

S.C. PETROM S.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2009
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS TOGETHER WITH
THE INDEPENDENT AUDITORS' REPORT

S.C. PETROM S.A. AND SUBSIDIARIES
AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Independent Auditor's Report

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Petrom S.A. and its subsidiaries ("the Group") as at December 31, 2009 which comprise the consolidated statement of financial position, the consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated 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 entity's preparation and fair presentation of the balance sheet 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 entities' 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 consolidated financial statements give a true and fair view of the financial position of Petrom S.A. and its subsidiaries as of December 31, 2009, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

7. This report is made solely to shareholders of the Group companies, as a body. Our audit work has been undertaken so that we might state to the 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 Group and the shareholders of the Group companies as a body, for our audit work, for this report, or for the opinion we have formed.

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

In accordance with the Order of the Minister of Public Finance no 1752/2005 with the subsequent amendments, article no. 263 point 2) we have read the Supervisory Board' Report accompanying the consolidated financial statements presented from page 1 to 6. The Supervisory Board' Report is not a part of the consolidated financial statements. In the Supervisory Board' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Deloitte Audit SRL
Deloitte Audit SRL
Bucharest, Romania
March 25, 2010

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2009	December 31, 2008
ASSETS			
Non-current assets			
Intangible assets	5	1,360,063,003	1,457,298,270
Property, plant, equipment	6	21,430,575,016	19,167,713,672
Investment in associated companies	7	36,219,774	33,011,037
Other financial assets ¹	8	2,298,204,877	2,064,608,640
Other assets ¹	9	102,526,497	89,324,352
Deferred tax assets	17	<u>712,596,573</u>	<u>508,055,271</u>
Non-current assets		<u>25,940,185,740</u>	<u>23,320,011,242</u>
Current assets			
Inventories, net	10	2,582,687,680	2,758,910,410
Trade receivables, net	9	1,047,741,121	1,021,586,652
Other financial assets ¹	8	227,106,158	998,626,896
Other assets, net ¹	9	284,581,616	183,760,734
Cash and cash equivalents		383,995,069	572,497,418
Assets held for sale	11	<u>60,328,065</u>	<u>61,918,055</u>
Current assets		<u>4,586,439,709</u>	<u>5,597,300,165</u>
Total assets		<u>30,526,625,449</u>	<u>28,917,311,407</u>
EQUITY AND LIABILITIES			
Share capital	12	18,983,366,226	18,983,366,226
Reserves ¹		<u>(2,803,835,858)</u>	<u>(3,038,487,791)</u>
Stockholders' equity		<u>16,179,530,368</u>	<u>15,944,878,435</u>
Non-controlling interests		<u>11,297,202</u>	<u>44,873,232</u>
Equity		<u>16,190,827,570</u>	<u>15,989,751,667</u>
Non-current liabilities			
Provisions for defined benefit obligations	13	283,070,986	251,456,981
Interest bearing debts	14	2,810,448,785	1,468,205,036
Provisions for decommissioning and restoration obligations	13	5,564,277,831	5,103,316,398
Other provisions	13	786,427,212	873,310,532
Other financial liabilities	15	122,483,329	117,470,309
Deferred tax liabilities	17	<u>62,137,498</u>	<u>56,796,904</u>
Non-current liabilities		<u>9,628,845,641</u>	<u>7,870,556,160</u>

¹ Due to reclassifications prior year's figures have been adjusted. For more detailed information, refer to relevant Notes.

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2009

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

	<u>Notes</u>	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Current liabilities			
Trade payables		2,295,405,761	2,627,990,200
Interest-bearing debts	14	187,522,219	357,063,304
Provisions for income taxes ¹	13	111,010,204	18,037,940
Other provisions ¹	13	928,185,416	1,106,160,884
Other financial liabilities ¹	15	657,062,278	208,096,014
Other liabilities ¹	16	527,766,360	739,655,238
Current liabilities		4,706,952,238	5,057,003,580
Total equity and liabilities		30,526,625,449	28,917,311,407

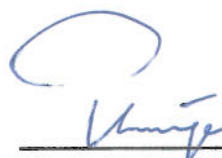
These consolidated financial statements were approved on March 25th, 2010.




 Mrs. Mariana Gheorghe
 Chief Executive Officer




 Mr. Reinhard Pichler
 Chief Financial Officer



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



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



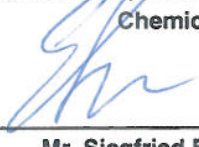
 Mr. Gerald Kappes
 E.B. Member Gas, Power &
 Chemicals




 Mr. Neil Morgan
 E.B. Member Refining



 Mr. Rainer Schlang
 E.B. Member Marketing



 Mr. Siegfried Ehn
 Director Finance and
 Controlling Division



 Mrs. Alina Popa
 Head of Financial Reporting
 and Group Consolidation

¹ Due to reclassifications prior year's figures have been adjusted. For more detailed information, refer to relevant Notes.

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

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Sales revenues		16,089,726,237	20,127,361,508
Direct selling expenses ¹		(364,020,625)	(334,704,286)
Cost of sales		<u>(11,256,265,332)</u>	<u>(14,120,840,886)</u>
Gross profit		<u>4,469,440,280</u>	<u>5,671,816,336</u>
Other operating income	18	408,700,689	439,862,972
Selling expenses ¹		(1,277,446,479)	(1,240,737,118)
Administrative expenses		(225,342,184)	(208,077,385)
Exploration expenses		(274,597,616)	(615,484,412)
Other operating expenses	19	<u>(1,480,277,865)</u>	<u>(2,842,454,639)</u>
Earnings before interest and taxes	20	<u>1,620,476,825</u>	<u>1,204,925,754</u>
Income from associated companies ¹	21	6,067,736	4,015,632
Net interest expense ¹	22	(416,013,059)	(166,256,689)
Other financial income and expenses ¹	23	<u>(41,109,320)</u>	<u>86,155,316</u>
Net financial result		<u>(451,054,643)</u>	<u>(76,085,741)</u>
Profit from ordinary activities		<u>1,169,422,182</u>	<u>1,128,840,013</u>
Taxes on income	24	<u>(336,143,557)</u>	<u>(233,276,892)</u>
Net income for the year		<u>833,278,625</u>	<u>895,563,121</u>
thereof attributable to owners of the parent		<u>860,235,863</u>	<u>978,296,061</u>
thereof attributable to non-controlling interests		(26,957,238)	(82,732,940)
Basic earnings per share in RON	25	0.0152	0.0173

¹ Reclassifications were made for better presentation. Figures for previous periods have been adjusted accordingly.

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

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Net income for the year	833,278,625	895,563,121
Other comprehensive income		
Exchange differences from translation of foreign operations	26,402,327	86,726,962
Unrealized gains/(losses) on available-for-sale financial assets	15,201,099	(9,803,240)
Unrealized gains/(losses) on hedges	(789,967,730)	574,967,312
Income tax relating to components of other comprehensive income	<u>123,962,646</u>	<u>(90,426,252)</u>
Other comprehensive income for the year, net of tax	<u>(624,401,658)</u>	<u>561,464,782</u>
Total comprehensive income for the year	208,876,967	1,457,027,903
thereof attributable to owners of the parent	<u>232,292,225</u>	<u>1,526,737,929</u>
thereof attributable to non-controlling interests	(23,415,258)	(69,710,026)

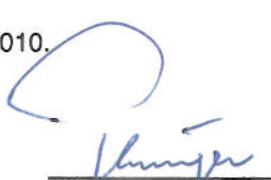
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Mrs. Alina Popa
**Head of Financial Reporting
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S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Stockholders' equity</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2009	18,983,366,226	(3,616,877,485)	482,972,542	114,666,395	(19,249,243)	15,944,878,435	44,873,232	15,989,751,667
Total comprehensive income for the year	-	860,235,863	(663,572,893)	22,860,260	12,768,995	232,292,225	(23,415,258)	208,876,967
Dividend distribution	-	-	-	-	-	-	(74,778)	(74,778)
Increase/ (Decrease) in non-controlling interests	-	-	-	-	2,359,708	2,359,708	(10,085,994)	(7,726,286)
Balance at December 31, 2009	<u>18,983,366,226</u>	<u>(2,756,641,622)</u>	<u>(180,600,351)</u>	<u>137,526,655</u>	<u>(4,120,540)</u>	<u>16,179,530,368</u>	<u>11,297,202</u>	<u>16,190,827,570</u>

Note: For details on reserves, please see Note 12.

The notes on pages 10 to 50 form part of these consolidated financial statements.

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

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Stockholders' equity</u>	<u>Non-controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2008	<u>18,983,366,226</u>	<u>(3,513,271,077)</u>	<u>-</u>	<u>40,962,347</u>	<u>39,922,399</u>	<u>15,550,979,895</u>	<u>137,311,923</u>	<u>15,688,291,818</u>
Total comprehensive income for the year	-	978,296,061	482,972,542	73,704,048	(8,234,722)	1,526,737,929	(69,710,026)	1,457,027,903
Dividend distribution	-	(1,081,902,469)	-	-	-	(1,081,902,469)	(140,846)	(1,082,043,315)
Fair value surplus on change of control	-	-	-	-	10,538,699	10,538,699	-	10,538,699
Changes in Consolidated Group	-	-	-	-	(61,475,619)	(61,475,619)	(22,587,819)	(84,063,438)
Balance at December 31, 2008	<u>18,983,366,226</u>	<u>(3,616,877,485)</u>	<u>482,972,542</u>	<u>114,666,395</u>	<u>(19,249,243)</u>	<u>15,944,878,435</u>	<u>44,873,232</u>	<u>15,989,751,667</u>

The notes on pages 10 to 50 form part of these consolidated financial statements.

