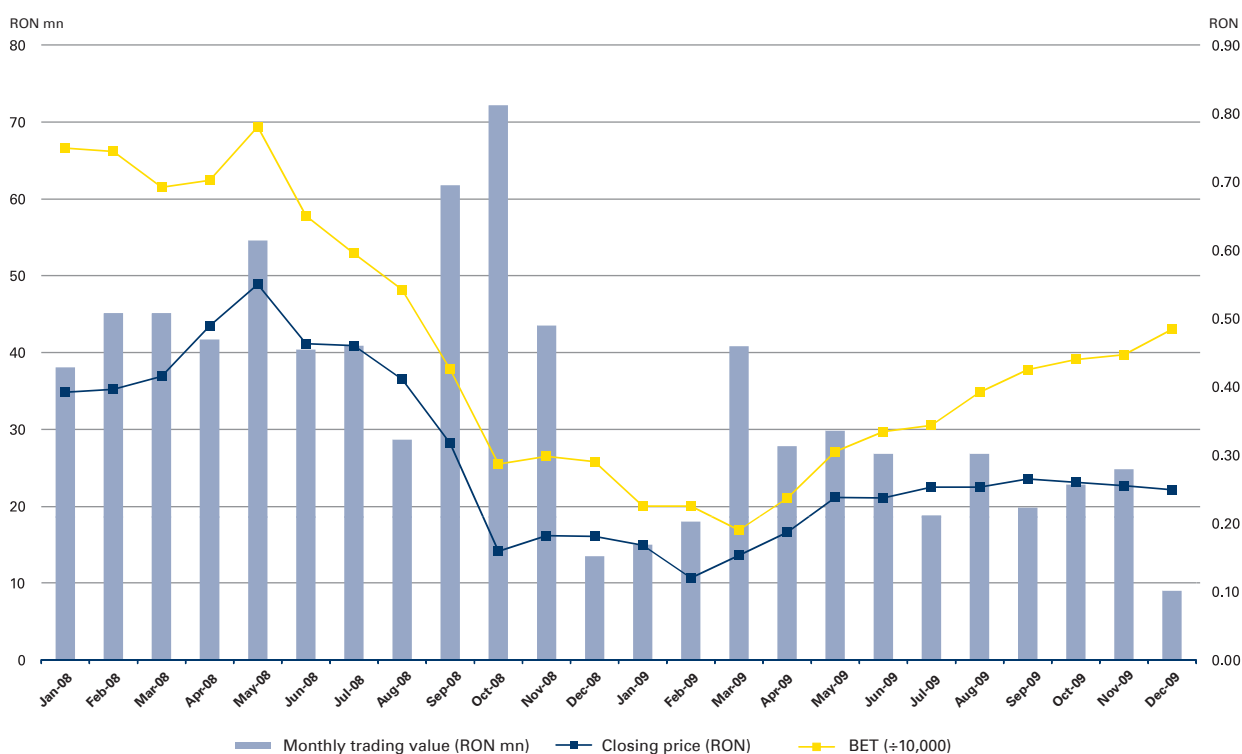
At a glance

	2007	2008	2009
Number of shares	56,644,108,335	56,644,108,335	56,644,108,335
Market capitalization (RON mn) ¹	28,152	10,253	14,104
Market capitalization (EUR mn) ¹	8,056	2,609	3,356
Year's high (RON)	0.6200	0.5600	0.2920
Year's low (RON)	0.4790	0.1290	0.1160
Year end (RON)	0.4970	0.1810	0.2490
EPS (RON/share)	0.0314	0.0180	0.0241
Dividend per share (RON)	0.0191	0	0 ²
Dividend yield ¹	3.8%	0	0
Payout ratio	61%	0	0

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

² Proposed dividend

Evolution of Petrom share price and BET



General Meeting of Shareholders

On **April 28, 2009**, Petrom's General Shareholders' Meeting approved the investment budget for 2009 of RON 4.7 bn, as well as the management's proposal not to distribute dividends for the 2008 financial year. At the same time, the new members of the Supervisory Board of Petrom S.A. were elected for a period of four years.

On **October 20, 2009**, Petrom's Extraordinary General Meeting of Shareholders approved the amendments to the Articles of Association of the company. The amendments were proposed mainly to ensure alignment of the Articles with the European and domestic legal framework and also as a result of the expiry of a term (i.e. five years as of Closing / 31 December 2009) stipulated in the Privatization Contract. The approved amendments came into force on January 1, 2010.

Investor Relations

Petrom organized a series of one-to-one meetings and conference calls with different analysts and institutional investors during 2009, both from Romania and abroad. Within the meetings, analysts and investors had the opportunity to address questions directly to the company's management, including the CEO and CFO, and discuss about the company's reported results and strategic directions with the management.

Dividends

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

Own shares

During 2009, Petrom did not repurchase or hold any of its own shares at any time.

Starting January 8, 2010, Petrom commenced the purchase by the company of a number of its own shares (referred to as 'buy back program') from the organized securities market, based on the Decision of the Extraordinary General Meeting of Shareholders (EGMS) of December 16, 2008, published in the Official Gazette, Part IV, no. 359/19.01.2009. The shares acquired within the above mentioned buy-back program will be distributed, free of charge, to the Entitled Persons (one hundred shares to each Entitled Person), between February 25, 2010 and December 31, 2010.

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

Contact at Investor Relations

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The SB has endorsed the management's proposal not to distribute dividends for 2009

Financial Calendar 2010

Financial events	Date
Presentation of the results for January-December and Q4 2009 ¹	February 25, 2010
Publication of the Annual Report 2009	April 29, 2010
The General Meeting of Shareholders	April 29, 2010
The presentation of the results for January-March 2010	May 7, 2010
The presentation of the results for January-June and Q2 2010	August 4, 2010
The presentation of the results for January-September and Q3 2010	November 10, 2010

¹ Preliminary results according to Romanian Accounting Standards

Business environment

Gradual recovery of the world economy

World

In the course of 2009, the **world economy** gradually recovered from the deep recession that had set in during the second half of 2008, mainly thanks to governments' economic stimulus plans. While the economic performance of major emerging economies turned out to be better than anticipated at the start of 2009, the severity of the financial crisis had a strong impact on developed economies. The OECD countries were among the hardest hit with output shrinking by 3%. However, the global output fell by only 1% in real terms, as a better than expected performance of the Chinese economy, whose Gross Domestic Product (GDP) increased by 9% in 2009, prevented a deeper slump in global demand.

In 2009, total **world crude demand** fell at an annualized rate of 1.5% to 84.9 mn bbl/d. The OECD oil demand shrank at an annualized rate of 4.4%, driven largely by weaker than expected results in both Europe and North America. In contrast, non-OECD oil demand rose by 2%, or 0.8 mn bbl/d in 2009, as China continued to race ahead. **Global oil production** fell by 2% or 1.7 mn bbl/d in 2009. OPEC market share dropped below 40% as crude production volumes amounting to 28.5 mn bbl/d were more than 8% lower compared to 2008. Non-OPEC oil supply rose by 0.6%, or 51.3 mn bbl/d, with OECD output staying virtually flat at 19.3 mn bbl/d and oil production higher in Russia and South America.

Throughout 2009, **oil prices** staged a gradual recovery following the dramatic drop from their 2008 highs. Spurred by a weak US dollar and more positive news about the global economic recovery, oil prices rose steadily from an average of USD 44/bbl in the first quarter of 2009, to USD 75/bbl in the last quarter of the year. Even so, the average Brent price stood at USD 61.67/bbl throughout 2009, still around 37% lower compared to its average 2008 value.

Romania

The Romanian economy suffered a deep contraction in 2009, after posting the fastest growth in the EU in 2008. Overall, in 2009, annual GDP contracted by 7%, as domestic demand shrank drastically. A strong reduction in disposable income – caused by both reduced

credit availability and slowing wage growth – trimmed down private consumption. **Industrial production** also slowed down considerably, in synchronicity with trends observed in other European countries. As a consequence, the adjustment of the external balance registered an abrupt change, with the current account deficit dropping to 4.5% of GDP, almost one third of the value recorded in 2008. Although the trend in the Consumer Price Index (CPI) **inflation rate** continued to point downwards, 2009 year-end inflation stood at 4.75%, marginally higher than 4.5%, the upper limit of the NBR's inflation target band.

In March, the Romanian government concluded talks for a EUR 19.5 bn stand-by agreement with a group of international institutions led by the International Monetary Fund (IMF). As a result, the country managed to avoid any potential shortfalls in financing its external and internal deficits. Moreover, the IMF program detailed the necessary changes that needed to be implemented by the fiscal authorities in order to make fiscal policy more transparent and accountable. The monetary policy stance was predominantly loose in 2009. Over the year the Monetary Policy Council gradually reduced the NBR **benchmark interest** rate by a cumulative 225 basis points, from 10.25% to 8%. Although at the early stages of the loosening cycle the reduction in NBR's benchmark interest rate was relatively slow to feed into commercial banks' lending rates, at the end of 2009 this process was gathering pace.

In 2009, the RON fell against both EUR and USD. Although exchange rate volatility was lower in 2009 compared to 2008, considerable uncertainty over the course of the RON persisted in foreign exchange markets. The yearly average **USD/ RON** rate rose by 21% compared to the value recorded in 2008, while the average **EUR/ RON** rate appreciated at a slower rate, 15%, over the same period.

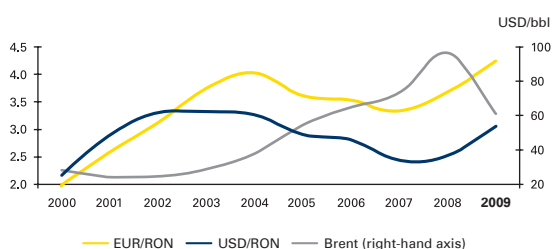
Romanian **primary energy resources** were down sharply by 16.1% compared to 2008, to 34 mn toe, as a lower level of economic activity drove down energy consumption. Overall, imports of primary energy resources were 31.6% lower

Romania's GDP contracted by 7% in 2009

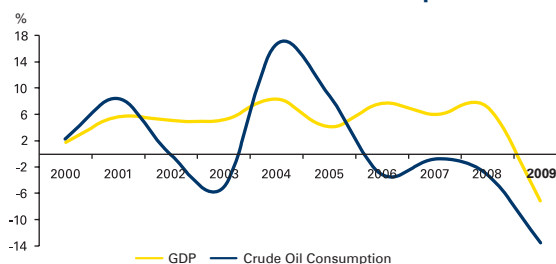
while domestic production was also down by 5.8%. In 2009, Romania's oil demand stood at 11.1 mn toe, down by 13.5% compared to previous year. Domestic oil production fell by 4.5%, with imports dropping by 18.1%, or 1.5

mn toe. The demand for natural gas registered a sharp contraction in 2009, dropping by approximately 15% to 10.4 mn toe, compared to previous year.

Crude Price (Brent) and FX Rates, Annual Averages



Romanian GDP and Crude Oil Consumption Annual Change



Outlook for 2010

The Romanian economy is expected to return to a marginal rate of growth in 2010. However, the rate of unemployment in both the public and private sector is likely to increase throughout the year, boosting social benefit costs for the

authorities and putting pressure on private consumption. Continuing efforts to reduce the state budget deficit are going to restrict government spending severely.

Continuous efforts to reduce the state budget deficit



Business Segments

We explore and produce oil. We refine and market products that our customers need. We endeavor to create power from our gas flows.

With improved exploration and production techniques, and long-term growth in the market for fuel and energy, there is potential for increased value in the principal pillars of our business. We are adjusting our asset portfolio by strengthening our E&P and G&P businesses and investing selectively in power generation and renewable energy sources. We are using the values of our people as partners, professionals and pioneers to integrate our processes and unlock our full potential to become a key energy player in Southeastern Europe.



HOW DO YOU CREATE VALUE?
Integration is the key.

Exploration and Production (E&P)

In 2009, the domestic reserves replacement rate was successfully maintained at slightly above 70%, thus already achieving the target set for 2010 in both 2008 and 2009. Despite the investment constraints and the decrease in gas demand in 2009, we were able to partially offset the natural production decline, mainly by starting production from the offshore wells Delta 6 and Lebada Vest 4 and performing around 900 workovers in oil and gas wells. At the end of December 2009, total domestic proved reserves were 823 mn boe.

Despite the decrease of production in 2009, domestic production costs in RON/boe were 2% lower compared to 2008 due to strict cost management and successful integration of EPS.

E&P at a glance

	2007	2008	2009
Total Group production (mn boe)	72.00	71.08	68.29
thereof Petrom S.A.	70.27	68.98	66.00
Group Crude and NGL production (mn t)	4.72	4.77	4.65
thereof Petrom S.A.	4.54	4.54	4.39
Group Gas production (bcm)	5.81	5.62	5.33
thereof Petrom S.A.	5.75	5.55	5.27
Group reserve replacement rate (%)	35	70	73
Reserve replacement rate in Romania (%)	38	71	70
Total net revenues (RON mn) ¹	7,430	9,828	7,859
EBITDA (RON mn) ²	3,651	4,401	3,649
EBIT (RON mn) ²	2,943	3,139	2,366
OPEX (RON mn)	4,582	6,600	5,493
Exploration expenses (RON mn)	230.0	450.0	191.3
Investments (RON mn) ³	2,465	4,524	2,806

Financial figures in the above table refer only to Petrom S.A., excluding Kazakhstan affiliates. As of January 2008, E&P financials include the results of the Exploration and Production Services (EPS) business division.

¹ Total net revenue also include inter-segment sales

² Excluding intersegmental margin elimination; for reasons of comparability 2007 and 2008 numbers are adjusted accordingly

³ Investments also include increases of Petrom share participations in other companies and investments during the year in exploration wells that proved unsuccessful

EBIT lower by 25%

E&P EBIT decreased by 25% in 2009 compared to 2008. This is mainly due to a lower oil price environment. The EBIT decrease was partly offset by a significant reduction in operating expenses determined by a strict management of costs. Depreciation and amortization increased due to high investments, while royalty payments

decreased due to lower oil prices. A considerable drop in exploration expenditures also had a positive impact on EBIT. E&P's EBIT does not include the positive hedging effect, which is reported in the financial result according to Romanian Accounting Standards.

Operational highlights 2009

In Romania, Petrom holds exploration licenses for 15 onshore and 2 offshore blocks, with a total area of 59,100 km² (of which 13,730 km² is offshore) and operates 256 commercial oil and gas fields. A combined volume of 180,815 boe/d was produced in 2009 [2008: 188,476 boe/d].

Petrom's Exploration, Development and Production Concessions in Romania



Exploration

During 2009, Petrom conducted exploration activities over the three exploration licenses granted in March 2008, over 13 historical licenses (12 onshore and 1 offshore) and over the Neptun offshore license.

Despite the investment constraints determined by the global financial crisis, exploration works have taken place in all exploration blocks. Onshore, Petrom acquired 1,195 km of 2D seismic data and 475 km² of 3D seismic data in 2009.

In March 2009, Petrom commenced preparation of seismic studies for the deepwater area of Neptun Block in the Black Sea whilst the data acquisition process started in August. The 3D seismic survey was completed in November and covered an area of approximately 3,200 km². This is the largest area surveyed in Romania using 3D seismic. ExxonMobil Exploration and Production Romania Ltd, an affiliate of ExxonMobil Corporation, is a joint-venture partner with Petrom for this permit.

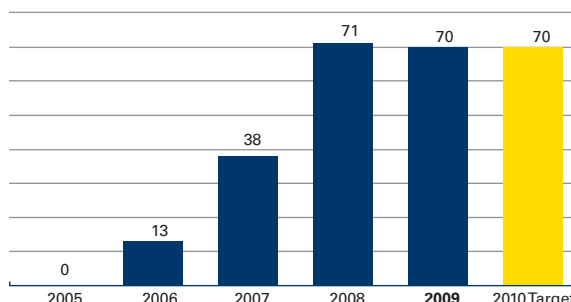
Reserve replacement rate (RRR)

As of December 31, 2009, Petrom Group's total **proved oil and gas reserves** amounted to 854 mn boe (Romania 823 mn boe), while the proved and probable oil and gas reserves amounted to 1,254 mn boe (Romania 1,176 mn boe).

Continuous revisions of mature fields, achievement of the drilling program combined with diversification of the recovery mechanisms applied in 2009 helped maintain a high reserve replacement rate of 70% in Romania. Petrom's Group reserve replacement rate reached 73% in 2009, up 3 percentage points above the RRR reached in 2008.

Increased Group's RRR at 73% and maintained RRR in Romania at 70%

Reserve replacement rate in Romania



Production

In 2009, Petrom produced 4.39 mn t of crude oil and condensate and 5.27 bcm of natural gas or an equivalent of 66 mn boe in Romania. The average daily equivalent production in Romania reached 180,815 boe/d (4 % lower than 2008). Crude oil production of Petrom S.A. in Romania was 86,420 boe/d, 3% lower than the level recorded in 2008. The decrease was mainly due to the reduced number of new wells drilled and the delay of key wells, mainly Delta 6.

Initial production of the offshore well Delta 6

started through the existing Petrom offshore facilities at end of July, at an initial rate of 530 boe/d. At the end of 2009, the well was producing 2,500 boe/d. The newly drilled well, **Lebada Vest 4**, brought onstream at the end of August, was producing around 1,000 boe/d at the

Offshore wells Delta 6 and Lebada Vest 4 started production

end of the year. Both wells account for over 10% of Petrom's offshore production.

The 2009 gas production level was affected by a reduction of demand. Furthermore, the delay in the completion of key producers such as Mamu 4335 and 4338, meant they were not available to counter the natural decline of production, led to a lower level of gas production.

During the Russian-Ukrainian gas crisis in January 2009, Petrom has made a significant contribution to ensure the security of gas supply for Romania by putting on stream 3 additional high producer wells: 20 Văleni, 571 Torcești and 19 Pârâieni.

Investments

E&P investments decreased to RON 2,806 mn, a reduction of 38% compared to 2008. The main reason for the deviation is the acquisition of the oil services business of Petromservice in 2008. The focus of investments was on optimization of gas delivery and processing, mainly at Hurezani, Midia and Mădulari, the drilling of development and production wells, e.g. offshore wells Delta 6 and Lebăda Vest 4, workovers and production facilities. However, compared to 2007 there is still an increase of 14% in investments that underlines Petrom's commitment to continue to invest in Romania.

Petrom S.A. exploration expenditure amounted to RON 200 mn in 2009, of which RON 156 mn was expensed and RON 44 mn was capitalized. Additionally, RON 35 mn were expensed for wells that commenced drilling in 2008 and were evaluated as being unsuccessful.

Key projects in 2009

In 2009, project activities were substantially influenced by the global financial downturn and weakening environment, nevertheless substantial progress was achieved.

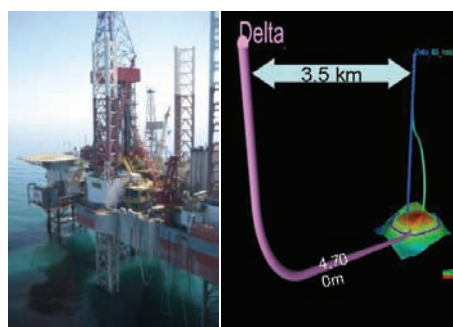
The Well Modernization Program that was completed in 2008 with over 5,000 wells modernized in 27 months, was honored as the winner of the International Excellence Award for large projects by the International Project Management Association in June 2009. The prize represents an international recognition of the project, in addition to the Excellence Award for the best project in Romania, awarded in 2008

by the same association. More than 600 Petrom employees and 3,000 contractor employees spent 11.6 mn man-hours making the program a success.

The Hurezani Project aims to secure the current and future gas delivery into the existing National Transportation System, to overcome decreasing reservoir pressures and the seasonal gas demand. The project comprises a new compressor station at Bulbuceni, a new 11 km downstream pipeline connection, 4 km of new upstream pipeline and the construction of a new gas metering station. The phase of front-end engineering and design has been completed and EPCC (engineering, procurement, construction and commissioning) contracts have been awarded for all sub projects. Construction works commenced in August 2009 and are progressing as scheduled.

The Midia C3+ (propane) gas processing plant located near Constanta went operational at the end of September 2009. This new plant processes the entire offshore gas production to sales gas quality, achieving a recovery efficiency of above 99% for C3+.

The **Delta offshore development** started in 2008 and achieved first oil in July 2009. The knowledge gained from Delta 6 was successfully applied to the new well Lebăda Vest 4, which was brought on stream at the end of August 2009.



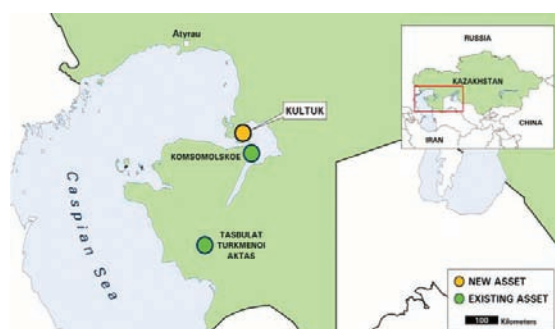
The upgrade of the existing Madulari gas treatment facilities for the **Mamu gas field** was completed but the key wells 4335 and 4338 drilled at Mamu faced problems arising from geological uncertainty. Technical reviews are currently being conducted that will determine the reparation program to be pursued in 2010. In 2009, the **drilling** of 115 development,

Petrom is committed to continue investments in Romania

exploration and appraisal wells was completed. The new introduced technologies, e.g. utilization of synthetic based mud, enabled us to drill difficult wells like Delta 6 and Lebada Vest 4.

International E&P operations

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



Petrom's activities in Kazakhstan are run through three companies, Tasbulat Oil Corporation LLP (100% owned by Petrom), Kom Munai LLP (95% owned by Petrom), and Korned LLP (100% owned by Petrom).

In 2009, Kazakhstan oil and gas production further increased to 6,300 boe/d (up 10% compared to 2008). This production increase was driven by the production start-up of the Komsomolskoe oil field, which more than compensated the natural decline of the TOC fields.

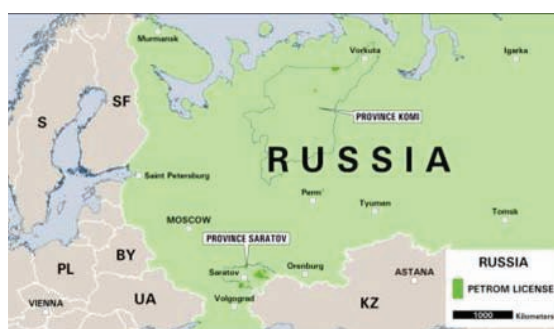
The development of the **Komsomolskoe field** comprised drilling and completion of horizontal and vertical wells, construction of gathering stations, central processing facilities, pipeline, oil receiving facilities, as well as the required roads and infrastructure were commissioned in 2009; production started in June and oil sales in August.

On 31 December 2009, Petrom successfully completed the **acquisition of Korned LLP, which owns the Kultuk** oilfield, located 34 km North West of the Komsomolskoe field.

