

Supervisory Board Report on S.C. OMV PETROM S.A.'s Financial Statements prepared in accordance with MOF no. 3055/2009

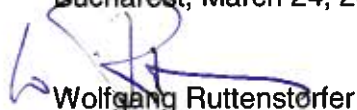
In 2010, the Supervisory Board thoroughly reviewed the position and prospects of the Company and performed its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We coordinated with the Executive Board on the management of Petrom and monitored its work, and we were involved in the Company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

The financial statements and audit reports were presented for Supervisory Board examination in a timely manner. Deloitte audited the 2010 financial statements, reviewed the conformity of the Directors Report with the financial statements and issued unqualified audit opinions. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the financial statements with the auditors and examined them carefully. The Committee reported to the Supervisory Board on its examination and recommended the approval of the annual financial statements, including the management reports.

Based on our own examination, we confirm to the best of our knowledge that the financial statements give a true and fair view of the financial position of OMV Petrom SA as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with applicable accounting standards. We have also reviewed and analyzed attached Directors Report presented as Appendix 1 and we confirm that the report gives a true and fair view of the development and performance of the business and the financial position of OMV Petrom SA, together with a description of the principal risks and associated uncertainties as of December 31, 2010.

Hence, the financial statements prepared in accordance with MOF no. 3055/2009 were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 26, 2011.

Bucharest, March 24, 2011



Wolfgang Rutenstorfer

President of the Supervisory Board

Appendix 1

Directors' Report on S.C. OMV PETROM S.A.'s Financial Statements prepared in accordance with MOF no. 3055/2009

Overview of the Company's nature

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

On October 1, 2010 OMV Petrom S.A.'s Marketing activities were spun off to OMV Petrom Marketing S.R.L. (formerly named OMV Romania Mineraloel S.R.L.), a company fully owned by OMV Petrom S.A..

OMV Petrom S.A. has vertical integrated activities and presents the following reportable segments: Exploration and Production, Refining and Marketing, Gas and Power, Corporate and Other.

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.

Shareholder Structure as at December 31, 2010

	<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>

On January 8, 2010, OMV Petrom S.A. started a share buy back program. As part of the program, OMV Petrom S.A. purchased 6,195,500 shares, representing 0.011% of the Company's share capital from the organized securities market, in order to distribute them free of charge to the Entitled Persons (former or current employees) between February 25 and December 31, 2010.

On January 7, 2011, OMV Petrom S.A. announced the completion of the securities distribution to the persons entitled to receive free of charge shares issued by S.C. OMV Petrom S.A. in the shares buyback program approved at the Extraordinary General Shareholders Meeting of December 16, 2008. The number of securities distributed was 6,133,500 securities out of total purchased of 6,195,500.

Summarized Balance Sheet of OMV Petrom S.A.

Item and related Balance Sheet line	31-Dec-09 MRON	31-Dec-10 MRON
Non current assets		
Tangible and intangible assets (rd. 06+11)	16,816	19,912
Investments in associate and other financial assets (rd. 18)	5,427	6,712
Current assets		
Inventories (rd. 24)	2,098	1,829
Accounts receivables and other assets (rd. 30+36)	2,093	2,234
Cash and cash equivalents (rd. 34)	280	1,416
Total assets	26,714	32,103
Current liabilities		
Interest bearing financial liabilities (rd. 38)	183	391
Trade payables (rd. 39+40)	2,027	2,910
Other current liabilities (rd. 42+44)	1,352	1,584
Non current liabilities		
Interest bearing financial liabilities (rd. 49+53)	2,810	3,466
Other non current liabilities (rd. 55+61+62)	109	55
Provisions (rd. 60)	6,177	7,502
Equity		
Shareholder's equity (rd. 86)	14,056	16,195
Total liabilities and equity	26,714	32,103

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 2010 is mainly driven by significant investments related to E&P for development wells, workover activities and subsurface operations, as well as to R&M, Power and Corporate projects. Out of the total 2010 increase, 1,306 MRON represents the reassessment of decommissioning provision further to the alignment with MOF no. 3055/2009, out of which E&P amounts to 1,296 MRON.