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2009	December 31, 2008
Cash flow from operating activities			
Profit before taxation		1,169,422,182	1,128,840,013
Adjustments for:			
Interest expenses	22, 23	216,238,354	28,442,510
Interest income	22	(94,214,792)	(77,176,981)
Net movement in provisions for:			
- Financial assets		5,114,490	1,894,543
- Inventories		47,231,678	57,639,256
- Receivables		52,025,224	30,995,371
- Pensions and similar liabilities		31,614,005	(13,256,977)
- Decommissioning and restoration obligations		231,203,606	206,316,616
- Other provisions for risk and charges		(588,437,029)	640,564,687
Write off of receivables and other similar items		63,333,390	132,914,220
Income from investments in associates ¹	21	(6,067,736)	(4,015,632)
Gain on disposal of subsidiaries		-	(44,398,049)
Cash flow hedge recycled through income statement		196,650,944	57,326,682
Gain on disposals of fixed assets		(71,997,292)	(58,526,188)
(Gain)/ Loss on disposals of financial assets		(264,001)	6,209,963
Depreciation, amortization and impairment expense		2,466,269,956	2,650,739,723
Goodwill written off		-	581,179
Other non cash items		(1,174,199)	-
Cash generated from operating activities before working capital movements		3,716,948,780	4,745,090,936
(Increase)/ decrease in inventories		128,991,231	(510,859,414)
(Increase)/ decrease in receivables and other assets		(147,576,625)	174,958,249
Increase/ (decrease) in liabilities		(652,475,368)	558,871,820
Interest received		94,215,690	79,006,869
Interest paid		(122,908,430)	(28,442,510)
Tax on profit paid		(293,906,771)	(723,358,128)
Net cash generated from operating activities		2,723,288,507	4,295,267,822
Cash flow from investment activities			
Purchase of tangible and intangible assets		(4,402,653,522)	(5,718,301,444)
Proceeds from sale of fixed assets		139,663,588	154,794,615
Proceeds from sale of financial assets		1,800,194	1,023,381,819
Acquisition of financial assets		(7,726,335)	(97,039,837)
Acquisition of subsidiaries net of cash acquired	30	(8,675,163)	(1,201,632,349)
Dividends received ¹		2,859,000	1,533,000
Proceeds from bonds issued by World Bank		206,383,673	-
Proceeds from sale of Group companies less cash and cash equivalents		-	35,688,130
Net cash used from investment activities		(4,068,348,565)	(5,801,576,066)
Cash flow from financing activities			
Net increase in loans		1,163,779,162	1,810,118,143
Dividends paid		(14,681,232)	(1,114,441,209)
Net cash provided by financial activities		1,149,097,930	695,676,934
Effect of foreign exchange rate changes on cash and cash equivalents		7,459,779	42,517,085
Total cash flows		(188,502,349)	(768,114,225)
Cash and cash equivalents at the beginning of the year		572,497,418	1,340,611,643
Cash and cash equivalents at the end of the year		383,995,069	572,497,418

¹ For comparison purposes, as at December 31, 2008 the amount of RON 1,533,000 representing dividends received from associates was reclassified from line "Income from investments in associates" to line "Dividends received".

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

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

Petrom S.A. (239, Calea Dorobantilor, 010567 Bucharest, Romania), has activities in Exploration and Production (E&P), Refining and Marketing, Gas and Power segments. The Company is listed on Bucharest Stock Exchange under "SNP" code.

Shareholders' structure as at December 31, 2009 was as follows:

	Percent
OMV Aktiengesellschaft	51.01%
Ministry of Economy*)	20.64%
Property Fund S.A.	20.11%
European Bank for Reconstruction and Development	2.03%
Legal entities and physical persons	6.21%
Total	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.

Statement of compliance

These consolidated financial statements have been drawn up in compliance with International Financial Reporting Standards as endorsed by the EU (IFRSs).

Romanian listed Companies such as Petrom S.A. are required by Ministry of Finance Order 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS as endorsed by EU starting 2007. In addition, according to Ministry of Finance Order 2001/22.11.2006, companies can choose to prepare first time consolidated financial statements for the year ended 31st December 2006 in accordance with IFRS. As a result, Petrom S.A. prepared first time consolidated financial statements in accordance with IFRS starting with the year ended December 31, 2006.

Basis of preparation

Consolidated financial statements of Petrom Group are presented in RON ("Romanian Lei"), using going concern principles. The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain non-current assets and financial instruments.

Standards and Interpretations effective in the current period

The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by EU are effective for the current period:

- IFRS 8 "Operating Segments" adopted by the EU on 21 November 2007 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 4 "Insurance contracts" and IFRS 7 "Financial Instruments: Disclosures" - Improving disclosures about financial instruments, adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to various standards and interpretations resulting from the Annual quality improvement project of IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, adopted by the EU on 23 January 2009 (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

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

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

- Amendments to IAS 32 “Financial Instruments: Presentation” and IAS 1 “Presentation of Financial Statements” – Puttable financial instruments and obligations arising on liquidation, adopted by the EU on 21 January 2009 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement” and IFRS 7 „Financial Instruments: Disclosures” - Reclassification of financial assets, effective date and transition, adopted by the EU on 9 September 2009 (effective on or after 1 July 2008),
- IAS 1 (revised) “Presentation of Financial Statements” – A revised presentation, adopted by the EU on 17 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IAS 23 (revised) “Borrowing Costs” adopted by the EU on 10 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 2 “Share-based Payment” – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRIC 9 “Reassessment of Embedded Derivatives” and IAS 39 “Financial Instruments: Recognition and Measurement” -Embedded Derivatives, adopted by the EU on 30 November 2009 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 11 “IFRS 2 – Group and Treasury Share Transactions” adopted by the EU on 1 June 2007 (effective for annual periods beginning on or after 1 March 2008),
- IFRIC 13 “Customer Loyalty Programmes” adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 14 “IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction” adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009).

The adoption of these amendments to existing standards and interpretations has not led to any significant changes.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by EU were in issue but not yet effective:

- IFRS 1 (revised) “First-time Adoption of IFRS” adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 3 (revised) “Business Combinations” adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 27 “Consolidated and Separate Financial Statements” adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2009
(all amounts are expressed in RON, unless otherwise specified)

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

- IFRIC 12 "Service Concession Arrangements" adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 "Agreements for the Construction of Real Estate" adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- IFRIC 18 "Transfers of Assets from Customers" adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009).

The Group has elected not to adopt these standards, revisions and interpretations in advance of their effective dates. The Group anticipates that the adoption of these standards, revisions and interpretations will have no material impact on the financial statements of the Group in the period of initial application.

Critical areas and use of management judgment

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses, as well as the amounts disclosed in the notes. Actual outcomes may differ from these estimates. The management believes that any deviations from these estimates will not have a material influence on the consolidated financial statements in the near-term.

Estimates and assumptions need to be made particularly with respect to reserves, provisions for restoration costs and impairment of fixed assets.

a) Mineral reserves (oil and gas reserves) are estimated by the Group's own engineers. The estimates are audited externally every two years.

b) Estimates of future restoration costs are also based on reports by Group engineers and on past experience. Provisions for restoration costs and impairment losses require estimates of interest rates. These estimates have a material effect on the amount of the provisions (See Note 13).

c) In accordance with IAS 36, both, intangible assets and property, plant and equipment are reviewed at balance sheet date for any indications of impairment. If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is recognized to reduce the asset to its lower recoverable amount. The asset's value is written back up to its depreciated cost if the reasons for recognition of an impairment loss disappear in subsequent periods. The difference is disclosed under other operating income.

S.C. PETROM S.A. AND SUBSIDIARIES
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2. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of Petrom S.A. and its subsidiaries as at 31 December 2009, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, 31 December 2009, as the parent company.

The valuation of assets and liabilities from subsidiaries is based on fair values at acquisition dates. Goodwill arising on acquisition is recognized as an asset, being the excess of the initially measured cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities recognized. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized in profit and loss account. The interest of non-controlling shareholders in the acquiree is initially measured at the non-controlling interests' proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent write-backs to amortized cost.

Non-controlling interests represent the portion of profit and loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated statement of financial position, separately from parent's shareholders' equity.

The number of consolidated companies is as follows:

	Full consolidation	Equity consolidation
As at January 1, 2009	21	1
Acquired during the year	1	-
Disposed of	-	-
As at December 31, 2009	22	1
thereof, Romanian companies	8	1
thereof, Foreign companies	14	-

The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

b) Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

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3. ACCOUNTING AND VALUATION PRINCIPLES

a) Exploration and appraisal costs

Exploration and appraisal costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as unproved mineral properties and related 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.

b) 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.

c) Intangible assets and property, plant and equipment

Intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Property, plant and equipment are recognized at cost of acquisition or construction and is presented net of accumulated depreciation and impairment losses.

The cost of purchased tangible 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-constructed assets includes cost of direct materials, labour, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

Depreciation and amortization are calculated on a straight-line basis, except for core items within E&P activities which are depreciated using the unit of production method.

In accordance with IAS 36, both, intangible assets and property, plant and equipment are reviewed at balance sheet date for any indications of impairment. For non-tangible assets with undetermined useful lives, impairment tests are carried out annually. This applies even if there are no indications of impairment. If the carrying amount of an asset exceeds the recoverable amount, an impairment loss is recognized to reduce the asset to its lower recoverable amount. The asset's value is written back up to its depreciated cost if the reasons for recognition of an impairment loss disappear in subsequent periods. The difference is disclosed under other operating income.

Depreciation and amortization are disclosed in the consolidated income statement under production costs of sales.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Scheduled depreciation and amortization calculated on a straight line basis is largely based on the following useful lives:

Intangible assets	Useful life (years)
Goodwill	Unlimited
Software	3-5
Concessions, licenses and other intangibles	4-20, or contract duration
Business-specific property, plant and equipment	
E&P Oil and gas core assets	Unit of production method
R&M Storage tanks	40
Refinery facilities	25
Pipeline systems	20
Filling station equipment	10
Filling station buildings and outdoor facilities	5-20
Gas pipelines	20
Chemicals plant	8-20
Other property, plant and equipment	
Production and office buildings	20 or 40-50
Other plant and equipment	10-20
Fixtures and fittings	5-10

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value can better be realized by sale than by continuous usage. This classification requires that the sale must be estimated as extremely probable, and that the asset must be available for immediate disposal in its present condition.

d) Goodwill

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities.

Goodwill is not amortized, and instead it is tested annually for impairment at least once a year. Impairment losses are recognized against income immediately, and there are no subsequent write-backs to amortized cost.

e) Leases

Property, plant and equipment contains assets being used under finance leases. Since the Group 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.

All lease agreements not classified as finance leases are treated as operating leases and the lease payments then form part of the expenses of the period.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

f) Investments in associates

The Group's investment in its associate is accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is not a subsidiary.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to Group's net investment in the associate. The income statement reflects the share of the results of operations of the associate. Where has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes and discloses it in the statement of changes in equity.

g) Financial assets

Companies and other investments for which there is no listed market price on an active market are carried at acquisition cost or at an appropriate lower value if there is impairment which is expected to be permanent. Associated companies are recognized at the proportionate share of equity. Interest-bearing loans are disclosed at nominal value, and interest-free loans, and loans at low rates of interest, at present value.

Available-for-sale securities are recognized at fair value. Temporary decreases in value and all increases in fair value are however not recognized as income, but included directly as part of stockholders' equity. Permanent decreases in fair value are recognized in the income statement.

Held-to-maturity securities and investments are carried at amortized cost (subject to temporary impairment). Securities designated as assets at fair value through profit or loss are recognized in the income statement for the period at fair value including gains and losses. Securities and investments without stock exchange listings or market values, whose fair value cannot be reliably estimated, are disclosed at acquisition cost less any impairment losses.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognised in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. 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 deferred in equity is recognised immediately in profit or loss.

h) Interest on borrowings

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.

i) Government grants

In accordance with IAS 20, government grants are only recognized where there is reasonable assurance that the conditions attaching to them will be fulfilled and that the grants will be received. Grants satisfying these criteria are disclosed under other liabilities and released over the depreciable life of the assets to which they relate.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

j) Inventories

Inventories are recorded 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.

k) Receivables and other assets

With the exception of derivative financial instruments, which are recognized at fair value, and foreign currency items, which are translated at closing rates, receivables and other assets are carried at amortised cost. This can be taken to be a reasonable estimate of fair value, since in the majority of cases the residual maturity is less than a year. Long-term receivables are discounted using the effective interest rate method.

l) Provisions

Provisions are normally made for all present obligations to third parties where it is probable that the obligation will be settled and the amount of the obligation can reliably be estimated. Provision for individual obligations is based on the best estimate of the amount necessary to settle the obligation.