In the **TOC fields** (Tasbulat, Turkmenoi, Aktas) the additional ten wells drilled that will be tied up in to the facilities should contribute to further production increase in 2010.

In **Russia**, Petrom operates through its 74.9% majority-owned Ring Oil Holding & Trading Ltd. Together with the minority shareholder, Petrom is exploring eight blocks in the Saratov Region and two in the Komi area.

In August 2009, the first **exploration success** in Russia was reported in well **Lugovaya-1**. The well is located in the Kamenski license in the Saratov Region.



The Lugovaya-1 well was drilled at a depth of 3,882 m. The tests showed a flow rate of over 2,500 bbl/d light sweet oil in one zone; two gas-bearing formations produced combined 4,000 boe/d of sweet gas and condensate. Additional seismic activity was carried out in the Komi Region.

Exploration and Production Services (EPS)

Integration and achievements of E&P Services

The Vision of EPS is to provide state-of-the-art services to Petrom E&P. In order to accomplish this vision, the turnaround program was continued, mainly targeting increased efficiency, cost reduction and service portfolio optimization. The success of the integration of EPS into Petrom in 2008 was confirmed by several important achievements in 2009. First and foremost, it was a key driver of the significant production cost reduction in 2009 and the Petromservice acquisition target to achieve an additional reduction of production costs by 1.5 USD/ boe is on track to be delivered.

Starting with January 2009, EPS has rolled out a project to increase efficiency in all field clusters and at all levels. Significant operational improvements have been achieved: improved work planning in full alignment with E&P,

First exploration success registered in Russia - well Lugovaya-1

E&P Services - a key driver of the significant production cost reduction in 2009

more efficient use of EPS resources, e.g. well intervention, maintenance crews and the logistics fleet. In parallel with the efficiency increase project, the restructuring process started and was finalized successfully without any business interruption. Starting with April 1, EPS also implemented a streamlined organizational structure by removing management layers and utilizing administrative synergies at field cluster level. All these efforts, together with strong financial management, have led to significant cost reductions (EPS costs 2009, without depreciation, are 21% lower than in 2008) thus more than fulfilling the business case assumptions.

Operational highlights

The successful implementation of the EPS turnaround program supported the achievement of E&P's strategic objectives: the stabilization of the oil and gas production volumes and the reduction of service costs. The following improvements were achieved in 2009 at operational level:

- In **Logistics**, the fleet optimization process led to a reduction of the total number of vehicles by 30% and an increased utilization rate. An improved vehicle management system led to a reduction in the use of third party vehicles by 77%. Selective investments guaranteed fleet availability and quality of service.
- In **Maintenance**, the implementation of modern technologies and procedures was continued, with a focus on predictive maintenance (thermography, vibration monitoring, lubrication, etc.). Technical training ('Teacher Program') together with international assistance contributed to improving the employees' skills. Two projects ('Re-engineering' and 'Material Data Enrichment') were launched to increase the quality of spare parts and will be finalized in the first half of 2010. These measures helped to increase 'Mean Time between Failures' (MTBF) and thus the availability of E&P production equipment.

- In **Workover**, a Performance Management Program was rolled out at headquarters and field cluster level; monthly reports and meetings, monitoring 42 performance indicators and more than 300 technical audits ensured the successful implementation of the project. Following the cessation of drilling activities in the second half of 2009, the Heavy Workover and Off-shore Workover departments were set up. The installation of weight and fuel indicators on 110 rigs contributed to optimizing of the intervention work of the crews. 'Enterprise' application (a software and system rollout for gathering and interpretation of work over/well intervention data) was finalized and live testing started in the last quarter of 2009.

Outlook for 2010

In order to cope with the financial downturn and the volatility of the international oil price, Petrom E&P will continue to apply strict cost management measures.

In 2010, the investment program will focus on optimization of the gas delivery at Hurezani, the drilling of development and production wells, well workovers, production facilities and infrastructure.

Our efforts to minimize the natural decline of production will focus on reservoir management initiatives, infill drilling and maintaining the workovers program at around the same number of operations as in 2009.

Exploration activity is expected to increase in 2010 compared with 2009. The drilling program includes drilling of 11 exploration and appraisal wells, with a focus on larger, high impact prospects located in deeper, more frontier areas. In 2010, one of the most ambitious onshore 3D seismic surveys will be started in Moreni area, the first step of a bigger 3D project covering old fields in production since the late 19th to early 20th centuries. The survey aims to improve the knowledge of the geological models in the actual production fields but also to explore for deeper horizons or neighboring complex structures. The 3D seismic data acquired in the offshore Neptun area explored in joint venture with ExxonMobil will be processed and evaluated in 2010 to

**Operational
improvements
achieved at every
EPS level**

identify potential commercial prospects. Our efforts to improve the efficiency of the drilling activity will be enhanced by reducing the drilling cost per meter drilled and the number of drilled days per 1,000 m and by generalizing the utilization of synthetic-based mud.

For projects, the focus shall be on completion of the gas de-bottlenecking project in **Hurezani**, the identification, planning and execution of field redevelopment projects and organizational streamlining. Through continuous revisions of mature fields and implementation of modern reservoir management techniques at field level, our efforts to develop near field opportunities for transforming probable reserves in the proved category will continue.

In **Kazakhstan**, the Komsomolskoe oil field is expected to reach its full production rate of 10,000 boe/d over the course of 2010. Appraisal of the recently acquired Kultuk oilfield will commence with 3D seismic acquisition. In the TOC fields (Tasbulat, Turkmenoi, Aktas), the performance evaluation of the ten new wells is planned before deciding on the way forward. The upgrade of production facilities and maturing additional reserves into 1P category will continue.

In **Russia**, selective exploration activities will be undertaken to mature additional prospects.

In **E&P Services**, the 2 pillars of the turnaround program (efficiency increase-cost reduction and service portfolio optimization) will be continued in 2010. Focused investments will be made to continue modernization of EPS equipment, facilities, tools and working conditions for staff. The implementation of industry best practices will continue together with training and development of staff. This will help to increase service quality and thus to improve availability of E&P production equipment. The implementation of OMV HSE standards will also continue. The implemented reporting and managing tools (fleet management for logistics and weight indicators in combination with 'Enterprise' system for rigs) will help to improve the utilization of internal resources. Further service portfolio optimization will ensure the focus on core business to leverage internal and external market opportunities but also to enhance key competencies for Petrom.

These measures together with a further optimization of the EPS organization and adaptation to the changed level of service demand will help E&P to achieve its production and cost targets.

The EPS turnaround program will continue

Production in 2009

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	mn Smc	mn boe	mn boe
Romania	4.39	31.54	5,268.39	34.45	66.00
Kazakhstan	0.26	1.95	60.64	0.35	2.29
Petrom Group	4.65	33.49	5,329.03	34.80	68.29

Refining and Marketing (R&M)

In 2009, the economic environment continued to bring critical challenges for our business. The weak economic conditions and the very depressed margin environment produced a negative impact, which was mitigated by the more flexible refineries operation and the positive effect of restructuring our Petrochemicals business. The Marketing business saw an impressive increase in throughput per filling station. Retail sales volumes increased by 12% over 2008 sales, despite a difficult economic environment, as a result of the investments in filling stations network optimization.

R&M at a glance

	2007	2008	2009
Crude input (kt)	5,917	6,121	5,161
thereof imported crude (kt)	1,570	1,831	815
Refinery capacity utilization rate	74%	77%	65%
Sales (kt)	4,707	5,210	4,823
thereof: Gasoline	1,587	1,716	1,566
Diesel	1,835	2,073	2,007
Total net revenues (RON mn) ¹	10,574	13,689	9,854
EBITDA (RON mn)	(736)	(1,055)	(511)
EBIT (RON mn)	(1,065)	(1,895)	(828)
OPEX (RON mn)	11,639	15,585	10,682
Investments (RON mn) ²	1,004	1,297	559
Number of operating filling stations	450	448	442

Figures in the above table refer only to Petrom S.A.

¹ Total net revenues also include inter-segment sales

² Investments also include increases of Petrom share participations in other companies

EBIT improved significantly

R&M EBIT improved significantly in 2009 compared to 2008 as refining operational performance was geared to mitigate the very poor refining margins environment through flexible refinery operations, including the Arpechim bulk refinery economic shutdown during November and the restructuring of the petrochemicals business (petrochemicals remained offline throughout 2009). Positive effects for the R&M EBIT also came from the inventory holdings valuation and the improvements recorded in the marketing business as a result of the filling station network optimization and reduced costs. However, the result was burdened by the RON 266 mn impairment of Petrom's refining assets following the revision of the original investment plan announced in December. In comparison, the

2008 R&M EBIT was extremely low due to the impairment of the Arpechim fuels refinery's book value in Q3/08, the booking of provisions for litigations and the impairment for our petrochemicals business.

In 2009, the **refining margin** ¹ dropped to zero, as compared to last year's value of USD 1.43/ bbl, mainly driven by deterioration in product spreads. Throughout the year, margins were highly volatile, with critically low levels registered during the second half of 2009. Middle distillate margins were significantly worse than in the previous year, with **diesel cracks** at USD 89/t, which is USD 161/t lower than the 2008 level. At USD 139/t for 2009, **gasoline cracks** were USD 8/t below 2008. Our refineries operated at a relatively low

¹ Refining margin indicator is based on the international quotations for products (Augusta) and Urals crude and a standardized yield set typical for Petrom's refineries.

utilization rate of 65% in 2009, optimizing the imports of crude within the low margin environment. Therefore, the utilization rate

was twelve percentage points lower than in 2008, with the Arpechim bulk refinery being in economic shutdown throughout November 2009.

Crude oil processed (kt)*

	2007	2008	2009
Arpechim	2,798	3,078	2,170
Petrobrazi	3,119	3,043	2,991
Total	5,917	6,121	5,161

* Including condensate

Production (kt)

	2007	2008	2009
Gasoline	1,570	1,654	1,518
Diesel	1,726	2,006	1,662
Kerosene/Jet fuel	187	224	212
HFO	737	752	593
LPG total	248	252	269
Bitumen	129	192	118
Petroleum coke	176	195	177

Sales

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

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

Despite static market conditions and an overall 30% decrease in new car registrations in Romania in 2009, Petrom's **retail sales** reached 2,177 mn liters, up by 12% compared to 2008, consequently increasing our retail market share to 40% in 2009, up from 36% in 2008. The sustained investments in Petrom's retail network between 2006 and 2008 ensured an optimum network configuration that enabled us to achieve

performance even under severe economic conditions.

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

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

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

9% increase in non-oil business turnover

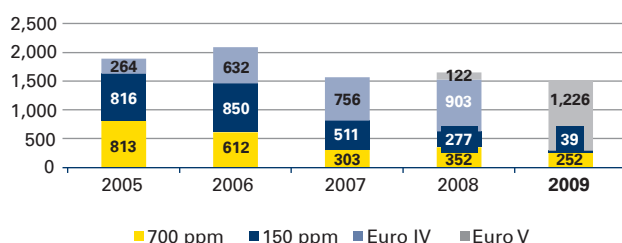
Improved yield structure

Operational highlights 2009

Refining

Within the very challenging current economic context, we continued to return good results focusing on optimizing our refineries operation. Despite the much lower asset utilization, we managed to maintain our own-crude consumption at a similar level as achieved in 2008. Throughout 2009, we further improved the yield structure in our refineries, increasing middle distillate yields from 37% of products in

Gasoline quality improvement (kt)



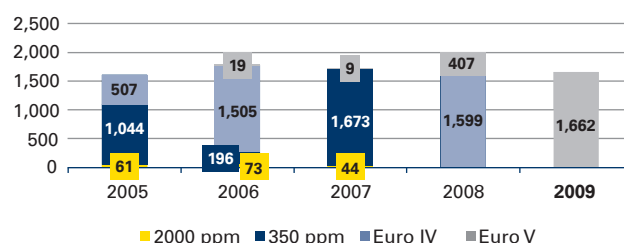
As a result of weak economic situation in 2009, our efforts focused on improving refineries' flexibility to address prevailing market conditions and product demand, one consequence being the temporary economic shutdown of the Arpechim refinery during November.

At the end of 2009, our strategic initiative to divest the Arpechim petrochemicals business progressed with finalization of the negotiations with Oltchim. The transaction took effect at the beginning of 2010, after the necessary authorizations from fiscal and competition authorities were obtained. As Petrochemicals are a non-core activity of Petrom, the decision was taken by the company's management to transfer these assets in order to focus on the core activities of the company and thereby increase efficiency. During the year, we continued to address our environmental legacy issues, as we progressed with the removal of waste sludge from the lagoons and also with the comprehensive infrastructure renewal project in the Petrobrazî refinery. In 2009, we continued our efforts to improve HSEQ performance. In Petrobrazî, we have successfully managed to achieve two years without lost time injuries for our own employees and more than 7 mn work hours on site without incidents for both employees and contractors.

In Petrom Refining, we consider improvement in energy efficiency to be a key element of the transformation process. Therefore, during

2008 to 38%. Starting with the first quarter of 2009, we achieved full capability for the production of Euro V compliant fuels after the successful commissioning of the fluid catalytic cracking (FCC) gasoline post treater unit in Petrobrazî. In addition, both refineries were enabled to produce bio-compliant gasoline from the second quarter onward. All our fuels supplied to the domestic market are compliant with the legal regulations regarding biofuels.

Diesel quality improvement (kt)



2009, we continued to develop several energy efficiency programs. For example, we started a digital control system in refinery units enabling improved measurement capability to optimize production and reduce energy consumption and installed burners with low nitrous oxides emissions at refinery steam generators, including improved heat conservation. In addition, by promoting awareness campaigns and award systems, our employees have been encouraged to actively contribute with ideas for improving energy efficiency. Our efforts have contributed to maintaining the own-crude consumption at a level similar to 2008, despite the much lower asset utilization.

In 2010, we are committed to further drive our efforts to improve energy efficiency and reduce the CO₂ emissions, to ensure achievement of our mid-term objectives.

Marketing

The total number of premium stations increased to 124 in 2009 [2008: 121 premium stations], and the average sales per filling station increased significantly in 2009, reaching an annual average throughput of 4.8 mn liters at the end of 2009, 12% higher compared to the 2008 average.

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

Divested Arpechim petrochemicals business

The closure of storage facilities initiated in 2005, reached the figure of 121 closed locations out of 146 by the end of 2009; 25 storages including the terminals of the National Administration of State's Reserves (ANRS) are still operating. The reconstruction of Jilava terminal was completed and operations started in November 2009; the reconstruction of Brazi terminal reached 60% completion. According to the terminal rebuilding strategy, all existing storage facilities are planned to be replaced with nine new storage units, complying with the Petrom standard, European requirements and HSEQ principles. The new terminals will include modern loading and unloading facilities, new tank farms, vapour recovery units, fire fighting systems, station control units and tank management systems.

Affiliated companies

In Moldova, following the acquisition of the remaining 35% shares in Petrom Moldova in 2008, the full agency system was successfully implemented during 2009.

Petrom further consolidated its aviation related business as its portfolio increased by 8 additional airports at Group level and acquired additional shares in Petrom Aviation. This brings our participation up to 95.6%. The focus in 2009 was to integrate the two aviation fuel providers (Petrom Aviation S.A. and Aviation Petroleum S.R.L.), leverage synergies and attain a 45% share in the Romanian aviation fuel services market.

Petrom Group sold 1.4 bn liters of fuel to retail customers through its subsidiaries in 2009, of which 61% represented international sales. At the end of 2009, Petrom Group operated a total of 814 filling stations, of which 546 in Romania (including 442 Petrom S.A.) and 268 filling stations abroad: 113 in the Republic of Moldova, 96 in Bulgaria and 59 in Serbia. Petrom's affiliates registered a retail market share of 26% in Moldova, 19% in Bulgaria and 15% in Serbia.

Investments

In early 2009, in **Refining**, the EUR 90 mn investment project was successfully finalized and the FCC (fluid catalytic cracking) gasoline post-treater in Petrobrazi started operations, enabling full capability for production of Euro V compliant fuels. In addition, the gasoline in-line blending systems were finalized, enabling both refineries to produce bio-compliant fuels. Further progress

was made with the systematization and revamp works related to storage capacities.

In **Marketing**, the focus of this year's investments was the operations' optimization, efficiency increase and two terminals under construction, Jilava and Brazi. The new rebuilt Jilava terminal began operations in November and the overall construction works at the Brazi storage facilities reached 60% completion by the end of 2009. Retail investments in 2009 led to the opening of four new standardized filling stations, two of them being located on the A2 highway. Marketing investments during 2009 also included the acquisition of additional stakes in Petrom Aviation, increasing Petrom's participation within the affiliate to 95.6% by year end.

Outlook for 2010

Given the current economic uncertainty within the new refining market configuration and taking into consideration the very depressed margin environment which currently prevails, together with a medium-term outlook given the overcapacity in the European industry, the scope of the original investment plan for the refineries has been changed. In this regard, the capacity of the Petrobrazi refinery will be adjusted to 4.2 mn t/year, making it a much more suitable size for processing the domestic crude production of Petrom. In 2010, we will mainly progress with the modernization of the crude distillation unit. During the second quarter we will execute a cycle-end turnaround in Petrobrazi to perform mechanical inspection and reauthorization works. The turnaround is scheduled to last for one month, starting mid-April. The Arpechim refinery – depending on the prevailing margin and supply conditions – will operate solely on an 'as needed' basis during 2010.

In **Marketing**, the focal points of this year's activities are the operations' optimization, efficiency increase, including the harmonisation of the organizational structure within Petrom Group R&M activities towards the standard OMV R&M (subject to AGM approval on April 29). In addition, we will also concentrate our efforts towards the finalization of construction of the Brazi terminal and commencing construction of the third part of our Terminal Modernization Program – the Isalnita storage. The significant decline in fuels demand faced at the end of 2009 gained in intensity at the beginning of 2010 and is expected to be challenging, in line with the economic development of the Romanian market.

The new rebuilt Jilava terminal began operations

Petrobrazi refinery will be adjusted to 4.2 mn t/year

Gas and Power (G&P)

During 2009, the gas and power business of Petrom S.A. further consolidated and pursued its strategic direction of expanding the gas value chain into power generation to create additional value for our equity gas. The start of the construction works at the 860 MW gas-fired power plant in the vicinity of Ploiesti in June 2009 marks one of the milestones in implementing the strategic direction of forward integration of the existing gas value chain. In late 2009, the decision was taken to exit the chemical business, part of the G&P segment, represented by the Doljchim chemical plant, by the end of 2010.

G&P at a glance

	2007	2008	2009
Total net revenues (RON mn) ¹	2,462	3,258	2,627
OPEX (RON mn)	2,339	3,154	2,620
EBIT (RON mn)	123	104	7
Investments (RON mn)	32	386	353
Consolidated gas sales (mn cbm) ²	5,546	5,297	4,846
thereof Petrom S.A.	5,156	4,944	4,731
Doljchim sales (kt)	688	503	316

Financial figures in the above table refer only to Petrom S.A.. As of January 1, 2008, Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, previous period's numbers have not been restated.

¹ Total net revenues also include inter-segment sales

² Consolidated gas sales include the sales of Petrom S.A., Petrom Gas S.R.L. and Petrom Distributie Gaze as well as internal transfers to other segments.

EBIT impacted by adverse market conditions

The **EBIT** generated by the G&P business of Petrom S.A. in 2009 was impacted by losses recorded at Doljchim and the adverse market conditions due to the economic downturn. In December 2009, Petrom decided to exit the chemical business by the end of 2010. Provisions made for the restructuring, demolition and decontamination of the Doljchim chemical plant amounted to RON 68 mn. A deterioration in the margin and market environment, reduced sales coupled with an increase in volumes injected into storage facilities resulted in a reduced EBIT of RON 167 mn generated by the Gas business, 12% lower than in the previous year.

In 2009, the investments of the G&P business amounted to RON 353 mn and were mainly directed to the construction of the power plant in Brazi (RON 346 mn), while the investments in Doljchim amounted to RON 7 mn and were made to guarantee the security of operations.

Gas

2009 started with the 'gas crisis' caused by the interruption of Russian gas supplies to Central and Western Europe that involved the reduction of natural gas quantities delivered to Romania. Petrom successfully contributed to overcome the gas shortages thereby created, by injecting

additional quantities in the national gas transport system, bringing on stream new natural gas wells and temporarily halting Doljchim production. These efforts helped minimize the impact on the gas market. Moreover, thanks to these measures, gas supplies to the population were unaffected.

The global economic downturn showed its effect also in the gas demand in Romania, which dropped by 15%, from 15.5 bcm in 2008 to approximately 13 bcm in 2009. The main reason for this decline was the partial shutdown of major fertilizer producers and a general decrease in industrial production over most of the year. Under these circumstances, Petrom Group managed to maintain its strong position in the market with consolidated sales declining only by 9% to 4.8 bcm, down from 5.3 bcm in 2008, while Petrom S.A.'s sales dropped by 4%.

The gas price for Romanian producers, which is still factually regulated, remained constant at RON 495/1,000 cbm (USD 162/1,000 cbm).

In 2009, Petrom injected a total volume of 549 mn cbm of natural gas into storage, compared to 441 mn cbm in 2008. The total volume of natural gas in storage at the end of December was 324 mn cbm.

Operational highlights 2009

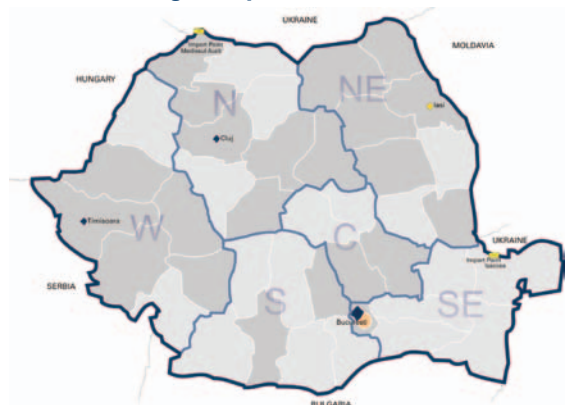
Petrom Group maintained its strong presence in all sectors of the gas market, with a market share of around 40%.

The decrease in sales volumes was below the country's average decrease of demand.

The Gas business division of Petrom S.A., formed in 2006, successfully sustained its presence in the Romanian gas market, focusing on sales to the large gas distribution companies and state-owned-power producers, whereas the 100% affiliate Petrom Gas S.R.L. served the end-user market - power plants and the industrial sector. Together with the small gas distribution network spun off in 2007 into a wholly-owned company – Petrom Distribuție Gaze S.R.L. – Petrom Group is well represented in all segments from small households to large-scale consumers.

The retail business of Petrom Gas S.R.L. was severely affected by the economic crisis of 2009. Having predominantly commercial and industrial customers in the portfolio who were hit first by the downturn of the economy and the industrial production, Petrom Gas' sales fell by 34% from 1,270 mn cbm to 843 mn cbm. The regional presence of Petrom Gas in areas remote from Bucharest helped the company to attenuate the effects of the adverse market situation. The strategy to be as close as possible to the customer was continued and was underlined by the opening of another regional sales office in Iasi at the end of the second quarter of 2009.