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, R&M and Doljchim amounting to 2,459 MRON (2009: 2,273 MRON).
- net investments in shares amounting to 2,050 MRON (2009: 1,078 MRON). The net increase in investments during 2010 represents mainly additional shares in OMV Petrom Marketing SRL as a consequence of Marketing activities spin-off from OMV Petrom SA, acquisition of remaining shares in Petrom Aviation SA and acquisition of shares in the company Wind Power Park SRL, reduced by disposals of investment in M.P. Petroleum Distributie SRL, Ring Oil Holding & Trading LTD, Poliflex SRL, GTI Oil CO SA and Bursa Maritima si de Marfuri SA..

Current assets include cash and cash equivalents amounting 1,416 MRON, which increased from 280 MRON in previous year.

Inventories amounting to 1,829 MRON decreased in comparison with previous year (2009: 2,098 MRON) mainly due to lower material quantities in E&P. Trade receivables increased by 513 MRON in comparison with previous year related mainly to OMV Petrom Marketing SRL due to spin-off of the marketing business.

Current assets include also the short-term portion of loans given to subsidiaries that decreased by 465 MRON mainly as a result of reclassification to long-term loans.

Current liabilities - consist mainly of trade payables amounting to 2,910 MRON and amounts owed to affiliates from cash pooling of 831 MRON. Trade payables increased compared to 2009 due to higher investments and increased sludge pits cleaning activities in E&P, and due to higher quantities of petroleum products purchased in R&M and also environmental and industrial cleaning in the refineries. Current liabilities as of December 31, 2009 included the fair value of the oil price hedge amounting 412 MRON that was realized in 2010.

Current liabilities position includes also an amount of 391 MRON (2009: 183 MRON) representing short term bank loans. The increase in short term portion of loans relates to environmental projects drawn from EBRD, BSTDB and loans for Power Plant from EBRD, compensated by the repayments of the overdrafts from Intesa and Raiffeisen.

Non current liabilities - mainly consist in provisions for decommissioning obligations (5,703 MRON), environmental obligations (637 MRON), retirement benefits (280 MRON), litigation provisions (673 MRON) and restructuring provisions (205 MRON). The increase of provisions versus previous year is mainly due to increase of decommissioning provision, also as a result of alignment with MOF no. 3055/2009.

Another important portion of 3,466 MRON (2009: 2,810 MRON) is represented by long-term loans received (Bank Consortium loans, EBRD, EIB and from Black Sea Trade and Development Bank). The maturity of these loans varies between 2 and 12 years.

The Company's equity position increased from 14,056 MRON at the beginning of the year to 16,195 MRON as at December 31, 2010. The increase is mainly due to the net profit generated by the Company during the year (1,799 MRON) and to an increase in reserves following the realization in 2010 of the hedge liability amounting to 412 MRON.

The annual stock count of assets, liabilities and equity was performed according with Romanian legislation (Order no. 2861/2009) and the results were recorded in the financial statements as at December 31, 2010.

Summarized Income Statement of OMV Petrom S.A.

Item and related Income Statement line	2009 MRON	2010 MRON
Net turnover (rd. 01)	12,842	13,953
Movements in stocks of finished goods (rd. 07, 08)	(2)	87
Own work capitalized (rd. 09)	208	246
Other operating revenues (rd. 10)	158	344
Total operating revenues (rd. 12)	13,206	14,630
Raw materials and consumables expenses (rd. 13)	2,402	1,214
Other materials expenses (rd. 14)	43	39
Other utilities expenses (rd. 15)	501	417
Purchases of goods for resale (rd. 16)	1,325	2,194
Salary expenses (rd. 18)	2,344	1,919
Adjusting the value of tangible and intangible assets (rd. 21)	1,752	1,987
Adjusting the value of current assets (rd. 24)	136	(56)
Provisions for risks and charges (rd. 32)	(483)	(485)
Other operating expenses (rd. 27)	3,989	4,199
Total operating expenses (rd. 35)	12,009	11,428
Operating result (rd. 36)	1,197	3,202
Financial revenues (rd. 45)	1,119	910
Financial expenses (rd. 52)	619	1,897
Financial result (rd. 53, 54)	500	(987)
Gross profit (rd. 63)	1,697	2,215
Tax on profit (rd. 65)	329	416
Net result (rd. 67)	1,368	1,799

OMV Petrom S.A.'s EBIT amounted to 3,202 MRON, with 2,005 MRON higher than in 2009, being the result of favorable crude price environment and strict cost management measures. Company's EBIT was also positively influenced by lower provisions for restructuring and lower exploration expenses.

Company's financial result decreased compared with 2009 mainly due to the impairment related to Kazakhstan loans following the impairment of Kazakh assets based on the technical assessment of the fields. Furthermore, in 2010 the hedge contracted in 2009 was realized resulting into a financial loss of 203 MRON.