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.

The Group's core activities regularly give rise to dismantling and removal, asset retirement and soil remediation obligations. These decommissioning and restoration obligations are mainly of material importance in the E&P segment (oil and gas wells, above-ground facilities). They are therefore disclosed as a separate item. At the time the obligation arises, it is provided for in full by recognizing as a liability the present value of future decommissioning and restoration expenses. An equivalent amount is capitalized as part of the carrying value of the long-lived asset. In general, the obligation is calculated on the basis of best estimates. The capitalized asset is depreciated using the unit-of-production method for upstream activities, and compound interest is accrued on the obligation at each balance sheet date until decommissioning and restoration.

For present obligations relating to other environmental risks and measures, provisions are made where it is likely that such obligations will arise and the amount of the obligation can reasonably be estimated.

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO₂ emissions, and provisions are recognized only for shortfalls.

Based on the privatization agreement of Petrom S.A., part of Petrom decommissioning and environmental cost will be reimbursed by the Romanian State. The portion of provision to be reimbursed by the Romanian State has been presented as receivable and reassessed in order to reflect the current best estimate of the cost at present value.

Provisions for pensions and severance payments are calculated using the projected-unit-credit-method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Provisions for voluntary and involuntary separations under restructuring programs are recognized if a detailed plan has been approved by management prior to balance sheet date, and an irrevocable commitment is thereby established. Voluntary amendments to employees' remuneration arrangements are recognized if the respective employees have accepted the company's offer. Provisions for obligations under individual separation agreements are recognized at the present value of the obligation where the amounts and dates of payment are fixed and known.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

m) Liabilities

Liabilities are carried at amortised cost, with the exception of derivative financial instruments, which are recognized at fair value, and foreign currency liabilities, which are translated at closing rates. Long-term liabilities are discounted using the effective interest rate method. The interest rate used for this purpose is the rate ruling at balance sheet date for similar securities with similar maturities. The carrying value of other liabilities is effectively the same as their fair value, because they are predominantly short-term.

If goods and services supplied in connection with operating activities have not yet been invoiced but both the dates and amounts of supply are already established, the obligations are included under liabilities rather than as provisions.

Convertible bonds are considered as composite instruments, consisting of a debt component and an equity component. The fair value of the debt component is calculated as of the date of issue by applying the market interest rate for comparable non-convertible debt prevailing at the time. The difference between the proceeds of issue of the convertible bond and the fair value of the debt component gives the value of the option to convert the debt into equity, which is disclosed at equity.

n) Taxes on income including deferred taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Provision is made for deferred taxes on temporary differences (differences between Group carrying values and tax bases which reverse in subsequent years). Tax loss carry-forwards are taken into account in calculating deferred tax assets. Deferred tax assets and liabilities at Group level are shown netted where there is a right of setoff and the taxes relate to matters subject to the same tax jurisdiction. If the probability of deferred tax assets being realized is greater than 50%, then the values are retained. Otherwise a valuation allowance is deducted.

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

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3. ACCOUNTING AND VALUATION PRINCIPLES (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.

p) 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.

r) Geological quota

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

s) Derivatives

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 Group would pay or receive if the positions were closed at year end 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 year end date.

Unrealized gains and losses are as a general rule recognized as income or expense, except where the requirements for hedge accounting are met. For hedge accounting to be applied the hedging relationship must be regularly documented and actual hedge effectiveness must be in the range 80%–125%.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the hedged item and the hedging instrument are recognized as income or expense.

For cash flow hedges, the effective part of the changes in fair value is recognized directly in equity, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows results in an asset or liability, the amounts that are provided under equity are recognized in the income statement in the period in which the hedged position affects earnings.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Derivatives embedded in other financial instruments or host contracts are treated as independent instruments if their risks and characteristics are not closely associated with the host instruments and the host instruments were not recognized at fair value, so that the related unrealized gains and losses are recognized as income or expense.

t) Comparatives

Certain comparative information of the previous year have been reclassified in order to ensure comparability with the presentation of the financial statements for the current year.

IAS 1 has been revised to enhance the usefulness of information presented in the financial statements. According to IAS 1 revised, entities need to consider whether to present the statement of comprehensive income as a single statement or two statements. The Group applied IAS 1 (Amended) from 1 January 2009 and chose to present two statements.

4. FOREIGN CURRENCY TRANSLATION

The consolidated financial statements are presented in RON, which is Petrom S.A. functional currency. Each entity in the Group determines its own functional currency and items included in its financial statements are measured using the functional currency. The functional currency of the foreign operations is generally their local currency, except for Kazakhstan entities that use USD as functional currency.

Where the functional currency differs from the national currency, monetary assets are valued at closing rates and non-monetary assets at transaction rates. Also, where the functional currency differs from the Group presentation currency, financial statements are translated using closing rate method. Differences arising between balance sheet items translated at closing and historical rates are disclosed as a separate balancing item directly in changes in stockholders' equity (foreign exchange differences).

Income statement items are translated at average rates for the period (mean rates). Differences arising from the use of average rather than closing rates also result in direct adjustments to equity.

The rates applied in translating currencies were as follows:

Exchange rates	Year ended December 31, 2009	Average for the year ended December 31, 2009	Year ended December 31, 2008	Average for the year ended December 31, 2008
US dollar (USD)	2.9361	3.0469	2.8054	2.5147
Euro (EUR)	4.2282	4.2376	3.9860	3.6797
Moldavian Leu (MDL)	0.2397	0.2747	0.2762	0.2416
Russian Ruble (RUB)	0.0977	0.0960	0.0966	0.1010
Serbian Dinar (RSD)	0.0440	0.0451	0.0450	0.0452
Bulgarian Leva (BGN)	2.1619	2.1667	2.0380	1.8814

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5. INTANGIBLE ASSETS

	Concessions, licenses, and other intangible assets	Unproved mineral properties and related assets	Total
COST			
Balance as at January 1, 2009	1,505,793,546	946,524,749	2,452,318,295
Exchange differences	168,850	3,763,021	3,931,871
Changes in consolidated Group	-	146,308,799	146,308,799
Additions	127,737,715	125,683,280	253,420,995
Transfers (Note 6)	5,198,979	(47,060,768)	(41,861,789)
Disposals	(36,800,779)	(94,692,656)	(131,493,435)
Balance as at December 31, 2009	<u>1,602,098,311</u>	<u>1,080,526,425</u>	<u>2,682,624,736</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2009	305,062,439	689,957,586	995,020,025
Exchange differences	515,960	3,409,790	3,925,750
Amortization	273,784,602	1,119,168	274,903,770
Impairment	1,513,193	175,413,621	176,926,814
Transfers (Note 6)	4,877,394	(624,965)	4,252,429
Disposals	(36,311,550)	(92,713,955)	(129,025,505)
Write-ups	-	(3,441,550)	(3,441,550)
Balance as at December 31, 2009	<u>549,442,038</u>	<u>773,119,695</u>	<u>1,322,561,733</u>
CARRYING AMOUNT			
As at January 1, 2009	<u>1,200,731,107</u>	<u>256,567,163</u>	<u>1,457,298,270</u>
As at December 31, 2009	<u>1,052,656,273</u>	<u>307,406,730</u>	<u>1,360,063,003</u>

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6. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl. buildings on third-party property	Proved mineral properties and related assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
COST							
Balance as at January 1, 2009	3,002,820,276	14,925,201,551	2,524,072,015	784,152,897	2,408,969,794	619,218,024	24,264,434,557
Exchange differences	10,415,265	33,290,093	9,278,374	(4,631,775)	27,169,147	4,057,123	79,578,227
Changes in consolidated Group	-	-	-	-	-	-	-
Additions**	229,188,520	2,502,620,557	124,794,905	45,308,150	914,845,748	398,344,992	4,215,102,872
Transfers*	318,194,363	318,504,530	364,293,764	157,490,690	(871,298,967)	(245,322,591)	41,861,789
Assets Held for Sale	5,428,107	-	551,293	210,490	13,176,494	-	19,366,384
Disposals	(37,609,469)	(12,430,281)	(79,925,844)	(85,310,947)	(318,726,979)	-	(534,003,520)
Balance as at December 31, 2009	3,528,437,062	17,767,186,450	2,943,064,507	897,219,505	2,174,135,237	776,297,548	28,086,340,309
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2009	569,332,463	2,678,438,996	1,312,691,806	380,717,887	153,846,734	1,692,999	5,096,720,885
Exchange differences	2,154,806	6,957,216	4,475,638	(278,654)	71,477	-	13,380,483
Changes in consolidated Group	-	-	-	-	-	-	-
Depreciation	135,707,502	1,096,090,662	247,820,387	123,201,763	-	-	1,602,820,314
Impairment	16,440,955	5,401,032	31,296,797	7,324,625	372,958,109	1,056,408	434,477,926
Transfers*	14,166,371	(1,454,978)	17,322,257	11,018,921	(44,519,035)	(785,965)	(4,252,429)
Assets Held for Sale	561,617	-	208,430	70,539	-	-	840,586
Disposals	(21,178,252)	(5,631,559)	(60,130,558)	(72,581,794)	(309,282,991)	-	(468,805,154)
Write-ups	(1,098,659)	(160,284)	(727,468)	(282,323)	(16,292,621)	(855,963)	(19,417,318)
Balance as at December 31, 2009	716,086,803	3,779,641,085	1,552,957,289	449,190,964	156,781,673	1,107,479	6,655,765,293
CARRYING AMOUNT							
As at January 1, 2009	2,433,487,813	12,246,762,555	1,211,380,209	403,435,010	2,255,123,060	617,525,025	19,167,713,672
As at December 31, 2009	2,812,350,259	13,987,545,365	1,390,107,218	448,028,541	2,017,353,564	775,190,069	21,430,575,016

*) Net amount represents transfers from intangibles. See Note 5.

**) Include RON 50 million representing decommissioning liability reassessment and RON 16 million land titles obtained.

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6. PROPERTY, PLANT AND EQUIPMENT (continued)

Fixed assets presented above, in categories "Plant and machinery" and "Other fixtures and fittings, tools and equipment" include fixed assets acquired in 2008 through finance lease with a carrying amount of RON 6 million as at December 31, 2009 (December 31, 2008: RON 11 million).

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 232,178,040, R&M amounting RON 345,792,057 and also other segments RON 10,575,775.