Petrom Gas regional presence



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

Outlook for 2010

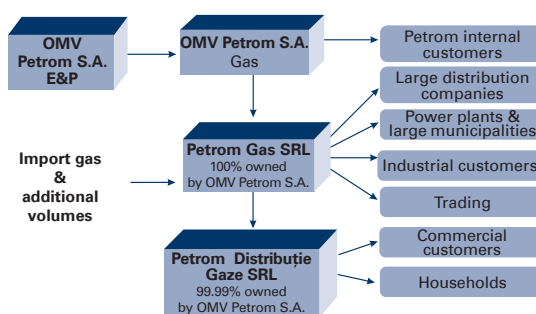
For the year 2010, total gas consumption in Romania is anticipated to stagnate. The impact on Petrom's own production will be minor since gas imports will be predominantly affected and the demand for locally produced gas will remain high.

Currently, the domestic gas price stands at around half the import gas price. Therefore, the alignment of domestic and imported gas price will be a priority topic in our discussions with the Romanian authorities.

The consolidation of the gas supply and sales activities within Petrom Gas S.R.L. will be a focal point in 2010. Starting February 2010, the sales activities within the gas division of Petrom were integrated into Petrom Gas S.R.L. in order to facilitate client relations, improve response time to market demands and increase cost efficiency through creating synergies.

The gas sales activities of Petrom S.A. were integrated into Petrom Gas S.R.L.

Business model as of February 2010



The distribution of natural gas and the sale to households is not a core activity. Petrom will continue to look for a qualified partner to take over Petrom Distribuție Gaze S.R.L., to further develop this company and to guarantee continuity in its activity. This process is currently suspended due to the financial crisis.

Power

Consolidation of Power division organization

Important steps were taken to reach the Petrom Power strategy for the construction and operation of a modern, low-emission gas fired power plant - with the aim of further extending the gas value chain in the direction of the electrical power business and furthermore, towards identifying and developing the relevant opportunities in renewable energy.



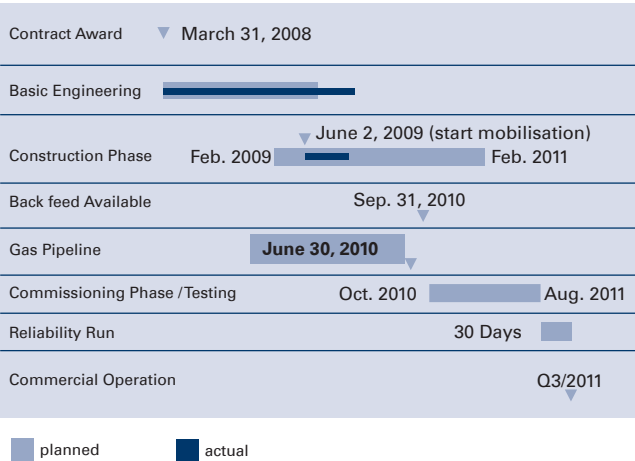
Important steps completed in Brazil power plant construction

The main achievements in 2009 related to the construction of the **power plant at Brazil**, which includes the first deliveries of equipment on site, namely the Heat Recovery Steam Generator parts, turbine building steel structure components, the completion of the administrative building structure and starting the foundation works for the two gas turbines and the steam turbine. Construction of the **gas supply pipeline** also progressed, as all construction authorizations were issued and the gas metering station foundation and metallic structure works were finished. The connection contract for the **electrical overhead line** was signed. In 2009, Petrom ensured a significant portion of the project financing through two unsecured corporate credits with EIB and EBRD, each at the amount of EUR 200 mn.

Time schedule of Brazil project

The groundbreaking ceremony for the Brazil power plant took place on June 3, 2009 in the presence of OMV and Petrom management representatives, the project team, partners, suppliers, local authorities, journalists. According to the time schedule of the project, full production capacity of the plant will be delivered to the Romanian power grid by the end

of the third quarter of 2011. In the second quarter of 2009, the Romanian Energy Regulatory Authority granted Petrom the electricity supply license for the Brazil power plant.



With respect to Petrom’s strategic direction of entering the renewable energy business, the Power Division is focusing on wind power projects to build up capacity in commercially mature renewable technologies to secure a balanced ‘Gas-Hydro-Solar-Wind’ power portfolio. Thus, in 2009 Petrom evaluated several fully developed wind projects to find one which fits Petrom’s internal profitability criteria. From the shortlisted projects we will choose one which may provide Petrom access to a pipeline of future wind projects and which could be ready for construction in the second half of 2010. Petrom is also working on a Zero Emission Power Plant concept as part of the OMV Group’s Carbon Capture and Storage program. The objective is to fully engineer a new combustion technology which will use CO₂ rich gas and produce CO₂ free electricity. A contract for a basic engineering concept was signed in 2009.

Outlook for 2010

- The main goals of the Power division in 2010 are:
- Achieve Brazil combined cycle power plant (CCPP) project plan
 - Main mechanical, electrical, control and instrumentation CCPP Brazil equipment will be installed and ready for finishing works

- ▶ Finalize CCPP Brazi engineering, procurement and civil works
- ▶ Finalize construction works for overhead electrical line
- ▶ Finalize construction of the gas pipeline
- ▶ Prepare for CCPP Brazi project testing period
 - ▶ Build power plant operating team
- ▶ Enter Renewable Energy sector by acquiring a wind park
- ▶ Finalize feasibility study for the Zero Emission Power Plant

Doljchim

Doljchim, Petrom's fertilizer plant was severely affected in 2009 by lower demand for all products. Compared to 2008, Doljchim sales volumes decreased by 37% to 316,000 t in 2009, of which export sales represented around 30%. The decrease was due to substantially reduced demand, both domestically and internationally, caused by increasing difficulties in financing the products. Moreover, 2009 average market prices for fertilizers and methanol were rather low, therefore Doljchim was forced first to reduce,

and at times even temporarily halt production during this period.

The EBIT of Doljchim was negative at RON (148) mn, burdened by a RON 68 mn provision made for the closing of this activity.

As the chemicals and fertilizer segments are a non-core business of Petrom and taking into account their poor economic performance in the current and foreseeable environment, management has decided to exit this business. Petrom will close Doljchim by the end of 2010 and until then will run the operations on an 'as needed' basis and according to the company's integration needs.

Outlook for 2010

Careful attention will be given to mitigate the impact on the employees affected by the closing of Doljchim. The dismantling and decontamination of the plant will be started in compliance with European environmental standards.

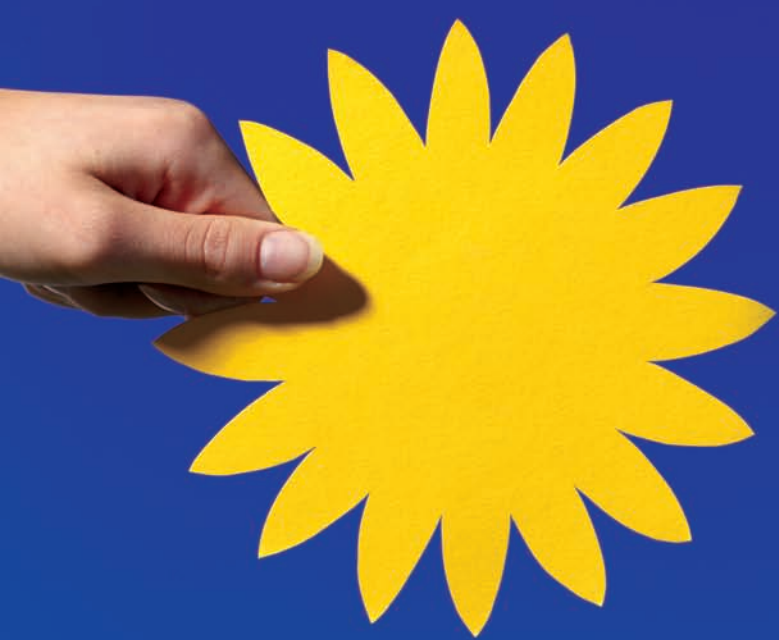
Decision to exit the chemical business by the end of 2010



Sustainability

Petrom has a special requirement to be conscientious in our use of natural resources and how we support others to be energy efficient. We have diversified our profile towards a greater role for renewables and power, where we can help consumers reduce their carbon footprint.

Petrom has a unique visibility in Romania, not only for environmental issues, but also for business more generally. Our commitment to responsibility – towards the future, towards the emergence of sustainable and diverse energy provision, and the role of business to the communities in which it operates – is the basis of long-term value for all our stakeholders.



WHAT KEEPS YOU INVOLVED?

The belief that we can make a difference towards a secure future.



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Petrom has been classified as PRIME according to oekom research's rating on sustainability. Our shares may be eligible for socially and ecologically responsible investment.

Sustainability Approach

Integration of sustainability

We understand sustainability to be the ability to meet the needs of present without compromising the ability of future generations to meet their own needs. Petrom tackles its sustainable development by balancing economic growth, social development and environmental protection. To address this challenge, we integrate sustainability into the business and adjust our day-to-day behaviour accordingly. The integration of sustainability into the business is managed on the basis of three pillars:

- ▶ **People** - social responsibility towards internal and external stakeholders
- ▶ **Planet** - environmental management and minimization of environmental impact
- ▶ **Profit** - economic success in the long-term

This Sustainability section of the Annual Report focuses on the People and Planet pillars. Topics related to the Profit pillar are included into the other sections of the current report, which cover economic aspects of our business.

In order to further strengthen the integration of sustainability issues into business processes, three focus areas were defined, starting with 2010, for the medium term:

- ▶ **Diversity & Education:** promote the development of a multicultural and international workforce based on our cultural roots, as well as equal opportunities for women and men
- ▶ **Health & Safety:** promote occupational health programs in order to ensure employees are fit for their work; consider community health projects to be adequately embedded into the sustainability strategy of programs and projects; strengthen safety performance
- ▶ **CO₂ emission reduction & Energy Efficiency:** decrease both direct and indirect emissions; build awareness and foster behavioral changes among employees, suppliers and customers.

Sustainability is embedded in our corporate strategy and in the strategies of the business segments. The functional strategies of CSR, HSE

and HR ensure that our business is developed in an economically, environmentally and socially balanced way. Management of sustainability-related actions is a key element to achieve our objectives.

CSR Management

Petrom CSR strategy

We aim to be a leading company in sustainability and CSR in Romania. To this end, we make continuous efforts to efficiently integrate CSR into our corporate culture and sustainability at a large.

Petrom's CSR strategy is in line with the OMV Group strategy and is conceived to support the sustainable development of Petrom.

Our main objectives for 2010 are the following:

- ▶ Making CSR an important contributor to Petrom's sustainable development
- ▶ Heading on the way to become a responsible corporate citizen and a role model in Romania
- ▶ Developing and strengthening the dialog with key stakeholder groups systematically in line with business needs
- ▶ Raising awareness of employees for performance-oriented behavior that contributes proactively to the company's success

CSR has been developed as a management system and provides the foundation for a successful attainment of these ambitious objectives.

Organization of CSR in Petrom

The CSR Advisory Board supports the Petrom Executive Board on sustainability aspects. It proposes CSR strategic objectives and priorities, recommends actions for the implementation of CSR policies. It also assesses the new issues confronting Petrom Group and the extent to which CSR actions help manage the new risks.

The CSR Advisory Board is comprised of the CEO (honorary president), the representative of the Corporate Affairs & Sustainability department

Integrating CSR into business

Continuously improving HSE performance

of OMV Group, directors of Corporate Affairs & Compliance, Corporate Communication, HSE, Human Resources, Corporate Development and Investor Relations, CSR divisional officers, CSR & Internal Communication manager, and the representative of Corporate Procurement. Coordination of CSR activities at Petrom is provided by Corporate Affairs & Compliance. The director of this department reports to Petrom's CEO. Coordination of the CSR corporate projects and responsibility for the internal and external communication of all CSR projects across the company is provided by Corporate Communication. The CSR activities within the Petrom business divisions are coordinated by the CSR officers appointed by the relevant members of the Executive Board.

In addition, a team of CSR responsible persons provides support to CSR officers and to corporate function directors with respect to the development of CSR processes, activities and projects within their departments. The responsible CSR officers also participate in temporary project teams appointed to analyze the new CSR issues and plan the implementation of the Executive Board decisions.

HSE Management
HSE Policy

Everyone who works for or with Petrom, anywhere, is responsible for observing the HSE standards. Good HSE performance and the health, safety and security of everyone who works for us are critical to the success of our business.

Our HSE Policy was developed in accordance with the OMV Group HSE Policy and states the objectives for HSE performance and HSE management within Petrom.

We will continue to mitigate the environmental and health impact of our operations by reducing waste, emissions and discharges and by using energy efficiently. We are committed to produce quality products that can be used safely by our customers.

Organizational Responsibility for HSE

Overall responsibility for HSE lies with the

Executive Board and with line management throughout Petrom. HSE is organized as a matrix organization: a broad network of HSE managers at all organizational levels gives advice and supports line managers in order to take full HSE responsibility. Furthermore, all Petrom employees are expected to play an active role in HSE and be competent in HSE matters. This includes, for example, participation in HSE training and active involvement in the reporting of near misses and hazards.

HSE Training and Awareness

Raising the HSE awareness and spreading HSE culture are a top priority. In 2009, a 'HSE Awareness and Competency Matrix' Directive was released and basic skills needed to anchor HSE throughout the company in alignment with our policy were defined. In 2009, the average HSE training hours per employee amounted to 4.

Number of HSE training hours

2006	2007	2008	2009
222,800	282,800	197,300	119,652

HSE Management System

The OMV Corporate HSE management system is the framework for continuous improvement of health, safety, security and environmental standards. Petrom's alignment to OMV Group HSE standards is a dynamic process ultimately aimed at meeting stakeholders' expectations. Leading Petrom successfully towards this goal requires that the company is managed in a systematic and visible manner. In order to improve the contractor safety management, a framework for HSE Management System Audit, with focus on contractor management, was established at Petrom in 2009.

Auditing

HSE audits have a crucial role in helping to ensure that HSE management systems requirements are fulfilled and ultimately Petrom's HSE goals are achieved.

Petrom's line managers have been actively involved in HSE audits either as auditors or as auditees. For example, around 7,800 HSE assessments carried out across Petrom during

2009 were opportunities to discuss HSE risks and establish measures to keep them under control. This has also contributed to a culture of assuming responsibility in HSE matters.

Certified Environmental Management Systems

Petrom Business Divisions have developed management systems that correspond to their specific needs within the framework of the corporate directive 'HSE Management Systems'.

The entire Petrom Refining Division (with Petrobrazzi and Arpechim refineries as well as Incerp and headquarters), Business Division Gas and Petrom Gas Distribution have certified management systems in place. The environmental and quality management systems developed in the Refining Division were certified against ISO 9001 and ISO 14001 by TÜV Rheinland. Furthermore, the environmental and quality management systems developed in the Business Division Gas, Petrom Distributions Gas S.R.L. and Petrom Gas S.R.L. were certified against ISO 9001 and ISO 14001 by Simtex-OC. Thus, 100% of crude oil processing at Petrom refineries and 100% of the gas supplied and distributed at Petrom level were certified according to ISO 14001. At the same time, 12% of Petrom employees are working within the scope of a certified environmental management system.

Certified Safety Management Systems

The safety management systems in Petrom's Refining Division, i.e. Arpechim and Petrobrazzi refineries and the refining headquarters, were certified according to OHSAS 18001 in 2007. Thus, 10% of Petrom's employees are working on OHSAS 18001 certified sites.

HSE Contractor Management

Petrom requires its contractors to adhere to our policies and standards. We provide and share Petrom's HSE standards and guidelines with our contractors and involve them in our HSE orientation and training programs. HSE matters are discussed in preliminary and kick-off meetings, and contractors are informed that their good HSE performance will be a key criterion for future work in cooperation with Petrom.

Observing the OMV Group HSE performance standards set for contractors, Petrom monitors and audits the Contractor's performance against those standards. Close-out and follow-up/ tracking of findings and recommendations are carried out on a regular basis.

The inspection and testing of plants and equipment used by Petrom and its contractors form an essential part of monitoring the HSE compliance as required by regulatory authorities and contractual requirements. Contractors are requested to have inspection and testing regimes in place to ensure compliance. The goal is for contractors to fully understand and work in accordance with Petrom's HSE management system standards.

HR Management

The mission of the Human Resources management is to secure trained and motivated personnel for the organization, contributing to support the business in order to reach targets set according to strategy.

HR Management is organized into a matrix that aims to support Petrom's efficient and profitable growth.

Petrom HR - 3 tier organisation



Sustainability Rating

Petrom has been assigned an overall grade of B- by oekom research, one of the leading rating agencies worldwide in the field of sustainable investment. This result classifies our company as PRIME according to oekom's rating methodology. Consequently, our shares may be eligible for ecologically and socially responsible investment.

Applying international HSE management standards

Emphasizing HR management

Following high business principles

The Petrom Code of Conduct

By adhering to the spirit and principles of the 'OMV Code of Conduct', our company, in accordance with the entire OMV Group, declares that all its objectives and actions will be in line with the principles of the United Nations Global Compact. This forms a fundamental commitment to making efforts directed towards compliance with high standards in business ethics and the applicable legal requirements wherever we operate.

The Code of Conduct provides rules and clear guidance in the key areas relating to Employees, Human Rights, Environmental Management, Social Responsibility, and Governance.

The Code of Conduct constitutes the compass that helps the company live its values. Our values and the Code of Conduct are guides for our corporate culture and they are applied in any activity conducted within the company.

Driving Values

Petrom is driven by **Professionalism, Pioneering, and Partnership**:

- ▶ **Professionalism** - Professional excellence ensures lasting success. In this regard, we learn, we perform, we succeed.
- ▶ **Pioneering** - Spirit of change aids continuous development. In this regard, we explore, we move, we grow.
- ▶ **Partnership** - Responsible relationships for mutual benefit. In this regard, we respect, we connect, we care.

Shaping behaviours to values

Petrom strongly believes that translating these values into action creates long-term benefits for our stakeholders - shareholders, clients, employees, suppliers, as well as for the interested communities.

Living Petrom's values

Demonstrating high levels of professionalism, pioneering and partnership is an important part of being successful in our company. These driving values support our development

as individuals and as a team. At Petrom we constantly encourage people to think about these values and their relevance to their own personal activities. We think that being a good professional, a good partner and a pioneer lie at the heart of inspiring people, creating a team and delivering high performance, on a continuous basis.

In 2009 we continued to ensure, through communication, a climate where people are encouraged to live the values in their day-to-day activity and support the development of the company through personal change. In order to generate clarity regarding the role of the values at Petrom, we used the sports metaphor in a series of interactive workshops for managers and a caravan touring the main locations in the country. Our message was that success depends on our attitude and values, and it was delivered as a parallel between sport and professional life.



Customized activities built around the values allowed interaction with the people and were supported by two powerful external endorsers: Octavian Belu – a role model for managers, and the boxing champion Leonard Doroftei – a true role model for the blue collar staff.

For people working in the field we rediscovered the pride of being part of the oil workers' community and talked about how the values support them in their activity. Over 360 oil workers proudly shared their working life stories as inspired by their greater experience developed in our company. The most touching

stories were awarded on September 8, on Oilmen's International Day.

The Driving Values also offer an opportunity for our employees to be rewarded for their performance and excellence at work. Therefore we aimed at increasing the levels of engagement of our employees by demonstrating, through firm recognition, that living the values is appreciated by all of us.

For several months, an internal campaign, organized as a competition sought out examples of the values in action with the message 'the best in us'. People had been invited to nominate their colleagues or teams that embodied the spirit of the values. At the Annual General Meeting, we awarded 9 'the best in us' awards for employees living the Driving Values. We also celebrated 'the best in us' Champion, a colleague who demonstrated to apply in her/his work a combination of all three company values in day-to-day activities, and 'the volunteer of the year', a colleague who was involved in volunteering activities during 2009.

Corporate Governance

A decision making process which is transparent and relies on clear and objective rules enhances stakeholders' confidence in the company. It also contributes to the protection of shareholders' rights, improving the overall performance of the company, offering better access to capital, and risk mitigation. Petrom has therefore always attached great importance to the principles of good corporate governance and has constantly aimed at adhering to the applicable Code of Corporate Governance.

As of April 2007, our company's governance has followed the two-tier system, comprising of an Executive Board, which manages the daily operations, and a Supervisory Board elected by the shareholders to act as a monitoring body. The powers and duties of such corporate bodies are detailed in the company's Articles of Association, available on our website, Corporate Governance Section, and in the relevant internal regulations.

The approval requirements, powers of individual Executive Board members, procedures and the approach to conflicts of interest are governed by the Internal Rules of the Executive Board.

The Internal Rules of the Supervisory Board contain detailed procedures for the treatment of conflicts of interest and own account dealing on the part of the members of this corporate body. Other provisions regarding the operation of the two corporate bodies are included in both sets of rules, complementary to those already existing in the Articles of Association. This entire regulatory framework which applies to Petrom's governance system was revised at the end of 2009 so as to take into consideration the latest developments in domestic and European corporate legislation, but also to address the expiry of some clauses included in the Privatization Agreement of Petrom.

In accordance with the principles of good corporate governance, Petrom is managed in a climate of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have a duty of care and loyalty towards the company. Hence, the Executive Board and the Supervisory Board pass their resolutions without conflict of interests, as required for the welfare of the company, primarily in consideration of the interests of shareholders and employees.

The Executive Board coordinates the strategic orientation of Petrom with the Supervisory Board and reports to the latter regularly, in a timely and comprehensive manner, about all relevant issues concerning the course of business and strategy implementation. In this context, any deviation from expected performance, as well as circumstances which are of considerable importance for the profitability and liquidity of the company are immediately communicated to the Supervisory Board. As required by the Companies Law, none of the Supervisory Board members holds an executive position in the company. Moreover, some of the Supervisory Board members were identified as meeting the independence criteria of the Companies Law, having no connection with core shareholders.

**Commitment to
good governance**

An Audit Committee comprised of four Supervisory Board members was established to provide assistance to the governing bodies of Petrom in the area of internal control and financial reporting. This committee is in charge of preparing the adoption of the annual accounts and the proposal for profit distribution. Moreover, the committee supervises Petrom's risk management strategy and its financial performance, and examines the reports of the internal auditors. In line with the Companies Law, the Audit Committee also includes members that have the necessary expertise in the area of financial audit and accounting. Furthermore, at least one of the committee members meets the independence criteria laid down by the Companies Law. In 2009, the Executive Board held its meetings almost every week in order to exchange essential information about the daily operation of the company and take decisions on all matters requiring its approval. During the reporting period the Supervisory Board met seven times. Additionally, in urgent cases, both the Executive Board and the Supervisory Board took decisions by circulation, without an actual meeting being held. Three meetings of the Audit Committee were held during the year under review.