Risk Management

OMV Petrom S.A., 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 OMV Petrom S.A. is reflected in an integrated report which is given twice per year each May and October by Corporate Risk & Insurance Management Department.

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.

OMV Petrom S.A. being in continuous development expansion, all the new business processes are fully integrated, with systematic understanding and analysis of the risks. Risk treatment consists of risk transfer (like hedging strategies or insurance policies), risk mitigation or risk retention, trying to reach the optimal level of risk suitable to the company. Financial instruments are used for the purposes of managing exposure to currency, commodity price and interest rate movements being evaluated at OMV Group level, considering OMV Petrom S.A.'s needs and being approved by OMV Petrom S.A.'s Executive Board.

Therefore, in order to protect the Company's cash flow in 2010, OMV 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 Company would not be able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume. The hedge was realized in 2010, on a quarterly basis.

Furthermore, in order to protect the Company's cash flow in 2011, OMV Petrom S.A. entered in January 2011 into oil price swaps, locking in a Brent price of approximately USD 97/bbl for a volume of 25,000 bbl/d. These hedged volumes are covered until the end of 2011. The hedges will be settled on a quarterly basis in 2011.

Corporate Governance

A transparent decision-making process relying on clear and objective rules is a prerequisite for enhances shareholders' confidence in the Company. It also contributes to protecting shareholders' rights, improving the overall performance of the Company, offering better access to capital and risk mitigation.

The Company has therefore always conferred great importance to the principles of good corporate governance and since 2010 financial year adheres to the principles laid down in the Code of Corporate Governance issued by the Bucharest Stock Exchange.

Governance structures

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

An **Audit Committee** comprised of four Supervisory Board members is established to provide assistance to the governing bodies of OMV Petrom S.A. in the area of internal control and financial reporting. The committee supervises the Company's risk management strategy and its financial performance, and examines the reports of the internal auditors. In line with the Companies Law, the Audit Committee also includes members that have the necessary financial audit and accounting expertise. Moreover, at least one of the committee members meets the independence criteria laid down by the Companies Law.

Internal control

The Board is responsible for OMV Petrom S.A.'s system of internal control and for reviewing its effectiveness and has delegated authority to the Audit Committee to assist it in fulfilling its responsibilities in relation to internal control and financial reporting.

The control framework in place is designed to manage rather than eliminate the risk of failure to achieve business objectives. It therefore only provides a reasonable and not an absolute assurance against material misstatement or loss. In general, OMV Petrom S.A.'s Control Framework applies to all the companies where the Company, directly or indirectly, has a controlling interest.

The most important elements of the internal control and risk management system regarding the accounting process consists in standards for the internal control systems that are defined by internal Corporate Guidelines.

For OMV Petrom S.A., an important mean to set a comprehensive set of standards is establishing and maintaining a rigorous Business Management System (BMS) so designed as to match the integrated set of processes and tools used by the Company in developing its strategy, translated into actual actions and in monitoring and improving effectiveness of both.

BMS includes the following documentation areas: Business Management Manual, which is a description of the Business Management System and OMV Petrom S.A. Corporate Regulations. A special designated department - Corporate Affairs & Compliance - is responsible for the BMS coordination. This department provides support to the various entities in the Company in view of achieving regulatory engagements, coordinates elaboration of corporate regulation drafts and provides a quality check, ensures posting of Executive Board approved corporate regulations on OMV Petrom S.A.'s portal and communicates their enactment. There is a corporate directive in place that sets out the classification, definition and standardized structure of corporate regulations (e.g. instructions, standards, directives, guidelines, recommendations etc.) as well as their elaboration, communication, monitoring and reporting process.

OMV Petrom S.A. has an extensive set of standards, directives and procedures that regulate accounting treatment and consequences in order to ensure that business cases are treated in a consistent and correct way. Each accountant has roles and responsibilities specifically defined. A revision process - "four eyes principle" - is applied in daily accounting operations, as well as for the set up of the financial statements.

Internal Audit assesses the effectiveness and efficiency of the organization's policies, procedures and systems which are in place to ensure: proper identification and management of risks, reliability and integrity of information, compliance with laws and regulations, safeguarding of assets, economical and efficient use of resources and accomplishment of established objectives and goals. Internal Audit carries out regular audits within the company and informs the Audit Committee about the results of the audits performed.