7. INVESTMENTS IN ASSOCIATED COMPANIES

Changes in investments in associated companies during the year were as follows:

COST	Associated companies
Balance as at January 1, 2009	33,011,037
Increases in value	3,208,737
Disposals	-
Balance as at December 31, 2009	36,219,774

As at December 31, 2009 and December 31, 2008 the Group had one associated company: Congaz S.A..

8. OTHER FINANCIAL ASSETS

	December 31, 2009	Liquidity term	
		less than 1 year	over 1 year
Investments	11,817,008	-	11,817,008
Expenditure recoverable from Romanian State	2,372,681,794	99,808,131	2,272,873,663
Other financial assets	140,812,233	127,298,027	13,514,206
Total	2,525,311,035	227,106,158	2,298,204,877

	December 31, 2008	Liquidity term	
		less than 1 year	over 1 year
Receivable from hedge contracts	517,640,630	517,640,630	-
Bonds issued by World Bank	190,182,856	190,182,856	-
Investments	15,716,640	-	15,716,640
Expenditure recoverable from Romanian State	2,037,919,562	-	2,037,919,562
Other financial assets	301,775,848	290,803,410	10,972,438
Total	3,063,235,536	998,626,896	2,064,608,640

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8. OTHER FINANCIAL ASSETS (continued)

Investments

The position "Investments" comprises all the investments in subsidiaries and associates that were not consolidated, as the Group does not have control or significant influence over their operations or they were considered immaterial for the Group. These financial assets are accounted for at amortized cost.

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 580,975,172. 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 (see Note 33).

Bonds issued by World Bank

The bonds beared an interest of 6.5% p.a. payable each semester and the maturity was September 2009. They were cashed at the maturity date. The bonds were carried at fair value through equity amounting to RON 190,182,856 as at December 31, 2008.

Expenditure recoverable from Romanian State

As part of the privatization agreement, Petrom S.A. 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 E&P activities prior to privatization of the Company in 2004. Consequently, the Company has recorded the estimated decommissioning expenditures against receivable from the Romanian State in amount of RON 1,835,218,140 as at December 31, 2009 (2008: RON 1,695,105,426). The Company also recorded receivable from the Romanian State related to environmental liabilities in E&P, Refining and Doljchim amounting to RON 537,463,654 (2008: RON 342,814,136) as these were existing prior to privatization of the Company.

The movement of write down allowances for financial assets was as follows:

	<u>Investments</u>	<u>Other financial assets</u>	<u>Total</u>
January 1, 2009	56,330,747	17,463,459	73,794,206
Impairment	2,363,439	2,751,051	5,114,490
Disposals	(7,898,376)	-	(7,898,376)
December 31, 2009	50,795,810	20,214,510	71,010,320

The aging of other financial receivables which were past due but not impaired was as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Up to 60 days overdue	125,146	6,022,001
61 to 120 days overdue	-	-
More than 120 days overdue	32,693,002	47,000
Total	32,818,148	6,069,001

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9. RECEIVABLES AND OTHER ASSETS, NET

a) Trade receivables are amounting to RON 1,047,741,121 as at December 2009 and to RON 1,021,586,652 as at December 2008. They are presented net of provisions, which are detailed in the movement below.

b) Other assets

	December 31, 2009	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	55,027,202	55,027,202	-
Rental and lease prepayments	27,726,079	27,273,099	452,980
Other receivables	304,354,832	202,281,315	102,073,517
Total	387,108,113	284,581,616	102,526,497

	December 31, 2008	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	14,720,475	14,720,475	-
Rental and lease prepayments	49,534,920	49,122,110	412,810
Other receivables	208,829,691	119,918,149	88,911,542
Total	273,085,086	183,760,734	89,324,352

c) Valuation allowances for trade receivables and other assets

The movement of valuation allowances for trade and other receivables were as follows:

	Trade receivables	Other assets	Total
January 1, 2009	253,554,000	403,342,977	656,896,977
Additions	20,577,443	93,897,625	114,475,068
Disposals	(20,922,218)	(41,360,231)	(62,282,449)
Exchange differences	(59,935)	(107,460)	(167,395)
December 31, 2009	253,149,290	455,772,911	708,922,201

d) The aging of trade receivables which were past due but not impaired was as follows:

	December 31, 2009	December 31, 2008
Up to 60 days overdue	136,995,789	180,123,613
61 to 120 days overdue	936,616	5,730,001
More than 120 days overdue	1,614,163	9,666,002
Total	139,546,568	195,519,616

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10. INVENTORIES, NET

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Crude oil	483,044,896	413,314,038
Natural gas	63,114,020	51,610,398
Other raw materials	787,376,582	906,879,225
Work in progress	125,831,966	158,195,000
Finished products	1,069,574,077	1,122,032,064
Advances paid for inventories	<u>53,746,139</u>	<u>106,879,685</u>
Total	<u>2,582,687,680</u>	<u>2,758,910,410</u>

11. ASSETS HELD FOR SALE

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Land	49,395,375	44,805,304
Property, plant and equipment	6,651,573	11,067,117
Intangible assets	3,046	3,046
Deferred tax asset (see Note 17)	<u>4,278,071</u>	<u>6,042,588</u>
Assets held for sale	<u>60,328,065</u>	<u>61,918,055</u>

12. SHAREHOLDERS' EQUITY

The share capital of Petrom S.A. consists of 56,644,108,335 fully paid shares with a total nominal value of RON 5,664,410,834. The balance up to RON 18,983,366,226 represents inflation adjustment, as Romania was a hyperinflationary economy until January 2004.

In 2009 Petrom S.A. used derivative instruments in order to protect the Group's cash flow from the adverse impact of falling oil prices for a volume of 38,000 bbl/d in 2010. These were accounted as cash flow hedge and the fair value as of December 31, 2009 was negative generating a correspondent financial liability. The effective part of the changes in fair value was recognized directly in equity amounting to RON 215,000,418, including the related deferred tax asset of RON 34,400,067.

In order to protect the Group's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from the production of 40,000 bbl/d in 2009. The derivative instruments were accounted as cash flow hedge and the effective part of the changes in fair value was recognized directly in equity (December 31, 2008: RON 574,967,312), including the related deferred tax liability (December 31, 2008: RON 91,994,770). During the year 2009 the oil price hedge was realized, resulting in a total revenue in Petrom S.A. of RON 580,975,172. There are no related balances for this hedge as of December 31, 2009.

Reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves). Geological quota included in revenue reserves is amounting to RON 5,062,836,164. Legal reserves included in revenue reserves are amounting to RON 553,748,670.

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13. PROVISIONS

	Defined benefits obligations	Provisions for income taxes ¹	Decommissioning and restoration	Other provisions ¹	Total
January 1, 2009	251,456,981	18,037,940	5,103,316,398	1,979,471,416	7,352,282,735
Exchange differences	-	(157,430)	790,073	416,157	1,048,800
Changes in consolidated Group	-	-	5,992,581	41,105	6,033,686
Used	(28,691,995)	(15,945,938)	(28,176,475)	(814,183,210)	(886,997,618)
Allocations	<u>60,306,000</u>	<u>109,075,632</u>	<u>482,355,254</u>	<u>548,867,160</u>	<u>1,200,604,046</u>
December 31, 2009	<u>283,070,986</u>	<u>111,010,204</u>	<u>5,564,277,831</u>	<u>1,714,612,628</u>	<u>7,672,971,649</u>
thereof short-term	-	111,010,204	-	928,185,416	1,039,195,620
thereof long-term	283,070,986	-	5,564,277,831	786,427,212	6,633,776,029

¹ As at December 31, 2009 taxes related provisions amounting to RON 3,833,694 have been reclassified from provisions for income taxes to other provisions. Figures for previous periods have been adjusted accordingly.

Provisions for defined benefit obligations

Employees of Group companies are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on qualified actuarial calculations using a discount rate of 5.5%.

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration and in capitalized decommissioning costs are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Decommissioning and restoration provision for the year ended December 31, 2009 was calculated using a time profile spread over 35 years by using a discount rate of 8.08% and an inflation rate of 4.06%.

The provision for restoration costs includes obligations in respect of Petrom S.A. amounting to RON 5,533 million (2008: RON 5,078 million). There is a corresponding claim against the Romanian State of RON 1,835 million (2008: RON 1,695 million), which is disclosed other financial assets.

Details on the Decommissioning and restoration obligations are as follows:

	December 31, 2009	December 31, 2008
	Carrying value	Carrying value
Balance as at January 1	5,103,316,398	4,306,728,251
Exchange differences	790,073	2,027,220
New obligations	9,561,807	7,963,630
Changes in consolidated Group	5,992,581	-
Revisions in estimates	88,097,399	507,818,602
Unwinding effect	384,696,048	297,362,132
Settlements current period	<u>(28,176,475)</u>	<u>(18,583,437)</u>
Balance as at December 31	<u>5,564,277,831</u>	<u>5,103,316,398</u>

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13. PROVISIONS (continued)

Other provisions were as follows:

2009	<u>Total</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Environmental provision	585,029,909	150,988,405	434,041,504
Other personnel provisions	295,225,937	295,225,937	-
Provisions for litigations	700,883,427	348,509,748	352,373,679
Other	<u>133,473,355</u>	<u>133,461,326</u>	<u>12,029</u>
Total	<u>1,714,612,628</u>	<u>928,185,416</u>	<u>786,427,212</u>

Environmental provisions

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

Emissions certificates

Directive 2003/87/EC of the European Parliament and of the European Council established a greenhouse gas emissions trading scheme, requiring member states to draw up national plans to allocate emissions certificates. Romania was admitted to the scheme in January 2007, when it joined the EU.

Petrom S.A. is the only company from the Group included into the emission certificates allocation scheme. Under this scheme, for all its 19 defined plants, Petrom S.A. received a total of 4,282,612 free emissions certificates for the year 2009 (2008: 3,987,421).

During 2009 Petrom S.A. traded 1,000,000 emissions certificates.

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

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13. PROVISIONS (continued)

Other personnel provisions

Included in other personnel provisions is mainly the restructuring provision recorded by Petrom S.A.. The Company started a restructuring plan in 2005 and continued with this 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.

Provisions for litigations

The Group 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 Group has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

2008	<u>Total</u>	<u>less than 1 year</u>	<u>over 1 year</u>
Environmental provision	434,017,960	2,049,960	431,968,000
Other personnel provisions	442,886,926	442,886,926	-
Provisions for litigations	1,052,070,607	616,564,827	435,505,780
Other ¹	<u>50,495,923</u>	<u>44,659,171</u>	<u>5,836,752</u>
Total	<u>1,979,471,416</u>	<u>1,106,160,884</u>	<u>873,310,532</u>

¹ As at December 31, 2009 taxes related provisions amounting to RON 3,833,694 have been reclassified from provisions for income taxes to other provisions. Figures for previous periods have been adjusted accordingly.