Rights of the company's minority shareholders are properly protected according to the relevant domestic legislation. Hence, an extraordinary general meeting must be convened at the request of shareholders holding at least 5% of the shares. Such shareholders can also submit resolutions to the general meeting. All duly registered shareholders are entitled to attend general meetings in person or by proxy representation and vote during the actual meeting or by correspondence. Petrom actively promotes the participation of its shareholders in the general meetings as they are invited to raise questions concerning items to be debated during such meetings.

Performance Culture

In a market characterized by volatility and uncertainty, with challenges present every step of the way, making the most of the potential one

company has can be a complex and challenging task. Over the past years, our company has gone through a restructuring process that has enabled us to increase our performance. To reach our ambitious future goals, we constantly adapt the way we think and behave to reach a performance culture shared across the whole organization. Petrom aspires to transform its organizational culture into a 'Performance Culture', where we consider that our people are our best resource. A strong company truly progresses when its people are focused on the same objectives, they share the same values and have the same vision. We believe one of Petrom's key assets is the management team. This is why, at this point, we focus our attention on developing the managerial capabilities of our people, as an important element of a performance culture.

Through various projects we develop a performance-oriented culture, as we aim at creating a common spirit and increasing the support for our managers. In organizational life, to achieve results depends to a great extent on the ability to work with other people. In this respect, extensive analyzes and research were conducted in 2009 and debate groups were organized, where the current culture was analysed in detail.

We believe that in a performance oriented culture, the company's strategic objectives are known by all employees, decisions are made responsibly, people work efficiently in a team and they feel respected and appreciated for results achieved. And, last but not least, efforts put forth in identifying a problem and suggesting good ideas to solve it are appreciated and rewarded.

Outlook 2010

In 2010, we will further analyze and develop the key areas of performance culture mentioned above, with focus on:

- **Objectives.** We aim to create an optimum environment where people can transform objectives into concrete actions.
- **Processes.** We analyse processes in order to reduce the administrative assignments managers have. This will lead to faster approvals and will provide transparency and

clarity throughout the entire decision-making process.

- **Communication.** We also focus on regularly informing managers about operational activity. Moreover we want to provide them with the optimum framework to facilitate the exchange of experience on key issues, which will lead to a better understanding of the role each of them has.
- **People.** Managers will be provided with the support tools necessary to improve their ability to put together motivated and success-oriented teams, while a talent management program identifies real talent and provides attractive career perspectives to the ones who are most capable of filling key positions in the future.
- **Performance management system.** This would be completed with a consistent performance management system, which clarifies the objectives and main business indicators as well as the rewarding criteria, making the connection between assessment, the need for personal development and promotion decisions.

Petrom in dialog with its stakeholders

Stakeholder engagement is a key element contributing to sustainable development of Petrom, and comprises all the activities undertaken to enable the dialog with one or several stakeholders.

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

The Petrom corporate standard 'Management of stakeholder engagement' is the framework for achieving a constructive stakeholder engagement by setting out the key steps and objectives which should sustain this process. The stakeholder dialog might take various forms including key stakeholder forums, expert committees, work groups, bilateral discussions, and joint projects (partnerships).

External Stakeholder Dialog

Corporate Stakeholder Forum

In 2009 Petrom organized the first corporate level Stakeholder Forum. This event debated one of the cutting-edge topics in energy namely 'Energy Efficiency and Sustainable Energy'.

Based on the assumption that everyone bears the responsibility to secure a better future for coming generations, this initiative aims to enable a constructive exchange of ideas between Petrom and its stakeholders, including government authorities, financial institutions, non-governmental organizations, the academic community and local community representatives.

As a result of open discussions during the event, promising opportunities for collaboration were identified. The objective of this first Forum was to get to know the expectations of the stakeholders in terms of sustainable development of the energy sector, particularly by improving energy efficiency. The Forum met with real interest and was prompted by lively discussions between Petrom representatives and the attending stakeholders. As a follow-up, an Action Plan will be prepared by Petrom in order to follow up on the issues raised by stakeholders.

Engaging with stakeholders concerns



Local Stakeholder Dialog

Stakeholder dialog at Petrom divisional level is developed by means of social projects, conferences and regular meetings.

During implementation of the social projects, E&P Petrom representatives held over 130 meetings with various groups of stakeholders. One of the conferences organized by E&P at the end of an educational project reunited over 70 participants (educators, Petrom

Engaging with employees

representatives, representatives of local councils and representatives of non-governmental organizations) from 5 communities in which Petrom operates, where the project was implemented in the past two years.

In Petrom E&P, a Community Resource Center was established within the community of Schela. This is a dialog space which holds monthly meetings between Petrom representatives, local authorities and the community for identifying the impact of Petrom's activities and finding commonly agreed solutions.

Internal Stakeholder Dialog
CEO Dialog with employees

Petrom has a large number of employees located all over the country. In order to improve the communication between the top management and employees, as well as to reduce the distance between headquarters and other operating locations, we initiated an online chat in 2009. The aim was to bring together our CEO and around 15,000 employees with access to Petrom's intranet for an open discussion on the company's development on a monthly basis. The employees' questions which could not be answered during the one hour chat session would get their answers from the Communication team later on. The entire archive of chat sessions is posted on the intranet, so that

every employee can see the entire dialog. Around 3,000 employees were reached by this modern communication tool, while our CEO directly communicated with around 250 employees via the online platform.

Dialog with Trade Unions

Since 2005 HR management has constantly had an open dialog with the Trade Unions as well as with the employees, in view of finding the best solutions in line with the Labor Law both for the employees (case by case approach) and for the future wellbeing of the company. In 2009, in addition to representation at company level for a new Collective Labor Agreement negotiation, the involvement of the HR department was substantial also at negotiations for group of units and branch Collective Labor Agreement. A further step in enhancing communication with internal stakeholders was the establishment and successful organization of Social Dialog Structures in main Business Units, as a platform for regular discussions of principal relevant aspects in the company.

Environmental Protection

Environmental Approach

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

All environmental-related activities are guided by Petrom's HSE policy. The HSE Policy expresses our commitment to minimize environmental impact, continually improve environmental performance, and drive sustainable development by participating in climate protection measures. Petrom's environmental management regulations have been aligned with OMV Group requirements and constitute a general framework for continuous improvement to ensure that all our activities take place in compliance with high environmental standards.



Energy Management

Energy Consumption

Total energy consumption at Petrom, was 61.36 PJ in 2009 (2008: 81.57 PJ).

Energy Efficiency

The improvement of energy efficiency is a key target for Petrom's business segments. According to the benchmark studies by Solomon Associates, the Energy Intensity Index (EII) of the fuels part of the Petrom refineries has been reduced significantly during the last years. For both Arpechim and Petrobrazil refineries EII declined by 17% between 2004 and 2008 reaching EII = 178 in 2008. In recent years, we recorded a considerable progress with respect to process optimization. At Petrom, the ongoing modernization projects, involving a

total investment of more than EUR 4 bn since 2005, will lead to significant energy efficiency improvements.

In Petrom Refining, energy management tools are being implemented, for example, a real time database, yield accounting and Key Performance Indicators on energy efficiency. Small investment projects for energy optimization are promoted. An award system for improvement ideas of employees with significant impact on energy efficiency and savings was developed.

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

In 2009, Petrom E&P started the first of a series of comprehensive field based analyses to undertake detailed baseline studies of all existing GHG emission sources at specified Field Clusters (FC), including quantification of the amount of GHGs emitted from each type of source. Although the initial plan was to undertake several of these studies in 2009, this program was reduced to only two (of 16) on-shore Field Clusters, due to budget constraints determined by the international financial downturn. The purpose of the studies was to prepare accurate GHG inventories and energy balance sheets for each selected FC, as a basis for detailed plans to eliminate or minimize the GHG emissions. Engineering for the replacement of several boiler batteries to improve the energy efficiency of existing facilities commenced in 2009. Furthermore, a first energy efficiency pilot project, a 1 MW gas-to-power unit in Runcu – Iconita, was successfully commissioned. The plans of Petrom E&P to make progressive improvements in energy efficiency in the course of modernizing its infrastructure have been delayed as a result of the financial crisis earlier in 2009, which resulted in operating budgets being significantly reduced.

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

Improving energy efficiency

Climate Change

The environment is becoming an increasingly important factor in the evolution of energy systems, with predictable impact on the mix of primary sources and on the quality of end-use energy products as well as on the development of conversion technologies and energy use. Climate Change is a major challenge for Petrom. In the last 4 years we actively participated in climate change protection measures, by

exploring new technologies like zero-emission power plants (ZEP) and CO₂ capture combined with Enhanced Oil Recovery (EOR), producing biofuels as well as implementing methods for reductions in GHG and CO₂ emissions (e.g. CO₂-free energy sources; more efficient energy technologies for conversion and end use; emission trading; projects for acquiring carbon credits).

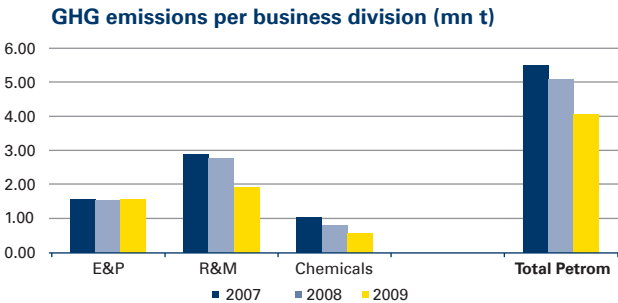
Near Zero Emission Power Plant project

Petrom runs a study on a Zero Emission Power Plant as part of the OMV Group's efforts to reduce carbon emissions. The objective of this project is to apply a new combustion technology to gas with a special composition and produce CO₂ free electricity. In 2009 a contract with AE&E Austria was signed to provide sufficient technological and economic information for a decision on the investment into a Zero Emission Power Plant in Romania for mixed gas with high CO₂ content with a net power output of approximately 15 MWe (megawatt electrical).

The plant will be supplied with CO₂ rich gas from one of Petrom's fields. The electrical output of the Zero Emission Plant will be used for the energy demand of Petrom operations or fed into the Romanian electrical grid. The captured CO₂ of the Zero Emission Power Plant shall be compressed and reinjected into an oil reservoir to enhance oil production (EOR). This Zero Emission Power Plant could be one of the first plants of this kind in Europe given the size and natural gas fuel feed. The high CO₂ content of the natural gas used is especially suited for this technology. These ZEP/ EOR projects could bring a major contribution to reduce carbon emissions from fossil fuels within the next years.

Addressing
climate change

Greenhouse Gas Accounting
Petrom's direct emissions of carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O) were 4.1 mn tonnes in 2009 (2008: 5 mn t).



Emissions Trading
19 installations of Petrom were included in the European Union Emission Trading Scheme (EU ETS) on January 1, 2007. In 2009, one installation was shut down and pulled out from the scheme. Thus, Petrom has 18 participating installations at

the end of 2009. As a consequence of emissions reduction, as well as supplementary allocations and unplanned stoppages, a surplus of 1.6 mn certificates was recorded for Petrom at the end of 2009.

Reduction of Direct Greenhouse gas emissions
Several crucial aspects for the reduction of direct GHG emissions include:

- **Energy efficiency:** All measures taken to improve energy efficiency contribute directly to the reduction of GHGs;
- **Process optimization:** In the Petrobrazi refinery, the adaptation of the gasholder operation and therefore the optimization of flare gas utilization results in 73,000 t CO₂ savings per year.

In Petrom refineries, the specific CO₂ emissions have been significantly reduced since 2005 by structural changes (especially the closure of petrochemicals activities), energy efficiency

measures (resulting in reduction of specific fuel consumption), and increased use of gaseous fuels;

► **Flaring and venting:** The reduction of flaring and venting is also a key element in the Exploration and Production HSE strategy.

Carbon Strategy

Following OMV Group's Carbon Strategy and targets, Petrom is committed to promote projects that secure both energy supply and reduce the environmental impact, caused by climate change. Such projects cover renewable energy, energy efficiency and innovative solutions for reduction of greenhouse gases emissions during production and industrial processes.

Sustainable Resource Management

Water Management

We use water from many sources for cooling, steam generation and industrial processing. Surface water consumption was about 29.52 mn cubic meters in 2009, and groundwater consumption was about 11.79 mn cubic meters. Waste water (in total 27.72 mn cubic meters) is discharged after appropriate treatments on site or off site in Petrom-owned or communal water-treatment facilities.

Our goal is to use water more efficiently, reducing the impact on local communities and the environment. We take an integrated approach to water management, where other environmental effects are considered and emphasis is placed on preventing pollution and minimizing impacts at source.

Total water consumption in Petrom Refining was reduced by 35% between 2005 and 2009, mainly due to activity restructuring. Waste water is discharged after appropriate treatments on site in wastewater treatment plants. At Arpechim refinery, investments into the wastewater management system led to improvements of waste water quality indicators: reduction by 50% in Chemical Oxygen Demand, by 40% in Biochemical Oxygen Demand, by 90% in phenols and by 70% in ammonia. At the Petrobrazi refinery, a EUR 34 mn project started

in 2009 included measures such as cleaning and refurbishment of API (American Petroleum Institute) separators, reorganization of the biological treatment through a denitrification stage, new measurement equipment and the rehabilitation of the sewerage system.

Large amounts of formation waters have to be managed in E&P operations – 42 mn cubic meters in 2009. In oil and gas production, the proportion of produced water can exceed 90%. Petrom E&P reinjects approximately 95% of produced water. The remaining quantities are treated appropriately and discharged.

Waste Management

Our activities generate a variety of solid and liquid wastes, including oil sludge, waste chemicals, spent catalysts and construction debris. Our goal is to manage waste in a manner that will not pose harmful risks to the workforce, local communities or the environment.

The large amounts of hazardous waste accumulated over a long period of time (sludge pits in E&P and refineries) will be subject to specific waste management programs in the next few years. However, as the financial crisis also hit our company, the planned waste infrastructure construction projects for 2009 were postponed to 2010.

While in 2008 the basic construction of five bioremediation plants was realized, the year 2009 has been used to install office buildings, garages, weigh bridges and laboratories. A consultancy tender for the design, engineering, permitting and supervision of another ten bioremediation plants and eight landfills was developed and launched. After finalization, the waste infrastructure will allow Petrom to start the clean up and abandonment works for more than 10,000 old wells and several hundred production facilities. This will result in Petrom becoming the largest private owner and operator of waste infrastructure in Romania. In addition, Petrom Refining has set up specific waste management contracts with specialized companies. Petrom's fertilizer plant in Doljchim covers an area of around 220 hectares of land with a lot of closed plants. Clean-up of this site, removal of waste and demolishing of closed plants has

Mitigating waste impact

Managing spills

been a major issue within the last years. Best use of scrapped materials is ensured. In 2009, a solution was found for one of the biggest environmental waste issues: the former NPK (Nitrogen-Phosphorous-Potassium) pits were closed, fulfilling all environmental permits for this closure.

Drilling Mud

Drilling waste management was greatly improved by changing the chemicals and drilling fluids used. This allowed us to stop the discharge of fluids as cuttings become potentially recyclable. Petrom is the first oil company to drill extended reach well offshore in the Black Sea, using – also for the first time – low aromatic synthetic oil base drilling fluid (non-water base mud). The rig and the equipment were installed in a way to ensure zero discharge of cuttings or fluids into the Black Sea.

Spills and Leakages**Oil Spills**

Pipeline operation and technical integrity undergo regular monitoring. Among other techniques used, pipeline sectors are periodically scanned with 'intelligent' pipeline pigs to assess pipeline condition.

The number of spills for Petrom E&P upstream operations remains high. The majority are related to aging infrastructure. During 2008-2009, Petrom E&P developed an ongoing program for replacement of old pipelines with new ones, especially in the areas established as critical points due to the frequency of the spills.

Petrom E&P has developed specific intervention plans for each field cluster and organized local spill intervention teams, tools and materials. Small spills are managed in house while for larger spills we have contracts with specialized companies in order to quickly apply the appropriate measures. The oil spills related activities are regulated by the Petrom E&P Standard 'Oil Spills Response Plan'. The Field Cluster representatives received the adequate training and annual drills took place to test the response capacity.

Petrom recorded a total of 16 significant hydrocarbon spills (>1,000 liters, level 3, 4 si 5 on a scale of 1 to 5) and 2,591 minor releases during the year 2009 (2008: 10 and 1572 respectively);

the amount of hydrocarbons spilled was 90,674 liters in 2009 (2008: 116,126 liters). The increased number of spills was mainly due to improvement of spills reporting, especially of the level 1 and 2 spills and to 'CARE' online reporting system implementing.

Leakage of Gas Pipelines

Petrom operates a small natural gas distribution network without any compressor station and with a total length of around 900 km. Gas distribution in Romania is regulated as a 'closed system'. Volumetric balance is reported monthly by Petrom to the Romanian Regulator, considering own consumption (technological needs, office heating), variation of pipeline gas stock (in own pipelines and in third party systems) and gas metering devices errors/tolerances. The major issue of imbalance of gas volumes in the system is due to gas metering. Petrom operates about 20,000 metering devices in the field. The overall imbalance is below the given gas metering tolerances.

Air Emissions

Some emissions from our operations have a potential impact on local air quality, including sulfur dioxide, nitrogen oxides and non-methane hydrocarbons. Petrom seeks to avoid, prevent and reduce air emissions in order to mitigate the potential for effects on human health and harm to the environment.

Several modernization projects at the Petrom's refineries led to important environmental improvements. The Babcock boilers at Arpechim refinery's combustion plant were replaced by high efficiency low-NOx burners. Automation increases the combustion efficiency of this large combustion plant up to 90%, leading to energy savings of 300-400 TJ (Terra Joule)/year (equivalent to EUR 2 mn per year) and a decrease of NOx emissions by 75%, down to the level of <100 tonnes/year.

At Petrobrazi refinery, the burner replacement program continued in 2009. Low-NOx burners for the coker and the isomerization units were acquired and will be installed in 2010. The Ethanol/ETBE and MTBE/ETBE tanks were equipped with internal floating roofs, resulting in a reduction of associated air emissions by 95%. The tanks were painted with coatings of thermal

reflectivity or light radiation of minimum 70%. New fire safety, control and automation were installed.

Petrom Marketing installed vapor recovery systems at all major distribution sites in order to reduce hydrocarbon emissions to a minimum. The coverage of vapor recovery systems in the filling stations network was increased during the last two years to 96%.



Biodiversity

Biodiversity is a key responsibility of sustainable development. Petrom pays particular attention to operations within nature conservation areas, seeking engagement of specialists and associations. Our processes are planned based on studies and assessments in order to identify the risks and develop proper plans for close monitoring.

Transport

For the transport of crude oil, gas, oil products and petrochemicals, Petrom uses a logistics structure made up of a pipeline network, chartered double hulled tankers for road transport and rail-specific means of transportation. Rail transport accounts for 80-85% of deliveries from refineries and 30% of oil deliveries from production area, while road transport represents 8 - 10 % for refineries' deliveries. Pipeline transport represents 6.5-10% of deliveries from refineries and 70% for oil deliveries from production area.

Any means of transportation chartered from Contractors must be certified by a competent Regulator and must also fulfill all relevant national and international agreements and requirements.

Environmental Impacts of Our Products

Cleaner Fuels

Following the OMV Group's Directives, starting with 2006, Petrom invested in Refining to upgrade products to EU standards. In 2009, a new plant for the production of gasoline with low sulfur content was commissioned at Petrobrazi. The post-treater plant of Fluid Catalytic Cracker unit has a capacity of over 700,000 tonnes, and the investments amounted to more than EUR 90 mn. Starting with 2009, Petrom achieved full capabilities for the production of Euro V fuels.

In 2009, 80% of gasoline sold by Petrom was sulfur-free (sulfur content of <10 ppm), 18% had a sulfur content between 150-700 ppm. Furthermore, 80% of gasoline sold at our filling stations had a maximum aromatic content of 35% and 20% had an aromatic content of 38-42%. All Petrom filling stations sell only gasoline with a minimum 8.51% bio-ETBE content (equivalent of minimum 4% bio-ethanol) and diesel with a minimum 4% FAME content (bio-component).

Within our network of 659 filling stations in Romania and Moldova, we offer LPG at 68 filling stations, which represents a coverage of approximately 10%.

REACH Implementation

The European Regulation no. 1907/2006 on the Registration, Evaluation, Authorization and restriction of **CH**emicals (**REACH**) came into force in June 2008. As this regulation is mandatory for every EU company which manufactures or imports (from outside the European Community) chemicals (substances and mixtures) and also for downstream users of chemicals (manufactured by other companies), Petrom is highly motivated to address and apply the best strategy for its implementation in a timely manner.

The main steps undertaken by Petrom to implement the REACH Directive are mentioned below:

- The REACH task force was established in 2008 with members from each business segment. Downstream in the hierarchy, each business segment established teams to perform specific

**Upgrading fuels
quality**

**Strengthening
legal compliance**

- tasks for REACH implementation at local level;
- ▶ The process of 'pre-registration', in the REACH IT system, of all substances manufactured/imported by the company, was completed by end of 2008. Thus, the minimum information related to substances manufactured in refining and chemical processes, were published without any costs;
 - ▶ In January 2009, Petrom's Executive Board approved a corporate directive establishing the implementation framework for REACH across the company.

The next step after pre-registration is to register the substances with the European Chemical Substances Agency (ECHA) in Helsinki. This implies gathering of relevant data, preparation of technical dossiers for each substance (action involving associated costs) and their submission to ECHA. To this end, Petrom benefits from the support of the relevant refining consortia (e.g. CONCAWE for most petroleum products, LOA for olefins and aromatics, FERC for fuel oxygenates) of which OMV R&M is currently a member.

Petrom Refining has taken the necessary steps and allocated adequate resources for implementing the process related to substances registration.

Legal Compliance

Compliance with environmental regulations is monitored at site level and by business segments using several IT tools. Integration of the monitoring processes is ongoing, with specific challenges at Petrom. In 2005, an extensive process was initiated to update operating licenses and compliance programs. HSE legal compliance audits are performed regularly in all Petrom operations. By December 2009, 95% of all operational units of Petrom had all necessary authorizations and the remaining 5% were subject to reauthorization processes. The systematic follow-up, based on appropriate IT systems, also allows the identification of non-conformance related risk so that actions can be taken in time.

In Petrom Marketing, all operational terminals and filling stations have completed the environmental protection measures imposed

within the corresponding compliance programs. The non-compliance cases are mostly related to historical pollution prior to 2004. Petrom Marketing has currently launched 16 decontamination projects for the former operational terminals subject to demolition and clean-up works.

Our company faced monetary fines for non-compliance totaling EUR 0.44 mn in 2009 (2008: EUR 0.55 mn). The fines are related to environmental incidents covering spills and exceeded discharge limits, waste management related non-conformities, and measures established in authorizations and inspection reports.

Environmental expenditure and investments

Since 2007 Petrom has implemented Environmental Management Accounting (EMA), a method of identification, collection and analysis of physical information on the use, flows, and destinations of energy, water, and materials (including wastes) as well as providing financial information on environment-related costs, earnings and savings. The approach is based on the Guidance Document prepared by the International Federation of Accountants (IFAC) and United Nations Division of Sustainable Development (UNSD), developed to support international comparability of environment relevant data.

At Petrom, the main focus is on the financial information regarding environment protection and prevention. Expenses related to installations, activities and projects carried out for protecting the environment and/or reducing the negative impact on the environment, are collected and centralized in a standardized manner.

In 2009, Petrom spent RON 818.4 mn for environment protection and prevention, thereof RON 260.8 mn represent the investment value of finalized environment relevant constructions and modernizations, and RON 557.6 mn represent expenses with internal personnel, external services, fees and taxes for environment related activities such as remediation, research & development, waste management and the

maintenance of environment-related installations, as well as consumption of water, energy, operating materials and the depreciation of the environment-related installations.

Outlook 2010

In 2010 we will continue to work towards mitigating the environmental impact of Petrom's operations, with focus on:

- ▶ Consolidation and strengthening of processes related to legal compliance;

- ▶ Ongoing waste management and remediation of historically accumulated waste;
- ▶ Improvement of oil spill prevention plans and drills in order to reduce the spills.

Continue to mitigate the environmental impact

Social Responsibility

Employees

Developing our people

In 2009, despite the financial difficulties resulting from the economic crisis, Petrom continued to organize training activities for employees. The various training and development programs initiated in past years continued to run, at corporate, divisional or group level, with an increased focus on: quality of delivery, quality of participation and its relevance to the business. Training programs were available for all employees through Training Catalog. In 2009, Petrom's employees participated in training activities with a total cost for external trainers of EUR 2.7 mn. Training activities covered various areas (e.g. foreign language, management, IT skills, HSEQ and technical knowledge as well as customized training courses) and covered a total of 41,195 training days.

In 2009, HR inaugurated a new course aligned with OMV's program, Essentials4Managers, aimed at providing managers with the opportunity to gain a better understanding of processes from the area of Compensation & Benefits, Recruitment, Learning & Development, International Assignments and Labor Law.

Reinforcing talent management

Over the past years we have gone through a restructuring process that allowed us to increase our performance. To attain our ambitious future goals we still need to work at creating and living a performance culture. In this respect, 'The best in us – managers' project was initiated company-wide in 2009. It aims at developing a professional environment where all the factors affecting managers and employees' behaviors are harmonized in order to maximize the company's outputs and results, while creating a better working environment for everyone. In order to achieve a sustainable performance culture, seven programs were formed based on interviews and a survey on 1,400 managers, one of which was 'develop and reinforce talent management programs'.

We want to assure our employees that, even in crisis time, our ultimate goal is the improvement of their level of satisfaction. Therefore 'career development', as the dimension with most potential for improvement in 2008, became our key focus in 2009. At the same time, Petrom invested in identifying and retaining talent

at corporate level and also in each Business Division through special programs that aimed to develop and keep the best professionals.

A new concept for evaluating performance was initiated through the Performance Development System (PDS) project in 2008. The aim is to provide employees and managers with the opportunity to openly discuss their expectations towards results and future actions. In 2009, PDS reached 50% of the target group (white collar employees) and became a strategic tool for performance development. In order to increase the quality of the PDS process, a customized training program was developed in 2009 for 780 managers.



In 2007 and 2008, we tried to discover more about the employees through Human Capital Management, an employee opinion survey. In 2009, more than 250 various actions have been planned to support our findings; here are some examples: Create an on-line forum to facilitate the opinion exchange, questions and answers; Organize meetings with Business Divisions at specialist level in order to get to know each other better and to improve the cooperation, Organize workshops within each department to strengthen the team spirit and the collaboration with interfaces, etc.

Taking account of the restructuring process Petrom is currently undergoing, a special attention was given to the employees leaving our company. The 15 Career Transition Centers, set up in 2006 around the country, continued to assist former employees in carrying on their professional life either by finding a new job or starting a small business, with a success rate of 80%.

Health

We place particularly great value on comprehensive and high quality occupational health care. We focus on group-wide endeavors to promote the health of our employees, to maintain their capabilities and to increase their well being. This is going to be achieved through improvements in emergency medicine, preventive measures and employee health related training, as well as by encouraging employee involvement in health related initiatives.

The overall goal of Occupational Health (OH) management in OMV is to promote occupational health through Group-wide implementation of the health standard, harmonized work procedures and the implementation of health circles for employees' participation. For improving the OH care performance, a legal entity named PetroMed was founded in 2008. Through a network of 30 clinics all over Romania, PetroMed's doctors and other medical staff offering curative health care and prevention programs such as flu vaccinations and voluntary health checks. A round-the-clock psychological counseling hotline is available for PetroMed employees. Prevention programs are developed in response to the most frequently reported problems.

To ensure evidence-based OH monitoring, a work procedure for conducting health risk assessments (HRA) was established, medical staff were trained accordingly, and about 17,000 work places were assessed.

Health Initiatives

In addition to their ongoing efforts to promote health, OMV and PetroMed's OH experts launched a variety of activities in 2009. These included general preventive check-ups, check-ups on special topics like eye examinations, vaccinations against flu, hepatitis, and information campaigns.

In order to decrease the high incidence rate of cardio-vascular diseases, PetroMed offered our employees, for the first time, an extensive screening program developed with the support of Prof. Dragan from the University of Timisoara.

Consequently, trained medical staff provided employees with intensive consultation on healthy life style and measures to reduce personal health risks.



For employees traveling abroad, a new collaboration with an external healthcare provider was started in order to ensure medical and emergency service.

Pandemic Preparedness

In 2009, the medical team had to cope with the pandemic of the H1N1 flu (Swine flu). The emphasis was put on delivering scientific information to employees and implementing preparedness activities by checking and updating local and corporate preparedness plans. The medical staff was in constant contact with international experts in the field of Public Health to be able to react quickly and ensure business continuity in emerging situations.

Outlook 2010

In addition to clinic refurbishment and the introduction of a new medical software application, the main challenge for PetroMed will be to carry out an intensive training program in Emergency and Preventive Medicine. Prevention programs will focus on:

- ▶ Continuation of the cardio-vascular prevention program
- ▶ Back pain and ergonomic prevention

Intensive consultation to reduce health risks

Carry out prevention programs

**Working safely
every day**

Safety

Petrom is committed to its drive towards zero fatalities and a continuous improvement of safety performance. In our HSE Policy we made clear statements: everyone who works for or with Petrom should return home in good mental and physical health, and all workplaces and processes must be safe and secure for Petrom, its stakeholders and the environment. This commitment implies that we believe that all accidents can be prevented and that we strive to keep risks as low as reasonably practical.

The OMV Group HSE strategy has set out two ambitious targets to be achieved in the Group by the end of 2010: less than one lost-time injury per mn hours worked (LTIR), and zero incidents rated at level 4 or above on a classification scale ranging from level 1 (low severity level) to level 5 (highest severity level). All Group targets are deployed to Petrom down to its business divisions. At OMV level, a Key Performance Indicator (KPI) system was set up to drive our safety performance.

Safety statistics are carefully monitored. Progress was measured on a monthly and quarterly basis and reported directly to the Petrom top management (Executive Board and Supervisory Board). In addition, the Petrom Executive Board is provided with safety highlights, including incidents on a weekly basis.

In 2009 we focused on defining and aligning the specific regulations for HSE awareness and competencies, reporting, investigation, management of incidents, emergency and crisis management with OMV Group's requirements, and also to drive their implementation within our company. The main objectives pursued are:

- ▶ Implementation of Petrom's Road Safety program;
- ▶ Improvement of safety performance through prevention (e.g. number of reported hazards and findings) and increase the use of 'Think: Ahead CARE', the group-wide incident reporting and management tool;
- ▶ Introducing a new safety management directive

Workplace Safety

We promote workplace safety by education, information, instruction and training. Therefore:

- ▶ adequate instruction is given to employees through safety working procedures;
- ▶ work practices which are unsafe or harmful are reported immediately, in the standardized online system 'Think: Ahead CARE', so that corrective action can be taken;
- ▶ each employee is encouraged to regard incident prevention as an individual responsibility,
- ▶ procedures for the evacuation of buildings in the event of fire, explosion or other emergencies are established, and appropriate exercises are undertaken;
- ▶ safety awareness campaigns, to spread the safety culture across Petrom, are developed for both employees and contractors.

Annual safety programs are carried out, including regular trainings (e.g. safety instructions, fire safety instructions), occupational safety committee meetings, safety audits and safety inspections. All working points and positions were re-evaluated in a Work Place Risk Assessment (WPRA) exercise which would allow us to continuously improve our approach to the specific risks we face.

In 2009, the initiatives to reduce occupational safety risks and to improve workplace conditions continued across Petrom. They were completed by projects aiming to increase the safety culture and workplace risks assessments in both refineries, to implement a proper permit to work systems and to improve the quality of personal protective equipment in E&P, as well as to improve the HSE directives and standards, set up HSE performances and requirements for our contractors, monitor and audit their performance against these standards.

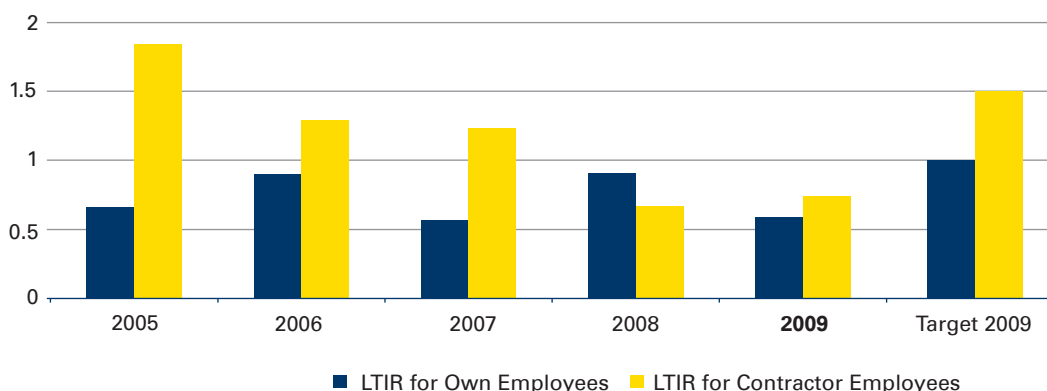
A very important new initiative in Petrom E&P was the stop work: individual responsibility and accountability which made very clear the commitment of top management in the business divisions to the concepts of working safely and the role of the individual.

Our safety performance has been improved compared with last year and, in general, reached the OMV standard. Nevertheless, our results are still overshadowed by three fatalities. In 2009, one Petrom E&P Services employee and two contractors' lost their lives while working for us. The incidents occurred within the E&P business

segment. In 2009, the LTIR further decreased to 0.59 injuries per mn hours worked for Petrom employees and to 0.74 for its contractors. The Petrobrazil refinery showed an outstanding safety performance in 2009 - one year (approximately seven mn working hours) without any lost time incident.

No lost time incidents in Petrobrazil refinery

Petrom LTIR*



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

Petrom's future headquarters – Petrom City

In 2010, Petrom employees will face the challenge of moving in the new headquarters, Petrom City. More than 2,000 people will work under one roof. 2009 posed a significant challenge to HSE teams charged with ensuring a safe and healthy working environment in the new headquarters.

The main contractor for the new headquarters was specially audited to ensure that all necessary procedures for hazardous works (e.g. the cranes coordination, excavations, working at height and in confined spaces, welding) have been implemented. Our HSE experts have

arranged specialized technical assistance for personnel evacuation plans and intervention in case of emergency as well as for selecting the fire services contractor. Management Walk Arounds on the construction site were carried out quarterly to ensure high safety standards.

Road Safety program

Petrom's Road Safety program, initiated in 2008, successfully helped to achieve zero road accident injuries or fatalities for own employees in 2009. This is an outstanding improvement compared to previous years.

Improving road safety**Pilot Program: In-Vehicle Monitoring System**

1,003 'black boxes' (In-Vehicle Monitoring Systems) were installed in Petrom's cars by the end of 2009. This device measures different parameters of driving behavior that are monitored during six months in order to record improvements in driving performance.

By the end of 2009, a number of 1,000 Petrom drivers have received a 6 hours first aid training provided by the Romanian Red Cross. Around 550 Petrom drivers underwent a medical and psychological testing program provided by PetroMed. The aim was to identify drivers with medical problems, which might impact driving safety, and to provide recommendations for medical and/or health improvement if necessary.

In November 2009, Petrom started the driving training program. Each company's driver would receive a 2 days theoretical and practical driving training in order to reduce road accidents and to improve the necessary driving skills. By the end of 2009, a number of 600 drivers were trained in a 2 days' session.

Several road safety awareness campaigns targeting our employees were launched all over the company. The message was conveyed through various communication tools including posters, information posted on the intranet, gift boxes and brochures on safer driving. To further improve the road safety awareness in 2010, implementation of proactive and corrective measures will continue.

Contractor Safety

Petrom works with various contractors for the supply of services and goods. The procurement department supervises the pre-qualification and selection of the suppliers and contractors while taking into consideration not only the financial, technical, production and organizational requirements but also those related to HSEQ. The checklists used appraise the most important HSE topics, focusing on the adoption of management systems, their certification and the safety performances achieved.

To improve safety at work, the business divisions organize trainings for contractors which focus on Petrom's regulations, HSE management system, individual protection equipment, safety instruments and modes of operation. To further optimize contractor safety efforts, in 2009 a framework for HSE management system audit with focus on contractor management was established at Petrom.

Process safety

In 2009, our company faced one medium-scale fire in the Petrobrazii refinery. There were no injuries in the fire, which also posed no risk to neighbors. Thanks to immediate professional fire-fighting efforts, only some parts of the plants were affected and actual asset losses were limited. The incident was thoroughly investigated with the help of external consultants to find technical and managerial root causes. Process safety measures that have been introduced include organizational changes focusing on process integrity, adapted risk evaluation processes, and revised change management procedures. All activities have senior management attention.

The impact of the global economic crisis on Romanian fertilizer production forced Petrom to shut down its fertilizer plants at Doljchim in the last quarter of 2009, keeping only the methanol plant in operation. A major challenge was to maintain the shut plants in a safe condition to prevent any risks to employees or the environment.

In 2009, a OMV group-wide standard for 'Risk Assessment and Evaluation Criteria' was elaborated to establish a rule-based, structured process and clear risk acceptance criteria to achieve consistency and set a firm rationale for spending on HSE. The implementation of this

standard will start in 2010 and all procedures will need to align to these benchmarks. An additional focus for 2010 will be to develop a group wide aligned harmonized Key Performance Indicators system for process safety.

Process safety and safety engineering studies have been integrated in the design of a major project in Petrom Kazakhstan.

Product Safety

Petrom provides its partners and customers with detailed information about its products and the materials used in producing them. All products that are manufactured, marketed, or distributed by our company are in compliance with the applicable legal regulations.

Petrom is a member of the OMV Group's working group to ensure the compliance with the new European legislations 'REACH' (Registration, Evaluation, Authorization and Restriction of Chemicals) and 'CLP' (Classification, labeling and packaging of substances and mixtures). According to new European regulation for Chemicals Registration, Evaluation, Authorization and Restrictions (REACH Regulation), Petrom developed an implementation plan. Under the strict provisions of this Regulation, the safety data sheets for substances and products introduced on the market by Petrom are updated accordingly.

Safety Awareness and Training

The collaboration between safety experts and professionals led to the completion of a catalogue of training courses covering specific safety topics, linked to the spreading of the HSE culture and emphasizing proactive and responsible behavior. Petrom recorded 119,652 HSE training hours in 2009, an average of 4 HSE training hours per employee per year.

To improve the understanding and management of safety hazards we implemented in 2008 the Group wide IT application 'Think: Ahead CARE', which is a tool for incident reporting and management. In 2009 we focused on using this tool for improving the reporting quality of safety indicators and decreasing the number of work incidents, by learning from past incidents

and allocating actions to prevent occurrence of similar incidents.

Progress in consolidating Petrom's safety culture is measured by safety compliance audits as well as by the number of findings and hazards reports.

The specific activities regarding occupational health and safety, fire fighting and civil protection are organized and performed according to the legal requirements and Petrom's standards and procedures. They are coordinated and monitored by certified persons who were appointed through internal processes.

Our managers demonstrate transparency and interest in sorting out the specific HSE issues. This way they help to increase the employees' trust in work safety and trigger changes in their mentality regarding HSE topics. Through the care of managers and safety experts, four annual Occupational Health and Safety Committees (quarterly meetings) are organized in each Business divisions and Corporate.

Emergency and Crisis Management

Adequate management in emergency and crisis situations is a key factor in sustainable growth of our business. In 2009, we focused on the improvement of Petrom's Crisis and Emergency Management and the Crisis Management Plan. We defined different scenario checklists which are primarily used in case of a crisis. Other activities included a follow up on Petrom's Human Rights approach for our main security service provider, preparation of training material for employees working at Petrom filling stations, and general improvement in physical security.

General security improvements

In 2009 we focused on ensuring that the appropriate physical security standards are implemented in new or modernized Petrom office buildings, evaluating existing security contracts and contractors in order to optimize the cost and service level as well as on increasing awareness of the permanent availability of Petrom emergency number, within the Security cell, which can be used by our employees in the event of an incident.

**Improving
incident reporting
and management**

**Strengthening
company's
security**

Preparing for crisis and emergency situation

One of the major concerns was the physical security concept for the Petrom City office building which defines the necessary measures to ensure the security of Petrom City as a vital infrastructure component. The security measures are aimed at prevention, early detection, monitoring and coping with relevant security risks.

In our attempt to enhance Petrom's security, audits were carried out across our company to identify the security risks and set up measures for incident prevention. In addition, extensive security training was delivered to both Petrom and Contractor staff and security concepts were designed accordingly.

With respect to swine flu preparedness, following the OMV Group directives and plan, Petrom developed a plan in order to minimize the potential impact of a pandemic threat on its employees while ensuring business continuity. In 2009, the pandemic of the H1N1 flu (Swine flu) was successfully managed, and the pandemic preparedness plan was updated based on this experience. During 2009, the emergency teams organized and performed emergency drills. The drills were successfully conducted in all Petrom's headquarters, several of them being supervised by the emergency authorities.

Crisis Management Handbook and Scenario Checklists

The Crisis Management Handbook was designed to effectively coordinate the use of our resources to protect life and property during and immediately after a major crisis or disturbance within Petrom. It will be used whenever an emergency or crisis affecting the group cannot be controlled through routine channels and procedures. For different predefined scenarios checklists were prepared in order to manage crisis and emergency more effectively. Real crisis scenario training took place in each business division in order to check the existing crisis procedures and documents are in place.

Robbery Training Guidelines for Filling Station personnel

When employees are unexpectedly confronted

with a robbery situation, they often react in ways that may resist a robbery event. This reaction may not be intentional, but can have a great impact on how the robbery event will unfold. As the numbers of incidents on filling stations are rising year by year, Petrom security management together with the spokesman of the Bucharest police and a psychologist produced a 7-minute training video for employees working in our filling stations in order to be prepared to properly respond to an armed robbery situation. The training video was distributed through the Petrom marketing training department to all employees working on Petrom filling stations.

Outlook 2010

The challenge for the future (based on the HSE-Strategy 2015) is to minimize risks and ensure a safe and secure working environment for Petrom operations. Our work in 2010 will focus on:

- ▶ Optimization of the existing road safety programs;
- ▶ Further roll out of the safety management directive which was issued in 2009;
- ▶ Further developing and strengthening process safety management by implementation of the new 'Risk Assessment and Evaluation Criteria' Standard and developing a group wide aligned, harmonized Key Performance Indicators system for process safety.

Human Rights

Petrom considers and applies human rights as a way of balancing the interests and needs of all relevant stakeholders in a practical way, by respecting natural culture and way of life. Although responsibility for ensuring human rights observance is primarily incumbent on governments, Petrom feels it has the responsibility to observe application and promotion of human rights in its sphere of influence and not to become an accomplice in violation of human rights and implicitly of the international legislation in force.

By Human Rights Policy, Petrom's management expresses its commitment to observing Human Rights. The document sets out in principle the

approach and our responsibilities relating to Human Rights in the business environment where we operate and is based on the Code of Conduct. The Human Rights Matrix is a mandatory document that lays down the minimum corporate social responsibility standards which our company commits to comply with, while considering added value to social and economic aspects. This Matrix is a major tool for implementing a company strategy on human rights within its operations. It maps Petrom's responsibilities in relation to human rights as well as the relevant activities in this area.

In 2009, the awareness and training process in human rights issues continued. Hence, the workshop 'Petrom's Human Rights Approach – What is It and How to Implement It' was organized for Petrom's employees.

As many as 28 persons participated, i.e. CSR responsible persons and designated persons from all Petrom corporate functions and business divisions.

Human Rights Training for Security companies

Petrom, together with an international specialist in the work of Human Rights, has developed a 'Train the Trainer' program, which explores what meant and how to build a culture and practice of human rights within security companies. This course was designed to assist security companies to identify and understand what a human rights approach means when working with Petrom. In particular, this course aimed to identify what this requires in terms of training methods and programs as well as policy development.

In this year's session, Petrom created a 2-day interactive scenario training course for members of security companies, including a couple of short situations, which should be managed and resolved by the security teams.

Every team had to resolve the same situation in order to provide an overview into how special situations are managed in different ways. All the scenarios were filmed and analyzed afterwards by Petrom's security organization and the team members.

Business Ethics

We are aware that each of us represents the company, and therefore is fully accountable for the integrity and fairness of his or her actions. In this respect, we promote transparency of business behavior in all of the activities conducted at Petrom. In order to successfully implement the requirements of the Business Ethics Corporate Directive, training courses were held for trainers who subsequently ensured information dissemination across Petrom. In 2009, training courses were attended by around 3,500 Petrom employees.

We target awareness programs and permanent training of the entire personnel of our company in order to provide clear and comprehensive understanding of all ethics aspects, to which end we have developed a Business Ethics E-learning application. This application will become operational in the upcoming period and will be available for use by all Petrom employees. During these training programs emphasis is placed on both the theoretical aspects and presentation of the case studies.

By means of an e-mail address as well as of Business Ethics Help Line, the Corporate Compliance Officer provides counsel to all persons who request support in addressing situations in which conflicts of interest, forms of bribery, corruption or any other business ethics related issue may be identified. These tools may also be used anonymously.

Community Relations

Main community projects

In 2009 we continued to consolidate our position as a role model for the business community in Romania in the area of social responsibility. 2009 was a challenging year in which we continued our environmental programs and we also put more focus on sustaining education, taking into account the needs of the Romanian society in a crisis period. Under these circumstances, we invested RON 29.48 mn in community related projects.

Operating responsibly and ethically

Engaging on community relations

Resources for the Future - Climate change and the growing demand for global resources represent a present challenge for the global community. Petrom was the first company to raise these concerns in the Romanian public agenda through the launch of 'Resources for the Future' program in 2007.