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14. INTEREST BEARING DEBTS

December 31, 2009	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities	<u>2,997,971,004</u>	<u>187,522,219</u>	<u>2,810,448,785</u>
TOTAL	<u>2,997,971,004</u>	<u>187,522,219</u>	<u>2,810,448,785</u>
 December 31, 2008	 Total	 Less than 1 year	 Over 1 year
Interest-bearing financial liabilities	<u>1,825,268,340</u>	<u>357,063,304</u>	<u>1,468,205,036</u>
TOTAL	<u>1,825,268,340</u>	<u>357,063,304</u>	<u>1,468,205,036</u>

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

Interest bearing debts short-term

Borrower	Lender	December 31, 2009	December 31, 2008
Petrom S.A.	Banca Comerciala Intesa Sanpaolo Romania S.A. (a)	105,788,473	-
Petrom S.A.	Raiffeisen Bank S.A. (b)	52,278,901	100,882,614
Petrom S.A.	UniCredit Bank Austria AG (c)	-	199,300,000
OMV Bulgaria OOD	Citibank Sofia (d)	-	33,963,211
OMV Bulgaria OOD	UniCredit Bulbank Sofia (e)	-	4,775,438
Petrom S.A.	Petromed Solutions S.R.L. (f)	3,617,880	-
Petrom S.A.	Accrued interest	<u>25,836,965</u>	<u>18,142,041</u>
Total interest bearing debts short term		<u>187,522,219</u>	<u>357,063,304</u>

Interest bearing debts long-term

Borrower	Lender	December 31, 2009	December 31, 2008
Petrom S.A.	Banks Consortium (agent: UniCredit Bank Austria AG) (g)	1,520,847,785	1,468,205,036
Petrom S.A.	European Bank for Reconstruction and Development (h)	618,374,250	-
Petrom S.A.	Black Sea Trade and Development Bank (i)	36,996,750	-
Petrom S.A.	OMV AG (j)	<u>634,230,000</u>	<u>-</u>
Total interest bearing debts long term		<u>2,810,448,785</u>	<u>1,468,205,036</u>

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14. INTEREST BEARING DEBTS (continued)

- (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 Petrom S.A. 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 Petrom S.A., 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 Petrom S.A. with UniCredit Bank Austria AG as Bank and UniCredit Tirioc Bank as Agent. The maturity date was October 15, 2009 and the interest rate was variable, being calculated as EURIBOR plus an applicable margin. The facility was not secured and was fully reimbursed in 2009.
- (d) The overdraft facility contracted by OMV Bulgaria OOD from Citibank Sofia, existing at December 31, 2008, with a maximum limit of BGN 58,493,037 (equivalent of RON 126,456,097) was prolonged until July 15, 2010. No amount was withdrawn as at December 31, 2009. The destination of the overdraft is issuance of letters of guarantee without cash collateral.
- (e) The overdraft contracted by OMV Bulgaria OOD from UniCredit Bulbank Sofia, existing at December 31, 2008, with a maximum limit of BGN 33,000,000 (equivalent of RON 71,342,700) was prolonged until October 30, 2010. No amount was withdrawn as at December 31, 2009. The destination of the overdraft is issuance of letters of guarantee without cash collateral.
- (f) A cash pooling agreement for a loan of RON 35,000,000 was signed by Petrom S.A. and Petromed Solutions S.R.L. on June 1, 2009, with maturity date 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.
- (g) Banks Consortium represents a revolving unsecured credit facility given to Petrom S.A. 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: RON 514,500,000).
- (h) During 2009 Petrom S.A. 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).

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14. INTEREST BEARING DEBTS (continued)

- (i) For the funding of the environmental program Petrom S.A. 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).
- (j) Long-term loan of EUR 500,000,000 signed by Petrom S.A. 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.
- (k) On December 21, 2009 Petrom S.A. 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 Tirioc 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.
- (l) During 2009 Petrom S.A. 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.
- (m) Overdraft facility up to USD 3,000,000 obtained by Petrom S.A. 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.
- (n) Overdraft facility up to EUR 91,591,645 obtained by Petrom S.A. 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 Group is in compliance with financial covenants stipulated by loan agreements.

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15. OTHER FINANCIAL LIABILITIES

	December 31, 2009	less than 1 year	over 1 year
Liabilities from hedge contracts	411,651,362	411,651,362	-
Other financial liabilities	367,894,245	245,410,916	122,483,329
Total	779,545,607	657,062,278	122,483,329

	December 31, 2008	less than 1 year	over 1 year
Other financial liabilities	325,566,323	208,096,014	117,470,309
Total	325,566,323	208,096,014	117,470,309

Liabilities from hedge contracts

To protect the Group's 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.

Finance lease liability

In other financial liabilities as at December 31, 2009 is included the finance lease liability. The Group acquired in 2008 through finance lease mainly cars, trucks and few power generators held by Petrom S.A. and Petrom Aviation S.A.

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

	December 31, 2009	December 31, 2008
Obligations under finance leases		
Amounts due within 1 year	1,196,574	1,609,000
Amounts due after more than 1 year but not later than 5 years	1,737,784	2,835,422
Total lease obligations	2,934,358	4,444,422
Less future finance charges on finance leases	(215,643)	(498,000)
Present value of finance lease liabilities	2,718,715	3,946,422
<i>Analysed as follows:</i>		
Maturing within 1 year	1,069,434	1,366,000
Maturing after more than 1 year but not later than 5 years	1,649,281	2,580,422
Total present value of finance lease liabilities	2,718,715	3,946,422

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16. OTHER LIABILITIES

	December 31, 2009	less than 1 year	over 1 year
Deferred income	122,101,759	122,101,759	-
Tax liabilities	302,068,321	302,068,321	-
Social security	20,567,434	20,567,434	-
Other liabilities	83,028,846	83,028,846	-
Total	527,766,360	527,766,360	-

	December 31, 2008	less than 1 year	over 1 year
Deferred income	167,415,296	167,415,296	-
Tax liabilities	480,336,989	480,336,989	-
Social security	22,993,322	22,993,322	-
Other liabilities	68,909,631	68,909,631	-
Total	739,655,238	739,655,238	-

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17. DEFERRED TAX

2009	Deferred tax assets without allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and Intangible assets	8,225,328	3,696,636	4,528,692	421,426,083
Financial assets	31,415,521	-	31,415,521	4,586,880
Inventories	35,573,140	203,146	35,369,994	-
Receivables and other assets	123,624,634	58,118,221	65,506,413	195
Untaxed reserves	180	-	180	41,363,913
Provisions for pensions and severance payments	45,291,200	-	45,291,200	-
Other provisions	748,941,871	1,379,001	747,562,870	-
Liabilities	86,958,534	56,178	86,902,356	116,064
Tax loss carried forward	101,374,983	-	101,374,983	-
TOTAL	1,181,405,391	63,453,182	1,117,952,209	467,493,135
Netting (same tax jurisdictions/country)			(405,355,636)	(405,355,637)
Deferred tax, net			712,596,573	62,137,498
Deferred tax for assets held for sale (see Note 11)	4,278,071	-	4,278,071	-
Deferred tax including assets held for sale, net			716,874,644	62,137,498
2008	Deferred tax assets without allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and Intangible assets	3,849,669	-	3,849,669	368,104,536
Financial assets	5,696,640	-	5,696,640	4,679,578
Inventories	36,354,400	506,819	35,847,581	-
Receivables and other assets	106,050,108	63,835,813	42,214,295	92,822,506
Untaxed reserves	14,609,682	-	14,609,682	47,482,522
Provisions for pensions and severance payments	40,232,960	-	40,232,960	-
Other provisions	781,534,668	1,507,570	780,027,098	27,993
Liabilities	6,197,623	309,410	5,888,213	11,222
Tax loss carried forward	36,020,998	-	36,020,998	-
TOTAL	1,030,546,748	66,159,612	964,387,136	513,128,357
Netting (same tax jurisdictions/country)			(456,331,865)	(456,331,453)
Deferred tax, net			508,055,271	56,796,904
Deferred tax for assets held for sale (see Note 11)	6,042,588	-	6,042,588	-
Deferred tax including assets held for sale, net			514,097,859	56,796,904

At the end of 2009, losses carry-forward for tax purposes amounted to RON 679,131,031 (2008: RON 226,507,516). Eligibility of losses for carry-forward expires as follows:

	2009	2008
2009	-	9,745,630
2010	8,244,569	14,812,182
2011	13,385,636	10,642,756
2012	7,592,755	67,001
2013	-	73,636,292
2014 / After 2013	71,270,034	117,603,655
After 2014	578,638,037	-
Total	679,131,031	226,507,516

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18. OTHER OPERATING INCOME

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Exchange gains from operating activities	127,926,878	191,742,213
Gains from disposal of fixed assets	96,888,335	112,273,000
Write-up tangible and intangible assets	22,858,868	19,045,000
Other operating income	<u>161,026,608</u>	<u>116,802,759</u>
Total	<u>408,700,689</u>	<u>439,862,972</u>

19. OTHER OPERATING EXPENSES

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Exchange losses from operating activities	172,042,303	199,737,470
Losses from the disposal of fixed assets	24,891,043	53,786,812
Expenses/ (Income) with provisions for litigations	(4,989,287)	1,223,467,513
Other operating expenses	<u>1,288,333,806</u>	<u>1,365,462,844</u>
Total	<u>1,480,277,865</u>	<u>2,842,454,639</u>

“Other operating expenses” include an amount of RON 211,103,018 in 2009 (2008: RON 180,340,858) representing restructuring expenses. Restructuring expenses have been booked based on the management approval and communication of the restructuring plan.