TaraluiAndrei.ro - The civic initiative, the care for the environment and the respect for the community we live in are at the heart of our social responsibility programs. In 2009, we continued 'Resources for the Future' and we created Andrei's Country.ro (www.taraluiandrei.ro), a new social responsibility program which allows an unlimited number of people to interact, communicate, get information and, especially, to effect real change in the world they live in. The objectives of the program are to raise the level of awareness and involvement in the civic and environmental issues, both within the company and to the public at large and to support the civic initiative and the civil society by financing projects for the local communities. In Andrei's Country, citizens compete monthly with projects for their communities for a finance aid of EUR 5,000 offered by Petrom, propose and join volunteering actions and gain points through their online actions that quantify in planted trees. In less than 4 months, Andrei'sCountry.ro became a greener country with over 7,800 citizens and about 11,400 trees which will be planted in spring by Petrom, together with the volunteers from the platform.

6,000 pupils and 361 teachers participated in 'Andrei's School'

As part of the Andrei'sCountry.ro program, we organized **Andrei's School**, a complex national eco-civic contest addressed to the pupils and teachers from all the 11,500 primary schools in Romania. The objectives of the program were to familiarize pupils with themes related to environmental protection and to involve them and their teachers in solving the problems of their communities through a competition of various projects. Approximately 6,000 pupils and 361 teachers registered in the contest and submitted about 200 initiatives for their local communities in the competition. Petrom awarded the winners with prizes consisting in refurbishing works for the winning schools, implementation of the winning project (Refurbish

'Corvin's Castle' garden in Hunedoara), bicycles, writing materials, laptops and the participation in 'Andrei's Country' summer camp for the winning team.



The program '**Andrei's Country**' summer camp started in 2008 and it consists in an eco-civic camp where children learn how to take care of nature and to act as truly responsible citizens. Initially dedicated only to the children of Petrom employees, the program opened in 2009 for all children from Romania. In the camp, children learnt about the responsible use of natural resources through interactive experiments, received advice about how to survive in nature, developed their skills on team work and leadership and learnt to write news reports from famous journalists in the central press. In all activities children were supervised by teachers and volunteers selected from all over the country. All in all, 850 children between 10 and 13 years old participated in 'Andrei's Country' summer camp and learnt how to act responsibly towards the environment, becoming models to be followed by their generation.

Parks of the Future is a program launched in 2007 aiming to solve the problem of the lack of green spaces in Romanian local communities by refurbishing and building modern public parks. Following the refurbishment of 5 parks in Bucuresti, Moinesti, Pitesti, Ploiesti and Timisoara during 2007 and 2008, we continued in 2009 with the building of a new park in Constanta, where Petrom undertakes significant operational activities. The 'Park of the Future' from Constanta was built in an industrial district with a high pollution level, lacking green and open air relaxation areas. The park

covers an area of 15,000 square meters and comprises various plant species, trees and shrubs, a water wall, playgrounds for children and 3 multifunctional sports grounds (football, tennis, volleyball, table tennis), open air fitness equipment, a skate park and recreation spots for all ages. Over 20,000 persons benefit now from this park.

Building for the Future – In 2009, we continued to support the local communities in which we are active by investing in the education of children from the rural areas and offering them decent conditions to continue their studies. In only one year, Petrom completely refurbished 5 learning institutions in the villages of Vâlcelele (Argeş), Leşmir (Sălaj), Predeşti (Dolj), Talpa Rotăreşti (Teleorman) and Podu Cristinii (Dâmboviţa). The refurbishment works consisted of the thermo-insulation of the buildings, installation of thermal stations with a low level of energy consumption, building the sanitary units inside the buildings, and providing water sewage and mini systems of water purification for the protection of the environment. All learning institutions were endowed with new furniture, computers and over 800 books, atlases, maps, and other educational materials which teach children how to take care of the environment. About 200 children now learn in civilized and modern conditions. Petrom invested over EUR 600,000 in this program.

Support for the Future - Starting with 2008, Petrom joined the campaign '**Romania takes roots**', a project developed in public-private partnership with Realitatea TV, The Romanian National Authority of the Forests (Romsilva) and the non-governmental organization 'Mai Mult Verde' ('More green'). The goals of the program are to enrich the surface of forests in Romania, to act in view of preventing future floods and landfalls and to improve the air quality. In 2009, Petrom invested EUR 200,000 to support the program. Together with our project partners and with the help of 21,500 volunteers, out of whom about 550 were Petrom employees, we planted 225,000 trees over 50 hectares in Dolj, Timis, Teleorman, Ialomita, Iasi, and Bacau Counties. 'Romania takes roots' differentiates from other reforestation campaigns through the long-

term approach regarding flood prevention and through the involvement of local authorities, civil society, business community and media in this environmental issue.

Employees for the Future – We are the largest Romanian company and we understand that human resources are a vital component of a company's sustainable progress. That is why, in Petrom, each employee is considered a representative of the company who, through his or her actions, conveys our social responsibility message to the community. In 2009, over 1,000 employees volunteered in Petrom's CSR projects, either by taking part in planting actions, cleaning works in the schools refurbished by the company in several local communities or by becoming 'Santa Claus' for about 500 children with poor social status.

You can be Santa Claus - Starting with 2008, Petrom got involved in the project 'You can be Santa Claus', organized by the Community Support Foundation for the winter holidays. The program aimed to involve our employees in becoming Santa Claus for 500 children with a difficult social status from Podu Turcului area, Bacau County. The program was welcomed with enthusiasm by the employees of the company who responded promptly to the invitation. During the past two years, we managed through the 'You can be Santa Claus' program to make 500 children happier for the Christmas holidays. Petrom supported the non-governmental organization Community Support Foundation in 2008 with EUR 75,000 for the implementation of the program 'Integrated services for the rural area', an initiative aiming to improve the life standards of the inhabitants of Podu Turcului, one of the poorest areas in Romania.

Other community projects

In 2009, Petrom, in partnership with local authorities, suppliers, non-governmental organizations and local volunteers, implemented local CSR projects in several communities from Bacău, Galaţi, Prahova, Dolj, Argeş, Dâmboviţa, Teleorman, Argeş, and Constanţa Counties. These projects included assistance in developing and implementing local strategy, supporting the authorities from local communities to

**Over 1,000
employees
volunteered in
CSR projects**

**Helped to
improve
educational
conditions in 2
schools and 7
kindergartens**

access European funds for either refurbishment of learning units or implementing a system of selective collection of waste, education on environmental topics (e.g. planting trees, waste collecting and recycling), and an anti-drug awareness campaign for 600 children in 3 communities.

Petrom also helped to strengthen the educational infrastructure through the improvement of educational conditions in 2 schools and 7 kindergartens for 700 children. Moreover, in 16 communities we developed Health, Safety and Environmental projects consisting in trainings related to emergency escape plans and safety procedures for 1,000 children in 8 schools.

CSR projects developed in Petrom's filling stations transmitted the social responsibility message of the company to our customers. The programs consisted in introducing biodegradable bags in Petrom's filling stations at no additional costs to clients, developing an awareness campaign through stickers with CSR messages and by providing portable waste bags for cars.

Outlook 2010

In 2010, we propose to maintain our position at the top of the Romanian companies involved in CSR. We want our messages to reach a wider audience and we will continue to support the Romanian society, minimizing any negative impact we may generate upon it.

Sustainability Indicators

	2008	2009
Financial and operating		
Total hydrocarbons produced (thousand boe per day)	188	181
Total crude oil process (kt)	6,121	5,161
Chemicals sales (kt)	503	316
Net turnover (RON mn)	16,751	12,842
Contributions to State Budget (RON mn)	6,476	6,720
Dividends paid to shareholders (RON mn), for previous financial year	1,082	0
Salaries (RON mn)	1,820	1,822
Safety ¹		
Fatalities - employees	7	1
Lost workday injury (LWDI) - employees	52	33
Fatality Rate (FAR) - employees	10.79	1.74
LostTime Injury Rate (LTIR) - employees	0.91	0.59
LostTime Injury severity (LTIS) - employees	63.53	39.98
Total Reportable Injuries Rate (TRIR) - employees	2.07	1.31
Fatal Commuting accident - employees	0	0
Commuting accident with lost working days- employees	4	2
Fatalities - contractor employees	5	2
Lost Workday Injury (LWDI) - contractor employees	27	28
Fatality Rate (FAR) - contractor employees	10.45	4.92
LostTime Injury Rate (LTIR) - contractor employees	0.67	0.74
LostTime Injury Severity (LTIS) - contractor employees	35.63	35.13
Total Reportable Injuries Rate (TRIR) - contractor employees	1.38	1.50
Fatal Commuting accident - contractor employees	1	1
Commuting accident with lost working days - contractor employees	6	3
Environment ^{1,2}		
Energy consumption (PJ)	81.57	61.36
Water consumption (mn cbm)	58	45.57
Groundwater consumption (mn cbm)	10.6	11.79
GHG (direct, scope 1) (mn t equivalent CO ₂)	5.1	4.10
CO ₂ (mn t)	4.7	3.66
CH ₄ (t) ³	3,994	7,019
SO ₂ (t)	5,506	3,209.3
NO ₂ (t)	999	940
NO _x (t)	8,546	8,736.3
Non-Methane -Volatile Organic Compounds (NM-VOC) (t)	6,769	3,772.4
Particulate emissions (t)	2,437	1,750.9
Waste water emissions		
Chemical Oxygen Demand (COD) (t)	1,625	1,610
Hydrocarbons (t)	45	49.8
Total nitrogen (t)	281	233
Spills (number)	1,582	2,607
Waste ⁴		
Non-hazardous production waste (t)	165,749	174,744.2
Hazardous production waste (t)	15,440	115,815.4
Waste oil (t) ⁵	21	-
Total production waste (t)	181,210	290,559.6
Employees ⁶		
Number of employees as of December 31	33,311	27,470
Number of employees in leadership	2,297	1,266
Women in leadership (%)	18.58	25
People from beyond Romania in leadership (%)	4.7	9
Dismissals for non-compliance and unethical behavior	45	14
Contribution to communities (RON mn)	16.56	29.48

¹Safety and environmental related indicators are audited and confirmed by Deloitte.

²Environmental figures for Petrom include Kazakhstan and Petrom Marketing as of 2009.

³Increases due to adapted estimation and calculation methodologies in refineries and E&P.

⁴While until 2008 only production waste was reported, total waste amounts including those from one-time projects are given as of 2009.

⁵As of 2009 included in hazardous waste.

⁶Employees are defined as individuals who have a contract of employment with Petrom S.A.



Report of the Governing Bodies

We all take our responsibilities very seriously within Petrom. For our external stakeholders, we pursue a strong CSR policy to contribute to our sustainable development by strengthening our relationships with key stakeholder groups.

Financially, we enjoy a sound position where we have secured the company's cash flow by hedging against fluctuations in crude oil prices. We have secured a good basis for long term financing for our strategic projects. We also have a strong shareholder structure and a strategic partnership with OMV.

As a management team, we exercise high standards of corporate governance to maintain our responsibility towards our stakeholders.

WHAT DRIVES YOU?
Responsibility and sound principles.



Report of the Supervisory Board

We continuously aim to ensure transparency and accountability towards the shareholders

Core activities

Petrom (hereinafter also referred to as the 'Company') is an integrated oil and gas Company, operating mainly in Romania, but also through its subsidiaries in Kazakhstan and Russia (exploration and production) and in the neighboring countries of Bulgaria, Republic of Moldova, Serbia (marketing business).

Aim of the report

Transparency and accountability towards shareholders is the established practice within Petrom. Hence, the Supervisory Board has continued in 2009 to devote close attention to the strategic focus and business performance of the Company in all areas of activity. The following report gives an overview with regard to the Supervisory Board's main points of interest during the year under review.

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

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

Corporate governance

A decision-making process which is transparent and relies on clear and objective rules enhances stakeholders' confidence in the company. It also contributes to protecting shareholders' rights, improving the overall performance of the company, offering better access to capital, and risk mitigation. Petrom has therefore always attached great importance to the principles of good corporate governance and has constantly aimed at adhering to the applicable Code of Corporate Governance.

In accordance with the aforementioned principles, Petrom is managed in a climate of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have always paid due attention to their duty of care and loyalty. Hence, the Executive Board and the Supervisory Board have passed their resolutions without conflicts of interests as required for the welfare of the Company,

primarily in consideration of the interests of shareholders and employees.

Governance structures

Since April 2007, Petrom's governance has followed the two-tier system, comprised of an Executive Board, which manages the daily operations, and a Supervisory Board elected by the shareholders at their general meeting to act as a monitoring body. The powers and duties of such corporate bodies are detailed in the Company's Articles of Association and the relevant internal regulations.

Supervisory Board members

On April 28, 2009 the shareholders elected a new Supervisory Board for the next 4 years. Mr. Wolfgang Rutenstorfer (Chairman of the Board), Mr. Gerhard Roiss (Vice chairman of the Board), Mr. David C. Davies, Mr. Helmut Langanger, Mr. Werner Auli and Mr. Marian Țurlea were confirmed for a new tenure, while Mr. Emanoil Neguț, Mr. Cristian Marian Olteanu and Mr. Kevin Bortz left the Supervisory Board, being replaced by Mr. Gheorghe Ionescu, Mr. Daniel Costea and Mr. Riccardo Puliti. The Supervisory Board would once again like to thank Mr. Neguț, Mr. Olteanu and Mr. Bortz for their constructive work and commitment in the interests of the Company and its employees during their years of mandate. As required by the Companies Law, none of the Supervisory Board members holds an executive position in the Company. Moreover, some of the Supervisory Board members were identified as meeting the independence criteria of the Companies Law.

Executive Board members

Currently, the Executive Board of the Company has seven members, namely Mrs. Mariana Gheorghe (President of the Executive Board, CEO), Mr. Reinhard Pichler (CFO), Mr. Johann Pleininger (in charge of Exploration and Production), Mr. Siegfried Gugu (Exploration and Production Services), Mr. Neil Anthony Morgan (Refining), Mr. Rainer Schlang (Marketing) and Mr. Gerald Kappes (Gas, Power and Chemicals). One change occurred at the beginning of this year as regards the composition of the Executive Board, namely the appointment by the Supervisory Board of Mr. Rainer Schlang as the new Executive Board Member in charge of Marketing starting February 1, 2010. After

successfully developing Petrom's marketing operations, Mr. Tamas Mayer took over a different responsibility at Petrol Ofisi, Turkey's leading fuel and lubricants distribution company in which OMV holds a 41.58% stake.

Supervisory Board's activity during 2009

In 2009, the Supervisory Board thoroughly reviewed the position and prospects of the Company and performed its functions according to the law, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We coordinated with the Executive Board on the management of Petrom and monitored its work, and we were involved in the Company's key decisions. Where required by law, the Articles of Association, or the bylaws, the Supervisory Board adopted resolutions following a comprehensive analysis. In line with the Collective Bargaining Agreement, invitations to attend the Supervisory Board meetings were extended to the Trade Union representatives and the meeting agenda and related documents were provided in a timely manner in that respect.

During the year under review, the Supervisory Board met seven times, including in two extraordinary sessions. Moreover, for specific and particularly urgent plans and projects arising between the actual meetings, the Supervisory Board submitted its approval in writing.

At our meetings, the Executive Board duly provided detailed information, both verbally and in writing, on issues of fundamental importance for the Company, including its financial position, business strategy, planned investments and risk management. We discussed all transactions significant for Petrom in the plenary meetings, based on the reports of the Executive Board. The good frequency of both plenary and committee meetings facilitated an intensive dialog between the Executive Board and the Supervisory Board. In addition, the President of the Executive Board constantly informed the Supervisory Board of current developments in the Company's business, significant transactions and upcoming decisions. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board in 2009. The average participation rate was of almost 90 percent.

During the Supervisory Board meeting convened on March 17, we discussed in detail the 2008 annual and consolidated financial statements

as well as the respective management reports.

The 2008 annual and consolidated financial statements were duly adopted following the recommendation of the Audit Committee, which had conducted an in-depth examination of the documents together with the auditors. The financial crisis and its impact on Petrom Group was another focal point of discussion during the March meeting. Consequently, we agreed with the management's proposal not to distribute dividends in 2009 so as to ensure a solid basis for the future of the Company in a very challenging economic environment. Though securing external financing was a difficult task in the economic context of 2009, management successfully attracted funds of EUR 300 mn from the EBRD to support the Company's environmental and energy efficiency investments and another EUR 400 mn from the EIB and EBRD for the construction of the gas-fired power plant in Brazi. We welcomed management's efforts and in the said meeting we empowered it to finalize negotiations with the involved banks and deliver the necessary financing documents.

Two meetings of the Supervisory Board were held in April. During the extraordinary meeting of April 15, the petrochemicals production in Arpechim Refinery was thoroughly examined, while on April 28, immediately after the General Meeting of Shareholders, the newly elected Supervisory Board met for the first time to deal with some procedural aspects like the election of its President and the appointment of the Audit Committee members.

At the regular meeting of June 19, the Supervisory Board primarily dealt with some strategic issues regarding the Company's exploration and production activities, such as the adjustments in the 2009 drilling program and Mamu field redevelopment. At its meeting on September 15, the Supervisory Board focused its discussion on the modification of the Articles of Association. Following our review, the Articles of Association were amended in the Extraordinary Shareholders Meeting of October 20 so as to take into consideration the latest developments of domestic and European corporate legislation, but also address the expiry of some clauses included in the Privatization Agreement of Petrom.

The regular meeting of November 24 was followed by an extraordinary one, on December 15. Some important items were discussed during

The good frequency of the meetings facilitated intensive dialogue between the EB and SB

these two meetings such as:

- ▶ The business plan and budget for 2010
- ▶ Financing of future investments, including the possibility to seek access to fresh equity in the future and other financing options such as new credit facilities, namely the syndicated loan worth EUR 500 mn, with a tenure of 3 years secured in December
- ▶ Expansion and financing of the exploration and production portfolio in Kazakhstan
- ▶ Framework for future refining strategy within new market configuration: change of scope of original investment program, planned investments of EUR 750 mn for 2010-2014 in modernizing and ensuring the maintenance of the Petrobrazi facility
- ▶ The exiting of non-core segments, such as the chemicals business.

We believe that Petrom has continued on a successful path of development in 2009, despite the increasing difficulties caused by the global economic and financial crisis and industry volatility. To this end, the Supervisory Board would like to thank the Executive Board, managers, employees and trade union representatives for their responsible and committed work, which was the basis for coping with a demanding 2009. We would also like to show our appreciation to clients and business partners of our Company. The Supervisory Board has no doubt that the sustainable development accomplished by Petrom since its privatization will enable the Company to surmount further challenges ahead and achieve its potential in the years to come.

The Audit Committee

An Audit Committee comprised of four Supervisory Board members is established to provide assistance to the governing bodies of Petrom in the area of internal control and financial reporting. In line with the Companies Law, the Audit Committee also includes members that have the necessary financial audit and accounting expertise. Moreover, at least one of the committee members meets the independence criteria laid down by the Companies Law. The four members of the Audit Committee are: Mr. David C. Davies, Mr. Gerhard Roiss, Mr. Gheorghe Ionescu and Mr. Riccardo Puliti.

In 2009, the Audit Committee met three times. On these occasions, the committee reviewed and prepared the adoption of the annual accounts

and the proposal for the allocation of profit.

In addition, the Audit Committee supervised Petrom's risk management arrangements and its financial performance and monitored the reports delivered by its internal auditors. It further prepared a proposal of an independent financial auditor to the Supervisory Board and to the General Meeting of Shareholders.

External Auditor

Deloitte Audit S.R.L. was Petrom's independent auditor throughout 2009 and a resolution for their reappointment will be submitted to the next General Meeting of Shareholders.

Annual financial statements

Deloitte audited the 2009 financial statements, reviewed the conformity of the annual report with the financial statements and issued unqualified audit opinions.

The financial statements and audit reports were presented for Supervisory Board examination in a timely manner. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the financial statements with the auditors and examined them carefully. The Committee reported to the Supervisory Board on its examination and recommended the approval of the annual and consolidated financial statements, including the management reports. Based on our own examination of the annual financial statements, the consolidated financial statements and the management report, we concurred with the results of the audit. The final results of our examination did not lead to any objections. Hence, the annual and consolidated financial statements were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 29, 2010

March 25, 2010
Bucharest



Wolfgang Ruttenstorfer
President of the Supervisory Board

The Audit Committee met three times in 2009

Directors' Report

Petrom financials

	2008	2009	Δ (%)
Net turnover (RON mn)	16,751	12,842	(23)
EBITDA (RON mn)	3,565	2,950	(17)
EBIT (RON mn)	1,309	1,197	(9)
Net profit (RON mn)	1,022	1,368	34
Net cash generated by operating activities (RON mn)	4,383	2,657	(39)
Investments (RON mn)*	6,404	4,145	(35)
Employees as of December 31	33,311	27,470	(18)

* Investments also include increases of participations in other companies

In 2009, economic development continued its downward trend, characterized by deteriorating market conditions with significantly lower oil prices. Nevertheless, Petrom recorded a good overall performance due to swift management decisions to offset these challenges.

The Company's net profit increased by 34% in 2009 compared to 2008 as oil price hedges secured in 2008 for 40,000 boe/d of our 2009 production had a strong positive impact in the company's financial result, amounting to RON 524 mn. As a result of the increasing net profit, the Return on Average Capital Employed (ROACE) indicator increased to 9% in 2009, compared to 7% registered in 2008.

Over the last five years, investments amounted to around RON 18.4 bn (approximately EUR 5 bn), the largest investment budget in the energy sector in Romania, essential to consolidate the company's position and to increase our efficiency. In 2009 we had a focused investment program, reducing our investments by 35% to RON 4,145 mn, given the unfavorable economic conditions, compared to 2008, when we had an investment peak. Continuous investments had a positive effect on the company's operating cash flow and, in addition, in 2009, strict cost management was applied in order to secure the financing of key projects. Therefore, Petrom evaluated and reprioritized its projects based on profitability of each investment project and cash-back period for each investment, in order to maintain a solid balance sheet.

In 2009, Petrom adapted its value chain in order to remain strong in the challenging market conditions and set up the framework for its refining strategy, given the currently depressed

margin environment and the medium-term outlook of overcapacity in the European industry, while also deciding to exit the chemicals sector.

In **Exploration and Production**, 2009 was marked by the achievement of several key projects which were put on stream. The new gas processing plant for the entire offshore production, Midia, located near Constanta, was put into operation at the end of September 2009.

Construction work for the Hurezani gas de-bottlenecking project commenced in 2009 and is progressing as scheduled. Despite the investment constraints and the decrease of gas demand in 2009, the natural production decline was partially offset, by starting production mainly from the offshore wells Delta 6 and Lebada Vest 4 and performing around 900 workovers in oil and gas wells.

The upgrade of the existing Madulari gas treatment facilities for the Mamu gas field was completed and the drilling of 115 development, exploration and appraisal wells was also completed. Internationally, in 2009 the production started at the Komsomolskoe field in Kazakhstan and the first exploration success in Russia was registered in well Lugovaya-1. In December 2009, Petrom closed the acquisition of Kornei LLP, which owns the Kultuk oilfield, located 34 km North West of the Komsomolskoe field.

The domestic reserves replacement rate was successfully maintained at slightly above 70%, thus achieving the target set for 2010 already in 2008 and 2009.

In E&P, several key projects were put on stream

R&M activity was affected by very depressed margin environment

In **Refining and Marketing** the economic environment continued to bring critical challenges due to the very depressed margin environment, which was mitigated by the more flexible refineries operation and the positive effect of restructuring the Petrochemicals business (Petrochemicals remained offline throughout 2009).

Own crude consumption was maintained at almost the same level as in 2008 (11.5%), with a lower utilization rate and the middle distillate yield structure was improved from 37% in 2008 to 38% in 2009. Investments in Refining focused on the fluid catalytic cracking (FCC) gasoline post treated unit in Petrobrazî, therefore achieving full capability for the production of Euro V compliant fuels. During 2009, several projects on energy efficiency were continued.

By the end of 2009, Petrom adapted its business considering the new market situation and decided to adjust the capacity of Petrobrazî to 4.2 mn t/year, with an investment of EUR 750 mn in order to modernize and ensure the maintenance of the refinery facility. The main scope of the envisaged modernization is to enable the processing of 100% of Romanian crude production. Also, the Arpechim bulk refinery was in economic shutdown throughout November 2009 and it will work on an 'as needed' basis until 2011. By year-end, we finalized negotiations with Oltchim, leader in the petrochemicals market in Southeastern Europe, regarding the transfer of assets related to the petrochemical activities of Arpechim. The transaction took effect at the beginning of 2010, after the necessary authorization from fiscal and competition authorities were obtained.

In Marketing, one of the major achievements in 2009 was the increased throughput per filling station by 12% over the previous year, reaching an average throughput of 4.8 mn liters. Non-oil business sales increased substantially by 9% over 2008, while the number of premium stations increased to 124 in 2009, from 121 in 2008. Investments in Marketing were mainly allocated for the operations' optimization, efficiency increase and the two terminals under construction, Jilava and Brazi.

In **Gas and Power**, Petrom continued to pursue its strategic directions of expanding the gas value chain into power.

Regarding Gas activity, 2009 started with the 'gas crisis' caused by the interruption of Russian gas supplies to Central and Western Europe that involved the reduction of natural gas quantities delivered to Romania, and meanwhile Petrom successfully contributed to overcome the gas shortages thereby created. In Romania, gas demand decreased by 15% while Petrom's consolidated sales dropped by only 9%, maintaining its strong position on the market. The groundbreaking ceremony for the Brazi power plant took place in June and construction proceeded according to schedule for 2009. Petrom is considering entering the renewable energy sector. In 2009 we evaluated several fully developed wind projects, which will be the focus for this strategic move.

In line with management's decision to exit non-core segments, Petrom will close Doljchim by the end of 2010 and run until then on an 'as needed' basis according to the company's integration needs.

By the end of 2009, Petrom had secured credit facilities amounting to EUR 1.6 bn from international and local financial institutions and via syndicated loans in order to support investments needs. In March, Petrom signed with EBRD a corporate senior syndicated unsecured loan of up to EUR 275 mn to support the environmental and energy efficiency investments of the company. A parallel loan of EUR 25 mn was signed with the Black Sea Trade and Development Bank for the same purpose. In May, the company ensured the funding of the first fully private power generation project, raising external funds by signing two unsecured corporate credits with the EIB and EBRD, each for the amount of EUR 200 mn. In December, the multi-currency revolving credit facility with medium-term maturity was granted by a syndicate of 9 international banks, co-ordinated by Erste Group Bank AG. Despite the credit facilities, Petrom maintains a gearing ratio below 30%, in line with OMV financing strategy.

In G&P we pursued our strategic direction of expanding the value chain

Financial highlights

Profit and loss

Summarized profit and loss (RON mn)

	2008	2009	Δ (%)
Net turnover	16,751	12,842	(23)
Change in inventory – credit balance	366	(2)	n.m.
Revenues from non-current assets production	142	208	46
Other operating revenues	140	158	13
Operating revenues – total	17,399	13,206	(24)
Expenses with raw materials and consumables	5,112	2,402	(53)
Other expenses with materials	55	43	(22)
Expenses with utilities	539	501	(7)
Cost of merchandises sold	875	1,325	51
Personnel expenses	2,329	2,344	1
Adjustments to the value of tangible and intangible assets	2,256	1,752	(22)
Adjustments to the value of current assets	143	136	(5)
Other operating expenses	4,137	3,989	(4)
Adjustments to the provisions for risks and charges	644	(483)	n.m.
Operating expenses – total	16,090	12,009	(25)
Operating profit	1,309	1,197	(9)
Financial result	296	500	69
Gross profit	1,605	1,697	6
Income tax	583	329	(44)
Net profit	1,022	1,368	34

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

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

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

E&P EBIT decreased by RON 773 mn, from RON 3,139 mn in 2008 to RON 2,366 mn in 2009, driven by the unfavorable oil price development and lower volumes. Production of Petrom S.A. in Romania decreased to 66 mn bbl, which is 4% lower than the level recorded in 2008. The

decrease was mainly due to the reduced number of new wells drilled and the delay of key wells.

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

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

Business divisions' results

Improved financial result to RON 500 mn

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

As a result of its business activities, Petrom contributed RON 6,720 mn to the State budget, 4% higher than in 2008. Profit tax stood at RON 286 mn, royalties amounted to RON 553 mn and social contributions reached RON 563 mn. Petrom's contribution to the State budget via

indirect taxes was mainly represented by excise (RON 3,761 mn) and also employee related taxes (RON 602 mn) and VAT (RON 779 mn). A standard review process for all taxes related to the years 2004 to 2008 has been carried out by fiscal authorities and, upon its finalization in early 2010, Petrom booked provisions amounting to RON 234 mn to reflect the outcome of the review. Such provisions are included in operating expenses (RON 191 mn) and in the profit tax line (RON 43 mn).

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

Balance sheet

Summarized balance sheet (RON mn)

	2008	%	2009	%
Assets				
Non-current assets				
Tangible and intangible assets	14,786	59	16,816	63
Investments in associates and other financial assets	5,021	20	5,427	20
Current assets				
Inventories	2,394	10	2,098	8
Accounts receivable and other assets	1,741	7	2,092	8
Short-term investments	724	3	0	0
Cash at bank and cash in hand	261	1	280	1
Total assets	24,927	100	26,713	100
Equity and liabilities				
Equity	13,569	55	14,056	53
Non-current liabilities				
Long-term loans	1,486	6	2,810	11
Other non-current liabilities	164	1	109	0
Provisions	6,262	25	6,177	23
Current liabilities				
Short-term loans	301	1	419	1
Trade payables	2,290	9	2,027	8
Other current liabilities	855	3	1,115	4
Total equity and liabilities	24,927	100	26,713	100

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

Non-current assets increased by 12% to RON 22,243 mn, mainly driven by significant

investments related to E&P for the development and modernization of wells, surface facilities and production equipment, as well as to R&M, Power and Corporate projects. In 2009, non-current assets also increased due to additional loans given to subsidiaries.

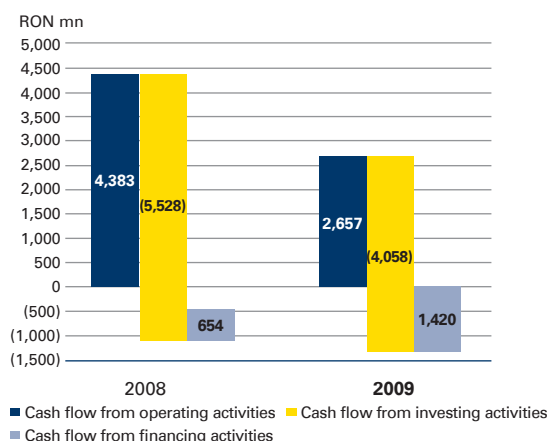
Total current assets, including pre-payments, decreased by 13% to RON 4,470 mn compared to RON 5,121 mn at the end of 2008, mainly as a result of lower short-term investments related to oil price hedging and lower inventories partially compensated by an increase in short-term financial assets. Inventories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

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

Shareholders' equity amounted to RON 14,056 mn as of December 31, 2009 and increased by 4% from the end of 2008 (RON 13,569 mn), as a result of the net profit generated in the current year and reduced by a decrease in the unrealized portion of the oil price hedging. Due to the competitive environment, cash flows generated from operations were lower. As the Company continued to keep investments for strategic projects with a strong economic impact at high level, additional financing was needed. As a result, the **indebtedness ratio**¹ reached 19.99% at the end of December 2009 (11.09% at the end of 2008).

Cash flow

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



Cash flow from operating activities decreased by RON 1,726 mn or 39%, from RON 4,383 mn to RON 2,657 mn.

The reconciliation of gross income for the year to net cash from operating activities (before changes in working capital) resulted in a net upward adjustment of RON 1,778 mn for 2009 [2008: RON 2,892 mn]. The main effects in adjustments for non-monetary items comes from depreciation and amortization of RON 1,466 mn for 2009 [2008: RON 1,171 mn], fixed asset impairments and losses on disposals amounting to RON 487 mn [2008: RON 1,031] compensated by a net decrease in provisions for litigations totaling RON 360 mn [2008: net increase of RON 693 mn] and net decrease in restructuring provisions amounting RON 142 mn [2008: net increase of RON 48 mn].

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

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

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

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

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

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

Lower cash flow from operating activities

¹ Indebtedness ratio is calculated as Long term debt/(equity) x 100, according to Romanian National Securities Commission's regulations in force

Investments**Investments (RON mn)**

	2008	2009	Δ (%)
Exploration and Production	4,524	2,806	(38)
Refining and Marketing	1,297	559	(57)
Gas and Power	386	353	(9)
Corporate and Others	197	427	117
Total investments*	6,404	4,145	(35)

* Investments include acquisitions of tangible and intangible assets and acquisitions of financial assets representing shares in other companies.

**35% decrease
of investments
versus 2008**

Investments made by Petrom S.A. in 2009 amounted to RON 4,145 mn, a 35% decrease compared to 2008.

Investments in **E&P** represent 68% of the total figure for 2009, mainly due to the continued focus on optimization of gas delivery and processing, the drilling of development and production wells, workovers and production facilities. The acquisition of Korned LLP, finalised in December, in Kazakhstan is also included. Approximately 13% of the total investments

were realized by **R&M**. In Refining, investments were mainly related to the FCC gasoline post-treater project, the DCS (Distributed Control System) implementation and the systematization and revamp of the Refinery Tanks Farm. The marketing division investments focused on the modernization of oil terminals.

Investments in **G&P** mainly related to the Brazil power plant project. Corporate and Others investments increased due to the investments in the new head office, 'Petrom City'.

Risk management

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

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

Two integrated Risk Reports, dated May and October, are further presented twice per year to the OMV Operating Risk Committee and are included in the results presented to OMV's Executive Board and Supervisory Board. The awareness and understanding of the companies' risk profile as well as risk management skills improved substantially throughout the group. Starting in 2009, Petrom uses Monte Carlo simulation techniques to calculate the range of potential deviations from the mid-term plan EBITD within a 95% confidence level, based on the history price movements and the future estimates.

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

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

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

Risk treatment consists of risk transfer (like hedging strategies or insurance policies), risk mitigation or risk retention, trying to reach the optimal level of risk suitable to the company. Financial instruments of all kinds are used for the purposes of managing exposure to currency, commodity price and interest rate movements being evaluated at OMV Group level, considering Petrom's needs and being approved by Petrom's Executive Board. Petrom also centrally analyses its foreign currency exposure versus USD and EUR. Liquidity risk was reduced significantly with the conclusion of a multi-currency credit line of EUR 500 mn as well as the extension of existing loans.

To protect the company's cash flow in 2010, Petrom entered into crude oil hedges in Q2/09 for a volume of 38,000 bbl/d (approximately 41% from total production) securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero cost collar), whereby the Group would not be able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume. Petrom realized a cash flow of USD 173 mn (thereof USD 20 mn in 2010) from crude oil hedges for a volume of 40,000 bbl/d of the 2009 production where a price floor of USD 80/bbl was secured as long as the oil price was above USD 65/bbl. When oil prices were below USD 65/bbl, the hedge paid out USD 15/bbl in addition to the realized market price.

Crude oil hedges used to protect the company's cash flow

Information required as per Regulation no 1/2006 issued by the National Securities Commission

All the steps of the reorganization process were discussed and agreed with the unions

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

The relations between the management and the employees remained positive and constructive over the year, without the occurrence of collective actions to challenge the management. The dialog between unions and management continued on a regular basis. All the steps of the reorganization process that the company has entered were discussed and agreed by both parties. The defective wording of stipulations from the Collective Labour Agreement of Petrom resulted in a chain of labour litigations through which several employees requested the payment of bonuses allegedly unpaid to them. These litigations are in progress on various stages, in Bucharest and across the country. Petrom's defence is based on the argument that the respective bonuses were included in the base salary of the employees. Throughout 2009, Petrom continued to receive claims relating to this matter, but following the management assessment of the potential liabilities with respect to ongoing cases, the provision of RON 1.3 bn, booked in 2008 to cover the risk in line with prudence principles, was not increased. Petrom has taken all possible action and committed all necessary resources to defend itself against these lawsuits, and also to prevent a further increase in litigation.

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

The company received notifications regarding the restitution of the assets confiscated by the state between March 6, 1945 and December 22, 1989, which falls under the incidence of the Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2009 are the following - 1,118 notifications were transmitted to Petrom, out of which:

- ▶ 16 buildings were restored;
- ▶ 1,052 notifications were rejected;
- ▶ 27 notifications were redirected towards other entities;
- ▶ 23 notifications (files) are currently under analysis.

As per Article 7.2, in conjunction with the provisions of Article 26 of the Methodological Norms for the

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

Any agreements, understanding or family connection between the company's administrators and another person who is responsible for appointing of the respective person in the position of administrator

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

The participation of the administrators at the share capital of the Company

Petrom does not have knowledge of any member of the Supervisory Board holding shares issued by the Company throughout 2009.

Any agreement, understanding or family connection between the members of the executive management and another person who is responsible for appointing him/her member of the executive management

There are no such agreements or understandings.

The participation of the executive management members at the share capital of the Company

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

Potential litigations and administrative procedures in which the company's administrators and the members of the Executive Board were involved over the last 5 years

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

Subsequent events

Name change

Starting January 1, 2010, the company name is OMV Petrom S.A., following the Decision of the Extraordinary General Meeting of Shareholders held on October 20, 2009. The Company's brand and logo remain unchanged. Consequently, any reference within the document to 'Petrom' or the 'Company' will be interpreted as a reference to OMV Petrom S.A. legal entity.

Consolidation of gas activities

Starting February 1, 2010, Petrom reorganized its activities in the Gas division by consolidating sales and supply activities within Petrom Gas S.R.L.

Outlook 2010

For 2010, we expect the oil price to remain in volatile trading within a range of USD 60 to 80 per barrel. The FX rates relevant to our business (USD/RON, EUR/RON, EUR/USD) are anticipated to fluctuate around the average levels of 2009. The market for refined products is forecast to remain challenging throughout the year 2010, with a deeply depressed margin environment given the overcapacity in the industry not only in Romania, but in all of Europe. Marketing volumes and margins are expected to remain under pressure until the economy shows clearer signs of improvement.

The Romanian economy is expected to return to a marginal rate of growth in 2010. However, the rate of unemployment in both the public and private sector is likely to increase throughout the year, increasing social benefit costs for the authorities and putting pressure on private consumption. Continuing efforts to reduce the state budget deficit are going to restrict government spending severely.

To help protect the company's cash flow in 2010, Petrom entered into crude oil hedges in Q2/09 for a volume of 38,000 bbl/d, securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero-cost structure).

Over the last five years, the average annualized investments amounted to around EUR 1 bn. In order to maintain business sustainability and to achieve our growth potential, we have to raise this level of investment. For this purpose, we would need significant annualized investments of around EUR 1.2-1.5 bn in Romania over the next few years. So far, we have optimized our cash flow management and secured a solid basis for financing our key strategic projects through external loans. However, in order to ensure the necessary funds to finance such an ambitious investment program, there is a reasonable probability that we will seek to raise additional capital in 2010.

Given the higher liquidity level required to sustain our investment needs, management's proposal is that no dividends should be distributed for 2009. The Company's investment budget and dividend proposal are subject to further approval by the General Meeting of Shareholders, on April 29, 2010. In addition, we will discuss with the Romanian authorities and

major stakeholders how to capitalize on gas price alignments and access to fresh equity.

In **E&P**, in order to cope with the challenging economic environment and the volatility of the international oil price, the focus on strict cost management and organizational streamlining will continue. In addition, the completion of the gas de-bottlenecking project in Hurezani as well as the identification, planning and execution of field redevelopment projects will be additional focal points in E&P.

In 2010, our investment program will focus on the optimization of gas delivery at Hurezani, drilling of development and production wells, well workovers, production facilities and infrastructure. Our efforts to minimize the natural decline of production will focus on reservoir management initiatives, infill drilling and maintaining the workover program at around the same number of operations as in 2009.

Exploration activity is expected to increase in 2010 compared to 2009. The drilling program includes drilling of 11 exploration and appraisal wells, with a focus on larger, high impact prospects located in deeper more frontier areas. The 3D seismic data acquired in the offshore Neptun area explored in a joint venture with ExxonMobil will be processed and evaluated in 2010 to identify potential commercial prospects. In E&P Services, the turnaround program will continue in 2010 and will support E&P to achieve its production and cost targets.

In Kazakhstan, the Komsomolskoe oil field will be on stream for the full year and is expected to contribute significantly to overall production by reaching its plateau production of 10,000 boe/d in the course of 2010. Appraisal of the recently acquired Kultuk oilfield will commence with 3D seismic acquisition.

In **Refining**, given the currently depressed margin environment and a medium-term outlook of overcapacity in the European industry, the scope of the original investment plan has been changed. As a result, capacity of the Petrobrazi refinery will be adjusted to 4.2 mn tonnes per year and some EUR 750 mn will be invested between 2010 and 2014 in modernizing and maintaining the facility. The main scope of the envisaged modernization is to enable

Petrom might seek to raise additional capital in 2010

the processing of 100% of Romanian crude production. In 2010, we mainly intend to progress with the modernization of the crude distillation unit. During the second quarter, we will execute a cycle-end turnaround at Petrobrazii to perform mechanical inspection and reauthorization works. The turnaround is scheduled to last for one month, starting early April. The Arpechim refinery will operate solely on an 'as needed' basis during 2010, depending on the prevailing margin and supply conditions, and alternative options will be assessed thereafter.

In **Marketing**, the focal points of this year's activities are the operations' optimization, efficiency increase, finalization of construction of the Brazi terminal and commencing construction of the third part of our Terminal Modernization Program, namely the Isalnita storage facility. The significant decline in fuels demand recorded at the end of 2009 gained in intensity at the beginning of 2010; further on, the fuels market is expected to be challenging, in line with the development of the Romanian economy.

In **G&P**, the focus will remain on expanding the gas value chain, by continuing the construction of the power plant at Brazi according to plan, with the commissioning phase expected to complete

in 2011. Moreover, Petrom is considering entering the renewable energy sector, with specific focus on wind power. In the Gas business, total gas consumption in Romania is anticipated to stagnate in 2010. Currently, the domestic gas price stands at around half the import gas price. Therefore, the alignment of the domestic and imported gas price will be a priority topic in our discussions with the Romanian authorities. The consolidation of the gas supply and sales activities within Petrom Gas S.R.L. will be a focus point in 2010. In line with management's decision to exit non-core segments, Petrom will close Doljchim by the end of 2010 and until then will run the operations on an 'as needed' basis and according to the company's integration needs. The dismantling and decontamination of the plant will be started, in compliance with European environmental standards

March 25, 2010
Bucharest



Mariana Gheorghe
Executive Board President

Petrom is considering entering the renewable energy sector, with specific focus on wind power

Petrom's participations

Petrom's participations as at December 31, 2009

UPSTREAM		GAS	
Tasbulat Oil Corporation LLP	100.00%	Petrom Gas S.R.L.	100.00%
KORNED LLP	100.00%	Petrom Distribuție Gaze S.R.L.	99.99%
Petrom Exploration & Production limited	50.00%	Congaz S.A.	28.59%
Kom Munai LLP	95.00%		
Ring Oil HOLDING & TRADING LTD	74.90%		
MD India	0.01%		
DOWNSTREAM		CORPORATE AND OTHER	
ICS Petrom Moldova S.A.	100.00%	Petromed Solutions S.R.L.	99.99%
Petrom LPG S.A.	99.99%	Bursa Maritimă și de Mărfuri S.A.	20.09%
OMV Romania Mineraloel S.R.L. ¹	99.90%	Asociația Română pentru Relația cu Investitorii	20.00%
OMV Bulgaria OOD	99.90%	Bursa de Mărfuri Oltenia Craiova	2.63%
OMV Srbija DOO	99.90%	Telescaun Tihuța S.A.	1.68%
Petrom Nadlac S.R.L.	98.51%	Agribac S.A.	0.79%
Poliflex S.R.L.	96.84%	Credit Bank	0.22%
MP Petroleum Distribuție S.R.L.	95.00%	Institutul Român pentru Asigurări	0.10%
Petrochemicals Arges S.R.L.	95.00%		
Trans Gas Services S.R.L.	80.00%		
Petrom Aviation S.A.	95.63%		
Franciza Petrom 2001 S.A.	40.00%		
Brazi Oil & Anghelescu Prod Com S.R.L.	37.70%		
Fontegas Peco Mehedinți S.A.	37.40%		
GTI Oil Co S.A.	13.00%		
AirTotal România S.A.	6.41%		
Benz Oil S.A.	0.48%		
Oficiul Patronal Județean Mureș	0.01%		

¹OMV Romania Mineraloel S.R.L.'s name has changed into OMV Petrom Marketing S.R.L. as of March 17, 2010

Abbreviations and definitions

bbl; bbl/d	Barrel; barrel per day
bcm	Billion cubic meters
bn	Billion
boe; boe/d	Barrels of oil equivalent; boe per day
Capital employed	Equity + (Financial Current liabilities + Financial Non-current liabilities – Cash)
cbm	Cubic meter
CH ₄	Methane
CO ₂	Carbon Dioxide
CSR	Corporate social responsibility
EBIT; EBITDA	Earnings Before Interest and Taxes; Earnings Before Interest, Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
EIB	European Investment Bank
ETBE	Ethyl tert-butyl ether; gasoline additive to increase octane rating of petrol mixed with ethanol
EU, EUR	European Union, euro
FAME	Fatty acid methyl ester obtained from animal fat or vegetable oils; used in biodiesel
FCC	Fluid Catalytic Cracker
GDP	Gross Domestic Production
GHG	Green House Gas
GMS	General Meeting of Shareholders
HR	Human Resources
HSE; HSEQ	Health, Safety, Security and Environment; Health, Safety, Security, Environment and Quality
HFO	Heavy Fuel Oil
ISO 9001	International standard for Quality management systems
ISO 14001	International standard for Environmental management systems
IT	Information Technology
kt	Thousand tonnes
km	kilometers
LPG	Liquefied Petroleum Gas
mn	Million
MTBE	Methyl tertiary butyl ether; gasoline additive to increase the octane number
MW	Megawatt
n.m.	Not meaningful
NGL	Natural Gas Liquids
NGO	NonGovernmental Organization
NOPAT	Net Operating Profit After Taxes = Net income + (Interest Expense – Interest income)*(1-tax rate)
NOx	Nitrous oxides
NO ₂	Nitrogen dioxide
OHSAS 18001	International Occupational Health and Safety Assessment management system specification
OPEC	Organization of Petroleum Exporting Countries
OPEX	Operating expense
PJ	Petajoule = 10 ¹⁵ Joule
ppm	Parts per million
Q	Quarter
RAS	Romanian Accounting Standards
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed
ROE	Return On Equity = Net Profit / Average Equity
ROFA	Return On Fixed Assets = EBIT / Average Fixed Assets
RON	New Romanian leu
Smc	Standard cubic meter
SO ₂	Sulfur dioxide
S.A.; S.R.L.	JSC - Joint stock company (Societate pe Actiuni); Ltd - Limited liability company (Societate cu Raspundere Limitata)
t; toe	Tonnes; tonnes of oil equivalent
VAT	Value added tax
yoy	Year-on-year



Independent Auditor's Report and Financial Statements

Trust is the foundation of any long-term business. Among other things, trust is built on consistency and transparency and we continue to build these into our management systems and reporting structures.