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20. EARNING BEFORE INTEREST AND TAX PRESENTATION USING A CLASSIFICATION BASED ON NATURE OF EXPENSES

As at December 31, 2009 and December 31, 2008 earnings before interest and tax under the total cost method were as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Revenues	16,089,726,237	20,127,361,508
Inventory changes	15,126,304	444,497,874
Own work accounted for in fixed assets	217,324,827	145,195,007
Other operating income	408,700,666	439,862,972
Costs of material	(5,555,112,366)	(8,564,131,455)
Costs of energy	(513,085,415)	(544,506,883)
Other costs of production	<u>(1,878,005,825)</u>	<u>(1,551,426,189)</u>
Cost of material and services	<u>(7,946,203,606)</u>	<u>(10,660,064,527)</u>
Wages and salaries	(1,740,182,170)	(1,801,906,905)
Other personnel expenses	<u>(352,596,338)</u>	<u>(267,844,985)</u>
Personnel expenses	<u>(2,092,778,508)</u>	<u>(2,069,751,890)</u>
Depreciation and amortization	(1,877,724,084)	(1,503,532,324)
Impairment tangible and intangible assets	<u>(611,404,740)</u>	<u>(1,166,252,398)</u>
Depreciation, amortization and impairment	<u>(2,489,128,824)</u>	<u>(2,669,784,722)</u>
Transportation and postage expenses	(618,536,715)	(537,791,887)
Rental expenses	(197,040,076)	(153,128,597)
Advertising and protocol expenses	(78,413,513)	(93,846,124)
Insurance expenses	(52,673,931)	(48,975,268)
Travel expenses and daily allowances	(52,076,974)	(71,399,246)
Other operating expenses	<u>(1,583,549,062)</u>	<u>(3,647,249,346)</u>
Total other operating expenses	<u>(2,582,290,271)</u>	<u>(4,552,390,468)</u>
EARNINGS BEFORE INTEREST AND TAX	<u>1,620,476,825</u>	<u>1,204,925,754</u>

21. NET INCOME FROM ASSOCIATED COMPANIES

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Income from associated companies	3,208,736	2,855,076
Expenses for associated companies	-	(372,444)
Dividends from associated companies	<u>2,859,000</u>	<u>1,533,000</u>
Total income from associated companies	<u>6,067,736</u>	<u>4,015,632</u>

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22. NET INTEREST RESULT

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Interest income		
Interest income from available-for-sale financial instruments	9,592,616	13,452,000
Interest income from receivables	38,122,713	8,878,000
Interest income from short term bank deposits	<u>46,499,463</u>	<u>54,846,981</u>
Total interest income	<u>94,214,792</u>	<u>77,176,981</u>
Interest expense		
Interest expenses	(195,037,960)	(25,744,093)
Unwinding expenses for retirement benefits provision	(13,713,632)	(17,153,000)
Unwinding expenses for decommissioning provision	(251,727,891)	(193,377,668)
Unwinding expenses for other provisions	<u>(49,748,368)</u>	<u>(7,158,909)</u>
Total interest expense	<u>(510,227,851)</u>	<u>(243,433,670)</u>
Net interest result	<u>(416,013,059)</u>	<u>(166,256,689)</u>

23. OTHER FINANCIAL INCOME AND EXPENSES

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Financial Income		
Exchange gains from financing activities	178,493,380	289,088,858
Gains from securities	-	10,743,996
Gains from disposal of investments	<u>263,807</u>	<u>55,278,858</u>
Total financial income	<u>178,757,187</u>	<u>355,111,712</u>
Financial Expense		
Exchange losses from financing activities	(196,299,647)	(243,216,135)
Losses related to financial assets and securities	(2,366,466)	(23,041,844)
Other financing costs	<u>(21,200,394)</u>	<u>(2,698,417)</u>
Total financial expense	<u>(219,866,507)</u>	<u>(268,956,396)</u>
Other financial income and expenses	<u>(41,109,320)</u>	<u>86,155,316</u>

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24. TAXES ON INCOME

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Taxes on income - current year	419,465,342	626,353,123
Deferred tax	<u>(83,321,785)</u>	<u>(393,076,231)</u>
Total taxes on income	<u>336,143,557</u>	<u>233,276,892</u>

The reconciliation of deferred taxes is as follows:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Deferred taxes January 1	457,300,955	159,445,449
Deferred taxes December 31	<u>654,737,146</u>	<u>457,300,955</u>
Changes in deferred taxes	<u>197,436,191</u>	<u>297,855,506</u>
Deferred taxes on revaluation of hedges charged directly to equity	(123,962,646)	90,426,252
Changes in consolidated Group, exchange differences and similar items	<u>9,848,240</u>	<u>4,794,473</u>
Deferred taxes per income statement	<u>83,321,785</u>	<u>393,076,231</u>

Reconciliation

Net profit before taxation	1,169,422,182	1,128,840,013
Income tax rate applicable for Parent company	16.00%	16.00%
Profits tax based on income tax rate of the Parent	187,107,549	180,614,402
Effect of differing foreign tax rates	107,707,092	46,695,467
Profits tax based on applicable rates	294,814,641	227,309,869
Tax effect of permanent differences	<u>41,328,916</u>	<u>5,967,023</u>
Profits tax expense in Income Statement	<u>336,143,557</u>	<u>233,276,892</u>
Tax effect of other temporary differences	<u>83,321,785</u>	<u>393,076,231</u>
Profits tax to be paid for the year	<u>419,465,342</u>	<u>626,353,123</u>

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25. EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

	<u>December 31, 2009</u>	<u>December 31, 2008</u>
Net profit for the shares attributable to own shareholders	860,235,863	978,296,061
Number of shares	<u>56,644,108,335</u>	<u>56,644,108,335</u>
Earnings per share	<u>0.0152</u>	<u>0.0173</u>

There has been no change in the Group number of shares during the year, therefore no dilution in the earning per share for the year.

26. SEGMENT INFORMATION

Petrom is organized into four operating segments: Exploration and Production (E&P), Refining and Marketing, Gas and Power. Group management, financing activities and certain service functions are concentrated in the Corporate segment.

The Group's involvement in the oil and gas industry, by its nature, exposes it to certain risks. These include political stability, economic conditions, changes in legislation or fiscal regimes, as well as other operating risks inherent in the industry such as the high volatility of crude prices and US dollar. A variety of measures are used to manage these risks.

Apart from the integration of the Group's upstream and downstream operations, and the policy of maintaining a balanced portfolio of assets in the E&P segment, the main instruments used are operational in nature. There is a Group-wide environmental risk reporting system in operation, designed to identify existing and potential obligations and to enable timely action to be taken. Insurance and taxation are also dealt with on a Group-wide basis.

Regular surveys are undertaken across the Group to identify current litigation and pending court and administrative proceedings.

Business decisions of fundamental importance are made by the Executive Board of Petrom. The business segments are independently managed, as each represents a strategic unit with different products and markets.

E&P activities are mainly focused on Romania and Kazakhstan. In Romania, Petrom S.A. is the only crude oil producer. E&P products are crude oil and natural gas.

Gas business unit has the objective to focus on gas sales and on the best use of the potential and opportunities resulting from the market liberalization. Business division **Power** is a newly established business with the purpose of diversifying the activity of Petrom S.A. in the Romanian energy sector. Chemicals division assimilated to Gas and Power segment operates the main fertilizer plant in Romania, Doljchim Craiova.

R&M produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division includes two of the most important Romanian refineries, Arpechim and Petrobrazi. **Marketing** division delivers products to both Retail and Wholesales customers and operates in Romania, Bulgaria, Serbia and Moldova. Petrom S.A. is the main player on the Romanian fuels market.

The Group has adopted IFRS 8 "Operating segments" with effect from 1 January 2009. Following the adoption of IFRS 8, the identification of the Group's reportable segments has not changed.

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26. SEGMENT INFORMATION (continued)

Primary segment reporting:

	E&P	Refining & Marketing	Gas & Power	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	7,551,447,096	81,291,000	199,632,000	469,645,762	8,302,015,858	(8,302,015,858)	-
Sales with third parties	697,667,690	12,619,552,724	2,768,866,370	3,639,453	16,089,726,237	-	16,089,726,237
Total sales	8,249,114,786	12,700,843,724	2,968,498,370	473,285,215	24,391,742,095	(8,302,015,858)	16,089,726,237
EBIT	2,467,739,636	(618,269,609)	71,365,639	(139,708,871)	1,781,126,795	(160,649,970)	1,620,476,825
Total assets	20,053,667,660	7,446,598,727	1,438,804,518	1,748,204,514	30,687,275,419	(160,649,970)	30,526,625,449
Investments in PPE/IA	3,043,646,737	609,267,726	357,568,114	408,187,246	4,418,669,823	-	4,418,669,823
Investment in associated companies	-	-	36,219,774	-	36,219,774	-	36,219,774
Assets Held for Sale	-	8,932,894	-	51,395,171	60,328,065	-	60,328,065
Total liabilities	8,351,161,793	1,626,965,661	221,325,898	4,136,344,527	14,335,797,879	-	14,335,797,879
Depreciation and amortization	1,378,408,342	370,994,356	4,574,710	123,746,676	1,877,724,084	-	1,877,724,084
Impairment losses	232,178,040	345,792,057	7,092,309	3,483,466	588,545,872	-	588,545,872
Result from associated companies	-	-	6,067,736	-	6,067,736	-	6,067,736

Secondary segment reporting:

	Romania	Rest of CEE	Rest of Europe	Rest of world	Consolidation	Consolidated total
Sales with third parties	13,236,855,177	2,577,251,533	-	275,619,527	-	16,089,726,237
EBIT	1,654,673,936	51,340,734	-	(85,537,845)	-	1,620,476,825
Total assets	26,867,579,359	1,593,446,948	-	2,065,599,142	-	30,526,625,449
Investments in PPE/IA	4,103,819,713	48,087,611	-	266,762,543	-	4,418,669,867

The key figure of operating performance for the Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal Petrom policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

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27. AVERAGE NUMBER OF EMPLOYEES

	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
Total Petrom Group	32,190	32,026
thereof:		
Petrom S.A.	30,398	29,861
Other subsidiaries	1,792	2,165

28. RELATED PARTIES

Under IAS 24, details of relationships with related parties not included in consolidation must be disclosed. Enterprises and individuals are considered to be related if one party is able to control or exercise significant influence over the business of the other or if the parties are under common control.

During 2009, the Group had the following transactions with related parties:

	<u>Purchases</u>	<u>Payables</u>
OMV - International Services Ges.m.b.H.	4,433,626	10,428,654
OMV Deutschland GmbH	1,658,954	1,645,858
OMV Exploration & Production GmbH	30,086,055	4,790,054
OMV Gas & Power GmbH	1,920,088	255,975
OMV Gas GmbH	581,433	-
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	17,993,470	47,106
OMV Refining & Marketing GmbH	223,987,850	24,938,498
OMV Solutions GmbH	17,213,174	2,131,704
OMV Supply & Trading AG	1,622,489,741	134,970,898
Borealis AG	1,095,061	46,630
Congaz SA	37,214	816
Petrol Ofisi A.Ş.	10,987,069	1,244,213
OMV Aktiengesellschaft	3,358,424	-
Petrom Exploration & Production Limited	45,758,530	-
Petrom Nadlac SRL	824,080	-
Petromed Solutions SRL	22,273,590	893,717
Trans Gas Services SRL	961,902	208,542
Total	2,005,660,261	181,602,665

	<u>Revenues</u>	<u>Receivables</u>
OMV - International Services Ges.m.b.H.	1,997,948	6,428,996
OMV BH d.o.o.	27,168	59,770
OMV Deutschland GmbH	123,068,715	21,685,799
OMV Exploration & Production GmbH	520	520
OMV Gas GmbH	-	252,993
OMV Hrvatska d.o.o.	-	44,843
OMV Refining & Marketing GmbH	258,003	251,254
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	299,005	21,619
OMV Slovensko s.r.o.	-	24,128
OMV Solutions GmbH	-	1,901,948
VIVA International Marketing- und Handels-GmbH	299,005	125,881
Borealis AG	95,359,665	114,891
Petrol Ofisi A.Ş.	16,134	-
OMV Aktiengesellschaft	-	426,954
Petrom Exploration & Production Limited	859	2,109,577
Petrom Nadlac SRL	6,649	358,650
Petromed Solutions SRL	1,626,522	160,578
Poliflex SRL	119,006	287
Trans Gas Services SRL	123,284	58,335
Total	223,202,483	34,027,023

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28. RELATED PARTIES (continued)

As disclosed in Note 1, Petrom S.A. major shareholder is OMV Aktiengesellschaft. The majority of OMV Aktiengesellschaft shares are held by Österreichische Industrieholding AG (ÖIAG - 31.5%) and International Petroleum Investment Company (IPIC, Abu Dhabi – 20.0%).

29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2009

<u>Company Name</u>	<u>Share interest percentage</u>	<u>Consolidation treatment*</u>	<u>Activity</u>	<u>Country of incorporation</u>
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION LLP	100.00%	C	Oil exploration and drilling in Kazakhstan	Kazakhstan
KORNED LLP	100.00%	C	Oil exploration and drilling in Kazakhstan	Kazakhstan
PETROM GAS SRL	100.00%	C	Gas distribution	Romania
ICS PETROM MOLDOVA SA	100.00%	C	Fuel distribution	Moldova
M.P. PETROLEUM DISTRIBUTIE SRL	99.99%	C	Fuel distribution	Romania
PETROMED SOLUTIONS SRL	99.99%	NC	Medical services	Romania
PETROM DISTRIBUTIE GAZE SRL	99.99%	C	Gas distribution	Romania
PETROM LPG SA	99.99%	C	LPG distribution	Romania
OMV BULGARIA OOD	99.90%	C	Fuel distribution	Bulgaria
OMV ROMANIA MINERALOEL SRL	99.90%	C	Fuel distribution	Romania
OMV SRBIJA DOO	99.90%	C	Fuel distribution	Serbia
PETROM NADLAC SRL	98.51%	NC	Oil products distribution	Romania
POLIFLEX SRL	96.84%	NC	Polyethylene production and distribution	Romania
AVIATION PETROLEUM SRL	95.63%	C	Kerosene distribution	Romania
PETROM AVIATION SA	95.63%	C	Kerosene distribution	Romania
KOM MUNAI LLP	95.00%	C	Oil exploration	Kazakhstan
PETROCHEMICALS ARGES SRL	95.00%	NC	Refining petrochemicals production	Romania
TRANS GAS SERVICES SRL	80.00%	NC	Transfer of LPG (buthane; propane) from large railroad system trucks to normal railroad system trucks	Romania
RING OIL HOLDING & TRADING LTD	74.90%	C	Holding company	Cyprus
LLC MANAGEMENT COMPANY CORSARNEFT	74.90%	C	Oil exploration and drilling in Russia	Russia
LLC ARTAMIRA	74.90%	C	Oil exploration and drilling in Russia	Russia
OJSC CHALYKNEFT	74.90%	C	Oil exploration and drilling in Russia	Russia
OJSC KARNEFT	74.90%	C	Oil exploration and drilling in Russia	Russia
OIL COMPANY RENATA LLC	74.90%	C	Oil exploration and drilling in Russia	Russia
LLC NEFTEPOISK	74.90%	C	Oil exploration and drilling in Russia	Russia
CJSC SARATOVNEFTEDOBYCHA	74.90%	C	Oil exploration and drilling in Russia	Russia
PETROM EXPLORATION & PRODUCTION LIMITED	50.00%	NC	Exploration and production services	Isle of Man

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29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2009 (continued)

<u>Company Name</u>	<u>Share interest percentage</u>	<u>Consolidation treatment*</u>	<u>Activity</u>	<u>Country of incorporation</u>
Associated companies (20-50%)				
FRANCIZA PETROM 2001 SA	40.00%	NAE	Other financial services	Romania
BRAZI OIL & ANGHELESCU				
PROD COM SRL	37.70%	NAE	Oil products distribution	Romania
FONTEGAS PECO MEHEDINTI SA	37.40%	NAE	Fuel distribution	Romania
CONGAZ SA	28.59%	AE	Natural gas distribution	Romania
BURSA MARITIMA SI DE MARFURI SA	20.09%	NAE	Other financial services	Romania
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	20.00%	NAE	Public relations and public representation	Romania

*) Consolidation treatment:

C Consolidated subsidiary

AE Associated company, accounted for at equity

NC Not – consolidated subsidiary (shell or distribution companies, of relative insignificance individually and collectively to the consolidated financial statements)

NAE Other investment recognized at cost (associated companies of relatively little importance to the assets and earnings of the consolidated financial statements).

Most of the subsidiaries which are not consolidated either have low volumes of business or are distribution companies; the total sales, net income/losses and equity of such companies represent less than 2% of the consolidated totals.

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30. ACQUISITION AND DISPOSALS OF SUBSIDIARIES

During the year ended December 31, 2009, the Group acquired the company KORNED LLP that activates in exploration and production area. During the year ended December 31, 2008, the Group acquired oil service business from Petromservice and additional shares and control in Petrom Aviation SA. These transactions have been accounted for as business combinations in accordance with IFRS 3.

Net assets of acquired subsidiaries and businesses at the date of acquisition were as follows:

	December 31, 2009	December 31, 2008
Oil field service capacity and other intangible assets	-	1,107,813,560
Mineral interests unproved reserves	146,308,799	-
Property, plant and equipment	-	217,845,299
Inventories	-	8,141,919
Trade and other receivables	-	30,415,971
Cash and cash equivalents	2,936	9,154,236
Provisions	(6,033,686)	(78,372,530)
Trade and other liabilities	(92,501,543)	(47,851,787)
Deferred tax liability, net	(9,589,303)	(3,418,179)
Non-controlling interest	-	(12,976,400)
Less equity accounted investment	-	(10,007,985)
Less assets revaluation surplus presented in equity	-	(10,538,699)
Share of net assets at the acquisition date	38,187,203	1,210,205,405
Goodwill	-	581,180
Total consideration	38,187,203	1,210,786,585
- thereof paid until December 31, 2009	8,678,099	1,210,786,585
- thereof not paid until December 31, 2009	29,509,104	-
Cash used on acquisition net of cash acquired	8,675,163	1,201,632,349

During the year ended December 31, 2009, no subsidiary was disposed by the Group. During the year ended December 31, 2008, the Group disposed the following subsidiaries: DBI Fonds, Oppenheim Fonds, Raiffeisen Fonds, Rafiserv Arpechim SA and Rafiserv Petrobraz SA..

Net assets of disposed subsidiaries at the date of disposal were as follows:

	December 31, 2009	December 31, 2008
Property, plant and equipment	-	40,000
Inventories	-	7,000
Trade and other receivables	-	31,930,361
Deferred tax asset, net	-	2,109,000
Cash and cash equivalents	-	1,164,755,491
Assets held for sale	-	-
Deferred tax liability, net	-	-
Liabilities	-	(42,796,280)
Share of net assets at the disposal dates	-	1,156,045,572
Gain on disposal	-	44,398,049
Total consideration	-	1,200,443,621
Net cash inflow arising at disposal	-	35,688,130

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31. FAIR VALUE OF FINANCIAL ASSETS

Estimates of fair value at year end date, discussed below, are normally based on the market information available. The fair value of other financial assets and securities and investments is calculated primarily on the basis of quoted market prices. Where no quoted price and no present value can be established, the determination of a fair value is not feasible.

The book values of accounts receivable and other assets and cash in hand, checks and cash at bank are reasonable estimates of their fair values, as the assets in question generally have maturities of less than one year.

The fair value of financial liabilities, for which market prices are not available, was established by discounting future cash flows using the interest rates prevailing at year end date for similar liabilities with like maturities.

The carrying values of tax provisions and other current provisions is the same as their fair value. The fair value of non-current provisions is not considered to differ materially from their carrying value.

The carrying value of other liabilities is effectively the same as their fair value, because they are predominantly short-term. The fair value of derivative financial instruments corresponds to their market value.

32. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2009 the total commitments engaged by the Group for investments amount to RON 2,338,001,852 (December 31, 2008: RON 2,641,415,887).

Litigations

The Group is making provisions against litigations that is likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect the Group's financial position. The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate: provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on consolidated results in the next three years.

Contingent assets

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

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

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

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33. RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders. The capital structure of the Group consists of debt, which includes the short and long term borrowings disclosed in Note 14, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and revenue reserves as disclosed in the "Consolidated Statement of Changes in Equity". The gearing ratio of the Group as at December 31, 2009 was 16% (December 31, 2008: 8%).

The Group's management reviews the capital structure regularly. As part of this review, the cost of capital and the risks associated with each class of capital are being considered.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

Financial risk management objectives

The Group's Corporate Treasury function supports the business with services and co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyze exposures by degree and magnitude of risks. These risks include market risk, currency risk, fair value risk, interest rate risk, price risk, credit risk and liquidity risk.

The Group seeks to minimize the effects of manageable risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports twice per year to the Group's risk management committee, that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currencies exchange rates and interest rates.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

Foreign currency risk management

Because the Group operates in many countries and currencies, industry specific activities and the corresponding exchange risks are being analyzed. The Group is mostly exposed to the movement of the US dollar and Euro against Romanian leu. Other currencies have only limited impact on cash flow and EBIT.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Thousand USD	676,572	837,704	163,208	23,563
Thousand EUR	22,369	22,500	629,250	475,111

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33. RISK MANAGEMENT (continued)

Foreign currency sensitivity analysis

Translation risk arises on the consolidation of subsidiaries preparing their financial statements other than in Romanian lei. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

The following table details the Group's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant foreign currencies. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number below indicates an increase in profit generated by a 10% currency fluctuation and a negative number below indicates a decrease in profit with the same value.

+10% Sensitivity increase in the foreign currencies rates

	<u>Thousand USD Impact (i)</u>		<u>Thousand EUR Impact (ii)</u>	
	2009	2008	2009	2008
Profit/ (Loss)	58,659	42,468	(60,688)	(45,261)
Other equity	(7,323)	20,495	-	-

-10% Sensitivity decrease in the foreign currencies rates

	<u>Thousand USD Impact (i)</u>		<u>Thousand EUR Impact (ii)</u>	
	2009	2008	2009	2008
Profit/ (Loss)	(58,659)	(42,468)	60,688	45,261
Other equity	7,323	(20,495)	-	-

(i) This is mainly attributable to the exposure on USD cash, receivables, financial assets and financial liabilities at the year end.

(ii) This is mainly attributable to the exposure on EUR loans and trade payables at the year end.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

Interest rate risk management

To facilitate management of interest rate risk, Group's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities.

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 1% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

Analysis for change in interest rate risk

Variable rate borrowings:

	<u>Balance as at</u>		<u>Effect of 1% change in interest rate</u>	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
Short term borrowings	161,685,254	357,063,304	1,616,853	3,570,633
Long term borrowings	2,810,448,785	1,468,205,036	28,104,488	14,682,050

33. RISK MANAGEMENT (continued)

Commodity price risk management

The Group produces crude oil & gas and uses crude oil mainly for its own production, but the Group 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 Petrom S.A. used derivative instruments in order to protect the Group'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 Group would not be able to profit from oil prices above 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 15).