Wherever possible, we aim to complement the legal disclosure requirements with additional relevant information, believing that openness and clarity are of real value to our shareholders.

Petrom is committed to these high standards and to comply with the leading industry disclosure standards so users of our reports can trust the information we provide as reliable data and a comprehensive picture of the Company.

WHAT MAKES PEOPLE TRUST YOU?
Fairness and reliability.



Independent Auditor's Report*

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

Report on the Financial Statements

1 We have audited the accompanying financial statements of S.C. Petrom S.A. ('the Company'), which comprise the balance sheet as at December 31, 2009, the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

▶ Net assets/Total equity:	RON 14,056,147,239
▶ Net profit for the year:	RON 1,368,127,631

Management's Responsibility for the Financial Statements

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

Auditor's responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. Petrom S.A. as of December 31, 2009, and its financial performance and its cash flows for the year then ended, in accordance with the Order of the Ministry of Public Finance no. 1752/2005 and subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

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

Other Matters

- 7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements, respectively, the Order of the Ministry of Public Finance no. 1752/2005 and subsequent amendments.
- 9 In accordance with the requirements of Law 82/1991 republished, article 31, parent company must issue an annual report regarding its own activity and also a consolidated annual report. As discussed in note 6 to the financial statements, the Company will issue consolidated financial statements for the year ended December 31, 2009 within the timeframe stipulated in the legislation.

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

In accordance with the Order of the Ministry of Public Finance no. 1752/2005 with the subsequent amendments, article no. 263 point 2), we have read the annual report that includes the Supervisory Board's Report attached to the financial statements. The Supervisory Board's Report is not a part of the financial statements. In the Supervisory Board's Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2009.



Farrukh Khan, Audit partner

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

On behalf of:

DELOITTE AUDIT SRL

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

Bucharest, Romania
March 25, 2010

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

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

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

No.	Notes	Row	December 31, 2008	December 31, 2009
A	FIXED ASSETS			
I	Intangible assets			
1	Set up expenses	01	-	-
2	Development expenses	02	-	-
3	Concessions, patents, licenses, trademarks and other similar rights and assets	03	1,088,659,438	887,840,345
4	Goodwill	04	-	-
5	Advances and intangible assets in progress	05	41,056,083	99,327,785
	Total (rows 01 to 05)	1b) 06	1,129,715,521	987,168,130
II	Tangible assets			
1	Land and buildings	07	6,803,105,041	8,328,497,496
2	Plant and machinery	08	2,372,378,280	3,133,097,459
3	Other equipment and furniture	09	93,219,526	90,574,329
4	Advances and tangible assets in progress	10	4,386,971,350	4,276,599,535
	Total (rows 07 to 10)	1a) 11	13,655,674,197	15,828,768,819
III	Financial assets			
1	Investments in companies within the group	12	1,098,007,913	1,064,136,922
2	Loans to the companies within the group	13	1,861,948,614	2,066,639,241
3	Investments in associated companies	14	16,011,111	14,158,585
4	Amounts owed by subsidiaries and associated companies	15	-	-
5	Long term financial Investments as assets	16	-	-
6	Other debts	17	2,045,113,862	2,282,130,885
	Total (rows 12 to 17)	1 c) 18	5,021,081,500	5,427,065,633
	TOTAL FIXED ASSETS (rows 06+11+18)	19	19,806,471,218	22,243,002,582

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

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

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

No.	Notes	Row	December 31, 2008	December 31, 2009
E	CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-62)	46	1,546,602,219	823,564,982
F	TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46)	47	21,353,073,437	23,066,567,564
G	PAYABLES IN MORE THAN ONE YEAR			
	1 Debenture loans	48	-	-
	2 Payables to credit institutions	49	1,486,003,422	2,176,218,785
	3 Advances cashed for orders	50	-	-
	4 Trade payables	51	2,841,432	-
	5 Bills of exchange payables	52	-	-
	6 Amounts payable to related parties	53	-	634,230,000
	7 Payables to investments participation	54	-	-
	8 Other payables, including tax and social security payables	55	15,250,548	11,868,526
	Total (rows 48 to 55)	5 56	1,504,095,402	2,822,317,311
H	PROVISIONS			
	1 Provisions for pensions and other liabilities	57	-	-
	2 Provisions for taxes	58	-	-
	3 Other provisions	59	6,262,466,399	6,176,529,278
	TOTAL PROVISIONS (rows 57 to 59)	2 60	6,262,466,399	6,176,529,278
I	DEFERRED INCOME			
	1 Investments subsidies	61	17,913,189	11,573,736
	2 Deferred income	62	128,345,370	85,635,241
	Total (rows 61+62)	63	146,258,559	97,208,977
J	SHARE CAPITAL AND RESERVES			
I	Share capital			
	- subscribed and paid in share capital	64	5,664,410,834	5,664,410,834
	- subscribed and not paid in share capital	65	-	-
	- patrimony	66	-	-
	TOTAL (rows 64 to 66)	7 67	5,664,410,834	5,664,410,834
II	Premium related to capital	68	-	-
III	Revaluation reserve	69	50,904,252	81,614,855

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

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

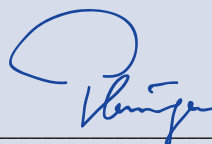
These financial statements were approved on March 25, 2010.



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer



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



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



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E.B. Member Gas, Power &
Chemicals



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E.B. Member Refining



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E.B. Member Marketing



Mr. Siegfried Ehn
Director Finance and
Controlling Division



Mrs. Mihaela Milinschi
Director of Accounting
Department

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

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

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

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

No.	Notes	Row	Year ended December 31, 2008	Year ended December 31, 2009
Total operating expenses (rows 11 to 15+18+21+24+29)				
		32	16,090,391,456	12,008,904,293
Operating Result				
	4	33	1,309,233,231	1,197,278,464
		34	-	-
9	Income from investments	35	175,686,353	183,833,432
	- out of which, within the group	36	174,153,842	180,974,269
10	Income from other financial investments and receivables, part of financial assets	37	-	-
	- out of which, within the group	38	-	-
11	Income from interest	39	135,263,405	119,402,753
	- out of which, within the group	40	87,520,178	87,180,978
	Other financial revenues including forex gain	41	1,620,812,172	816,143,358
	Total financial revenues (rows 35+37+39+41)	42	1,931,761,930	1,119,379,543
12	Adjustment of financial assets and investments held (rows 44-45)	43	133,753,212	137,497,382
	Expenses	44	180,604,658	138,950,257
	Revenues	45	46,851,446	1,452,875
13	Interest expenses	46	23,563,439	104,136,725
	- out of which, within the group	47	-	26,244,216
	Other financial expenses including forex loss	48	1,478,115,170	377,504,155
	Total financial expenses (rows 43+46+48)	49	1,635,431,821	619,138,262
Financial result				
		50	296,330,109	500,241,281
	- loss (rows 49-42)	51	-	-
14	Current profit(loss)			
	- profit (rows 10+42-32-49)	52	1,605,563,340	1,697,519,745
	- loss (rows 32+49-10-42)	53	-	-

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

No.	Notes	Row	Year ended December 31, 2008	Year ended December 31, 2009
15	Extraordinary revenues	54	-	-
16	Extraordinary expenses	55	-	-
17	Extraordinary result			
	- profit (rows 54-55)	56	-	-
	- loss (rows 55-54)	57	-	-
	Total revenues (rows 10+42+54)	58	19,331,386,617	14,325,562,300
	Total expenses (rows 32+49+55)	59	17,725,823,277	12,628,042,555
	Profit before tax			
	- profit (rows 58-59)	60	1,605,563,340	1,697,519,745
	- loss (rows 59-58)	61	-	-
18	Tax on profit	10.8 62	583,175,877	329,392,114
19	Other tax expenses not shown above	63	-	-
20	Net result of financial year			
	- profit (rows 60-62-63)	64	1,022,387,463	1,368,127,631
	- loss (rows 61+62+63); (rows 62+63-60)	65	-	-

These financial statements were approved on March 25, 2010.



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Chief Financial Officer



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S.C. PETROM S.A.

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

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

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

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

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

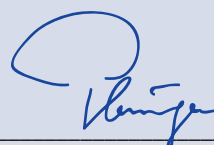
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S.C. PETROM S.A.

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

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

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

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

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

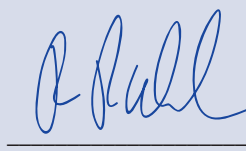
- RON 517,640,630 represents fair value of the hedging made by the Company in 2008.
- RON (74,056,386) relates to the fair value of the available for sale investments that have been disposed during 2008.
- RON 1,986,513 represents land for which ownership was obtained but was not included in share capital.

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

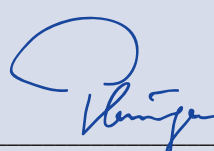
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Director of Accounting
Department

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

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

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

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

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

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

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

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

These financial statements were approved on March 25, 2010.



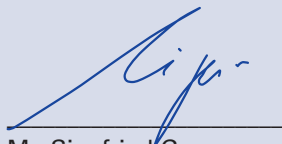
Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer



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



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



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



Mr. Neil Morgan
E.B. Member Refining



Mr. Rainer Schlang
E.B. Member Marketing



Mr. Siegfried Ehn
Director Finance and
Controlling Division



Mrs. Mihaela Milinschi
Director of Accounting
Department

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

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

1. FIXED ASSETS

a) Tangible assets

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

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

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

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

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

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

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

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

1. FIXED ASSETS (continued)

b) Intangible assets

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

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

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

1. FIXED ASSETS (continued)

c) Financial assets

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

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

(b) Other receivables include loans given to subsidiaries in Kazakhstan (KOM MUNAI LLP, TASBULAT OIL CORPORATION BVI) whose principal activities are exploration and production of oil and gas and also loans given to the other subsidiaries in R&M and E&P segments, such as OMV BULGARIA LTD and RING OIL HOLDING & TRADING LTD. Loans given to subsidiaries bear an interest rate based on Euribor plus a variable margin and have different maturities.

(c) As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the Romanian State as these pertain to Exploration and Production (E&P) activities prior to privatization of the Company in 2004.

1. FIXED ASSETS (continued)

c) Financial assets (continued)

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

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION LLP	Oil exploration and drilling in Kazakhstan	100.00%	13,426,985	-
PETROM GAS SRL	Gas distribution	100.00%	8,601,510	-
PETROM DISTRIBUTIE GAZE SRL	Gas distribution	99.99%	13,010,677	13,010,677
OMV ROMANIA MINERALOEL SRL	Fuel distribution	99.90%	380,125,971	-
OMV BULGARIA OOD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,968	-
PETROM NADLAC SRL	Oil products distribution	98.51%	6,521,923	1,910,711
POLIFLEX SRL	Polyethylene production and distribution	96.84%	518,170	518,170
M.P. PETROLEUM DISTRIBUTIE SRL	Fuel distribution	95.00%	116,638,420	11,171,662
KOM MUNAI LLP	Oil exploration	95.00%	33,121,000	-
RING OIL HOLDING & TRADING LTD	Holding Company	74.90%	333,946,263	278,163,909
ICS PETROM MOLDOVA SA	Fuel distribution	100.00%	100,709,480	-
PETROM LPG SA	LPG distribution	99.99%	122,307,743	-
PETROMED SOLUTIONS SRL	Medical services	99.99%	2,999,900	-
TRANS GAS SERVICES SRL	Transfer of LPG (buthane; propane) from large railroad system trucks to normal railroad system trucks	80.00%	3,909,919	-
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	50.00%	5	-
PETROCHEMICALS ARGES SRL	Refining petrochemicals production	95.00%	200	-
PETROM AVIATION SA	Kerosene distribution	95.63%	51,267,443	-
KORNED LLP	Oil exploration and drilling in Kazakhstan	100.00%	38,187,206	-

1. FIXED ASSETS (continued)

c) Financial assets (continued)

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

2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS

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

2. PROVISIONS (continued)

(i) The Company monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and outside legal advisors. The Company has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

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

Since then, in accordance with the provisions of Romanian accounting law, the decommissioning provision related to Company liability has not been reassessed, being only used for the decommissioning work done. As at December 31, 2009, the decommissioning provision for Company liability is RON 2,378,209,930.

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

(iv) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2009. The Company recorded environmental liabilities against receivable from the Romanian State in E&P, Refining and Doljchim as these lagoons existed prior to privatization of the Company.

As at December 31, 2009, the Company had not shortfall in EU allowances allocated compared to the CO2 emissions of installations subject to the EU Emission Trading Scheme.

(v) The Company started a restructuring plan in 2005 and continued with this plan until 2009. In order to run the Company in the most effective and efficient manner, the Company's management has approved this restructuring plan and the plan has been communicated.

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

3. PROFIT ALLOCATION

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

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

4. ANALYSIS OF OPERATING PROFIT

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

5. RECEIVABLES AND PAYABLES

Receivables

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

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

Payables

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

5. RECEIVABLES AND PAYABLES (continued)

Receivables

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

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

Payables

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

5. RECEIVABLES AND PAYABLES (continued)

Liabilities from hedge contracts

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

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

Short term loans

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

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

5. RECEIVABLES AND PAYABLES (continued)

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

5. RECEIVABLES AND PAYABLES (continued)

Long term loans

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

(e) Banks Consortium represents a revolving unsecured credit facility given to the Company by a Consortium of Banks that includes BRD – Groupe Société Générale S.A., Crédit Agricole Luxembourg S.A., Emporiki Bank-Romania S.A., Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG, Société Générale Bank & Trust S.A. and UniCredit Bank Austria AG. The agreement was signed on October 14, 2008 and the final maturity date was prolonged to October 14, 2012. The total facility is EUR 375,000,000 and the drawings can be made in EUR, USD or RON. The interest rates are based on EURIBOR and respectively ROBOR plus an applicable margin. The drawings as at December 31, 2009 were RON 1,006,347,785 (equivalent of EUR 238,008,558) (December 31, 2008: RON 953,705,036, equivalent of EUR 239,263,682) and RON 514,500,000 (December 31, 2008: 514,500,000).

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

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

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

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

5. RECEIVABLES AND PAYABLES (continued)

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

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

5. RECEIVABLES AND PAYABLES (continued)

Finance lease liability

In other payables as at December 31, 2009 is included the short and long portion of finance lease liability. The Company acquired in 2008 and 2009 through finance lease mainly cars, equipments and few power generators.

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

	December 31, 2008	December 31, 2009
Obligations under finance leases		
Amounts due within 1 year	1,016,179	649,574
Amounts due after more than 1 year but not later than 5 years	1,290,081	644,191
Total lease obligations	2,306,260	1,293,765
Less future finance charges on finance leases	(227,781)	(51,643)
Present value of finance lease liabilities	2,078,479	1,242,122
Analysed as follows:		
Maturing within 1 year	890,715	611,434
Maturing after more than 1 year but not later than 5 years	1,187,764	630,688
Total present value of finance lease liabilities	2,078,479	1,242,122

6. ACCOUNTING PRINCIPLES AND METHODS

Basis of preparation

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

Currency of presentation

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

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

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

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

- a) EEC Directive IV 78/660/EEC dated July 25, 1978, as revised and detailed in MOF No.1752/2005;
- b) EEC Directive VII 83/349/EEC dated June 13, 1983 related to consolidated financial statements, as revised and detailed in MOF No. 1752/2005.

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

Consolidated financial statements

These are the stand alone statutory financial statements. The Company also prepares consolidated financial statements for the same period in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU). IFRS Consolidated financial statements for the year ended December 31, 2009 have been authorized for issue by the management on March 25th, 2010.

Prior Year Restatements and Retained Earnings

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

Geological quota

Until December 31, 2006, the Company benefited from geological quota facility. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Use of estimates

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

Property plant and equipment

(i) Cost/ Valuation

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

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

The last revaluation of buildings was performed as at December 2009. Revaluations of buildings are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

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

The revaluation of the buildings recorded in December 2009 did not influence the fiscal book value of the assets and consequently the profit tax calculation for the year ended December 31, 2009.

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Exploration and Appraisal Costs

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

Development and Production Costs

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

(ii) Depreciation

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

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

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

Intangible assets

(iii) Intangible assets

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

(iv) Impairment of assets

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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

(v) Provision for Decommissioning Costs

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

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

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

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

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

Inventories

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

Receivables

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Contributions for employees

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

Tax on profit

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

Operating leases

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

Financial leases

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

Borrowing costs

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

Revenue recognition

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

Sale of goods

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

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Rendering of services

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

- ▶ installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- ▶ servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- ▶ revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

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

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

Rental income

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

Provisions

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

Operational expenses

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

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date. At December 31, 2009 the exchange rate was RON 2.9361 to USD 1 and RON 4.2282 to EUR 1 (31 December 2008: RON 2.8054 to USD 1 and RON 3.9860 to EUR 1).

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

Components of cash and cash equivalents

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Long-term investments

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

Retirement Benefit Costs

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

Restructuring provision

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

Available-for-sale financial assets

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

Held-to-maturity investments

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

Hedging

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

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

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Segmental reporting

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

7. SHARE CAPITAL

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

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

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

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

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

8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees in 2009 is 30,391 (2008: 29,854). In addition to the average number of employees, in the table below are also included 7 administrators representing members of the Supervisory Board.

	No. of employees in 2008	Salaries in 2008	No. of employees in 2009	Salaries in 2009
Supervisory Board members and directors	54	12,497,774	65	18,003,261
Direct and administrative employees	29,807	1,807,561,828	30,333	1,804,024,522
Total	29,861	1,820,059,602	30,398	1,822,027,783

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

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

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

10. OTHER INFORMATION

10.1. Nature of activity

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

10.2. Cash and bank accounts

	December 31, 2008	December 31, 2009
Bank accounts	239,500,792	256,298,790
Petty cash	21,817,637	23,733,989
Other values	119,883	3,012
Total	261,438,312	280,035,791

10.3. Inventories

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

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

10. OTHER INFORMATION (continued)

10.4. Short term financial investments

	December 31, 2008	December 31, 2009
Receivable from hedge contracts	517,640,630	-
Bonds issued by World Bank (see Note 1c)	206,384,000	-
Other	-	-
Total	724,024,630	-

Receivable from hedge contracts

In 2008 Petrom S.A. entered into several derivatives contracts in order to hedge the adverse impact of falling oil prices in 2009. These derivative instruments were designed and effective as hedging instruments according to cash-flow hedge accounting. During the year 2009 the oil price hedge was realized, resulting in a revenue in Petrom S.A. of RON 523,648,490. As a result, there are no related balances for this hedge as of December 31, 2009. As at December 31, 2008 the receivable from hedge contract was valued at the market value and amounted to RON 517,640,630.

Bonds issued by World Bank

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

10.5. Earning per share

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

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

10. OTHER INFORMATION (continued)

10.6. Related Parties Transactions and Balances

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

Related party suppliers

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

10. OTHER INFORMATION (continued)

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

Related party receivables

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

10.7. Legal reserves

At December 31, 2009 the legal reserve amounted to RON 553,748,670 (December 31, 2008: RON 474,624,841). The legal reserve is established as a transfer of net income up to 5% of gross profit but not more than 20% of share capital. Legal reserve cannot be distributed to the shareholders but can be utilized by the Company in accordance with relevant regulations.

10. OTHER INFORMATION (continued)

10.8. Tax on profit calculation

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

10. OTHER INFORMATION (continued)

10.9. Segmental reporting

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

10. OTHER INFORMATION (continued)

10.10. Commitments and guarantees

Commitments

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

10.11. Contingencies

Litigations

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

Tax system

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

Contingent assets

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

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

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

10. OTHER INFORMATION (continued)

10.12. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2009 prepared in accordance with OMF 1752/2005 was of EUR 45,000.

10.13. Market risk

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

10.14. Foreign exchange and inflation risk

The Company undertakes transactions denominated in other currencies, including US Dollars and EUR. The official inflation rate in Romania, during the year ended December 31 2009 was under 10% (respectively 4.75%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004. The official exchange rates were RON 2.9361 to USD 1 and RON 4.2282 to EUR 1 (31 December 2008: RON 2.8054 to USD 1 and RON 3.9860 to EUR 1).

10.15. Commodity price risk management

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

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

In 2008, in order to protect the Company's cash flow from the adverse impact of falling oil prices, derivative instruments were used to hedge the proceeds from the production of 40,000 bbl/d in 2009. To achieve this goal, put spreads were used, where a price floor of USD 80/bbl is secured as long as the oil price is above USD 65/bbl. In case the oil price is below USD 65/bbl in 2009, the hedge pays out USD 15/bbl in addition to the realized market price. The put spreads were financed via call options in order to avoid initial investment (zero cost structure), whereby the Company would not be able to profit from oil prices above approximately USD 110/bbl in 2009 for the above stated volume. The hedges are over-the-counter (OTC) contracts with first class banks and were settled on a quarterly basis in 2009. During the year 2009 the oil price hedge was realized, resulting in a revenue in Petrom S.A. of RON 523,648,490. As at December 31, 2008 the nominal value of the open contracts is of RON 1,468,840,808 and the fair value amounts to RON 517,640,614.

10. OTHER INFORMATION (continued)

10.16. Credit risk

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

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

10.17. Subsequent events

Significant events subsequent to the balance sheet date:

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



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