In 2008, in order to protect the Group's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from the production of 40,000 bbl/d in 2009. To achieve this goal, put spreads were used, where a price floor of USD 80/bbl is secured as long as the oil price is above USD 65/bbl. In case the oil price is below USD 65/bbl in 2009, the hedge pays out USD 15/bbl in addition to the realized market price. The put spreads were financed via call options in order to avoid initial investment (zero cost structure), whereby the Group would not be able to profit from oil prices above approximately USD 110/bbl in 2009 for the above stated volume. The hedges are over-the-counter (OTC) contracts with first class banks and will be settled on a quarterly basis in 2009. During the year 2009 the oil price hedge was realized, resulting in a revenue in Petrom S.A. of RON 580,975,172. As at December 31, 2008 the nominal value of the open contracts was of RON 1,468,840,808 and the fair value amounted to RON 517,640,630, same as the related receivable (see Note 8).

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The main counterparty credit risks are assessed and monitored at Group level using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, customers are assigned maximum permitted exposures in terms of amounts and maturities, and the creditworthiness assessments are reviewed on a regular basis. The procedures are governed by guidelines.

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

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout the Group are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. To ensure that Petrom Group remains solvent all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

Details of Group financial liabilities are shown in Note 14 and 16 to the Financial Statements.

34. SUBSEQUENT EVENTS

Significant events subsequent to the balance sheet date:

- a) Starting January 1st, 2010, PETROM S.A. name changed to OMV PETROM S.A., following the Decision of the Extraordinary General Meeting of Shareholders held on October 20, 2009. The Company's brand and logo remain unchanged.
- b) Starting February 1st, 2010, following a decision by OMV Petrom S.A.'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) OMV Petrom S.A. reorganized its activities in Gas division by consolidating sales and supply activities within Petrom Gas SRL starting February 1st, 2010.

Supervisory Board Report on Consolidated Financial Statements of Petrom Group prepared in accordance with IFRS

Consolidated Financial Statements prepared for Petrom Group

Petrom Group has activities in Exploration and Production (E&P), Refining and Marketing, Gas and Power segments.

The consolidated financial statements comprise the financial statements of Petrom S.A. and its subsidiaries as at December 31, 2009 prepared in accordance with IFRS as endorsed by EU. The financial statements of the subsidiaries are prepared for the same reporting date, 31 December 2009, as the parent company.

The number of consolidated companies is as follows:

	<u>Fully consolidation</u>	<u>Equity consolidation</u>
As at January 1, 2009	21	1
Acquired during the year	1	-
Disposed of	-	-
	<hr/>	<hr/>
As at December 31, 2009	22	1
thereof, Romanian companies	8	1
thereof, Foreign companies	14	-

During the year ended December 31, 2009, the Group acquired the company KORNED LLP that activates in exploration and production area and no subsidiary was disposed by the Group.

The list of consolidated subsidiaries as at December 31, 2009 is the following:

Company name	Share interest percentage
Subsidiaries (>50%)	
TASBULAT OIL CORPORATION LLP	100.00%
KORNED LLP	100.00%
PETROM GAS SRL	100.00%
ICS PETROM MOLDOVA SA	100.00%
M.P. PETROLEUM DISTRIBUTIE SRL	99.99%
PETROM DISTRIBUTIE GAZE SRL	99.99%
PETROM LPG SA	99.99%
OMV BULGARIA OOD	99.90%
OMV ROMANIA MINERALOEL SRL	99.90%
OMV SRBIJA DOO	99.90%
AVIATION PETROLEUM SRL	95.63%
PETROM AVIATION SA	95.63%
KOM MUNAI LLP	95.00%
RING OIL HOLDING & TRADING LTD	74.90%
LLC MANAGEMENT COMPANY CORSARNEFT	74.90%
LLC ARTAMIRA	74.90%
OJSC CHALYKNEFT	74.90%
OJSC KARNEFT	74.90%
OIL COMPANY RENATA LLC	74.90%
LLC NEFTEPOISK	74.90%
CJSC SARATOVNEFTEDOBYCHA	74.90%

The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

The list of associated companies accounted for at equity as at December 31, 2009 is the following:

Company Name	Percentage
CONGAZ S.A.	28.59%

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. The carrying amount of such investments is reduced to recognise any decline, other than a temporary decline, in the value of individual investments. Where a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Shareholders' Structure of Petrom S.A. as at December 31, 2009

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

	<u>No. of shares</u>	<u>Percent</u>
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy*)	11,690,694,418	20.64%
Property Fund SA	11,391,130,186	20.11%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	<u>3,520,046,256</u>	<u>6.21%</u>
Total	<u>56,644,108,335</u>	<u>100.00%</u>

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

Summarized Petrom Group Statement of Financial Position

Statement of Financial Position Item	December 31, 2009	December 31, 2008
	MRON	MRON
Non-current assets	25,940	23,320
Current assets	<u>4,587</u>	<u>5,597</u>
Total assets	<u>30,527</u>	<u>28,917</u>
Equity of the parent holders	16,180	15,945
Non-controlling interests	11	45
Shareholders' equity	<u>16,191</u>	<u>15,990</u>
Non-current liabilities	9,629	7,870
Current liabilities	<u>4,707</u>	<u>5,057</u>
Total liabilities and shareholders' equity	<u>30,527</u>	<u>28,917</u>

Non current assets mainly consist in tangible and intangible assets, out of which oil and gas assets in E&P segment represent the biggest part. The increase in 2009 is 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.

Non-current assets also include the non-current receivable to be reimbursed by the Romanian State for decommissioning of wells, as well as for other environmental obligations in E&P, Refining and Doljchim amounting to 2,273 MRON (2008: 2,038 MRON).

Current assets include cash and cash equivalents amounting 384 MRON, which decreased from 572 MRON in previous year.

Inventories amounting to 2,583 MRON decreased in comparison with previous year (2008: 2,759 MRON) mainly due to lower material quantities in Petrom S.A.. Receivables amounting to 1,048 MRON slightly increased in comparison with previous year (2008: 1,022 MRON) related mainly to Marketing area.

Included in current assets is also an amount of 100 MRON representing the current portion of the receivable to be reimbursed by the Romanian State. Current assets of the Group decreased in 2009 due to realization of oil price hedge for 2009 reflected at fair value in current assets last year (518 MRON) and also due to realization of bonds from World Bank that became mature in 2009 (190 MRON).

Group equity position increased from 15,945 MRON at the beginning of the year to 16,180 MRON as at December 31, 2009. The increase is mainly due to the net profit generated by the Group during the year (860 MRON) partially compensated by a decrease in reserves of 651 MRON related to oil price hedging and available for sale financial assets (bonds World Bank).

Non-controlling interest amounting to 11 MRON (2008: 45 MRON) decreased in relation with the losses (mainly from Russian companies) attributable to minority shareholders and also in relation to the acquisition of additional stake of 26% in Petrom Aviation.

Non current liabilities - mainly consist in decommissioning obligations (5,564 MRON), environmental obligations (434 MRON), severance payments and similar obligations (283 MRON), litigation provisions (352 MRON), and deferred tax liabilities (62 MRON). The increase of provisions versus previous year is mainly due to increase of decommissioning provision (461 MRON).

Another important portion of 2,810 MRON (2008: 1,468 MRON) is represented by long term loans received (Bank Consortium loans, EBRD, OMV AG and from Black Sea Trade and Development Bank). The maturity of these loans varies between 3 and 12 years.

Current liabilities - consist mainly of trade payables amounting to 2,295 MRON, short term provisions (1,039 MRON) such as: restructuring provision (295 MRON), provision for litigations (349 MRON) and environment provisions (151 MRON), tax and social security liabilities (323 MRON) and deferred income (122 MRON). Trade payables decreased compared to 2008 due to lower acquisitions of imported crude oil in 2009

In current liabilities is included the fair value of the 2010 oil price hedge amounting 412 MRON. Current liabilities position includes also an amount of 188 MRON representing short term bank loans related to Petrom S.A. The main components are two overdraft facilities, one from Banca Comerciala Intesa Sanpaolo Romania S.A., for a maximum amount of 106 MRON (almost fully used as at December 31, 2009), and the other from Raiffeisen Bank S.A. for a maximum amount of 85 MEUR, from which 52 MRON were drawn at the end of 2009.

Summarized Petrom Group Income Statement

Income Statement item	December 31, 2009	December 31, 2008
	MRON	MRON
Sales revenues	16,090	20,127
Direct selling expenses	(364)	(334)
Cost of sales	(11,256)	(14,121)
Gross profit	4,470	5,672
Selling and Admin expenses	(1,778)	(2,065)
Other income and expenses	(1,072)	(2,402)
EBIT	1,620	1,205
Net finance cost	(451)	(76)
Taxes on income	(336)	(233)
Net income for the year	833	896
thereof attributable owners of the parent	(27)	(82)
thereof attributable to non-controlling interests	860	978

Petrom Group EBIT amounts to 1,620 MRON, with 415 MRON (34%) higher than in 2008.

The EBIT of the Group for the year ended December 31, 2009 was generated by the following subsidiaries:

Consolidated Company	MRON
Petrom SA	1,514
Petrom Gas SRL	70
OMV Bulgaria OOD	65
OMV Srbija DOO	54
OMV Romania Mineraloel SRL	40
Petrom LPG SA	28
ICS Petrom Moldova SA	15
MP Petroleum Distributie SRL and Aviation Petroleum SRL	11
Korned LLP	-
Petrom Aviation SA	(3)
Petrom Distributie Gaze SRL	(5)
Tasbulat Oil Corporation LLP	(23)
Kom Munai LLP	(63)
Ring Oil Companies	(84)
Consolidation Adjustments	1
Petrom Group EBIT	1,620

As presented in the table above, Petrom S.A. contributes with more than 90% to the Group EBIT (Petrom S.A. EBIT: 1,514 MRON). Group EBIT is also positively influenced by the three OMV companies (OMV Romania, OMV Bulgaria and OMV Serbia) which were acquired in 2006, and which contribute with 159 MRON (10%) to the total Group EBIT.

Other positive contributions were realized by Petrom Gas SRL with 70 MRON, Petrom LPG with 28 MRON and Petrom Moldova with 15 MRON.

The EBIT of the Group was also influenced by the losses incurred by the E&P Russian entities owned by Ring Oil Holding & Trading Ltd and by E&P Kazakhstan entities.

Group financial loss increased compared with 2008 mainly due to increase of the interest expense.

Risk Management

Petrom Group, as an integrated oil company, is exposed to many different risks, such as international economic climate and other factors that are specific for the oil and gas business. Risk awareness within the Petrom and its subsidiaries is reflected in an integrated report which is given twice per year each May and October.

Risks are monitored at corporate level and also at business division level. In order to mitigate some of the risks, appropriate insurances were contracted where possible and applicable.

Also, in order to protect the Group's cash flow in 2010, Petrom S.A. entered into crude oil hedges in Q2/09 for a volume of 38,000 bbl/d (approx 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.

Corporate Governance

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

March 25th, 2010

Bucharest

Wolfgang Ruttenstorfer

