

S.C. OMV PETROM S.A.

INDEPENDENT AUDITOR'S REPORT

**AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2010

**prepared in accordance with Ministry of Finance Order no. 3055/2009
and the subsequent amendments issued by the Ministry of Public Finance**

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

Independent Auditor's Report

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of S.C. OMV Petrom S.A. ("the Company"), which comprise the balance sheet as at December 31, 2010, the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

- Net assets/Total equity: RON 16,195,075,527
- Net profit for the year: RON 1,799,154,602

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Ministry of Public Finance no. 3055/2009 with the subsequent amendments and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

Opinion

- 6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. OMV Petrom S.A. as of December 31, 2010, and its financial performance and its cash flows for the year then ended, in accordance with the Order of the Ministry of Public Finance no. 3055/2009 and subsequent amendments and as described in the accounting policies presented in the notes to the financial statements.

Other Matters

- 7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.
- 8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements, respectively, the Order of the Ministry of Public Finance no. 3055/2009 and subsequent amendments.
- 9 In accordance with the requirements of Law 82/1991 republished, article 31, parent company must issue an annual report regarding its own activity and also a consolidated annual report. As discussed in note 6 to the financial statements, the Company will issue consolidated financial statements for the year ended December 31, 2010 within the timeframe stipulated in the legislation.

Report on conformity of the Directors' Report with the Financial Statements

In accordance with the Order of the Ministry of Public Finance no. 3055/2009 with the subsequent amendments, article no. 318 point 2), we have read the Directors' Report attached to the financial statements. The Directors' Report is not a part of the financial statements. In the Directors' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2010.

Farrukh Khan, Audit partner



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

On behalf of:
DELOITTE AUDIT S.R.L.

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

Bucharest, Romania
March 24, 2011

S.C. OMV PETROM S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

COUNTY **Bucharest**
COMPANY **S.C. OMV Petrom S.A.**

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

ADDRESS **Bucharest** sector **1**
Str. **Calea Dorobanti** nr. **239**,
TEL: **021.4060189** FAX **021.2062857**
NO. OF TRADE REGISTER **J40/8302/1997**

CODE GROUP CAEN **0610**
UNIQUE REGISTRATION CODE **1590082**

No	Notes	Row	December 31, 2009	December 31, 2010
A	FIXED ASSETS			
I	Intangible assets			
1	Set up expenses	01	-	-
2	Development expenses	02	-	232,769,011
3	Concessions, patents, licenses, trademarks and other similar rights and assets	03	887,840,345	723,321,136
4	Goodwill	04	-	-
5	Advances and intangible assets in progress	05	99,327,785	186,121,312
	Total (rows 01 to 05)	1 b) 06	987,168,130	1,142,211,459
II	Tangible assets			
1	Land and buildings	07	8,328,497,496	10,508,760,278
2	Plant and machinery	08	3,133,097,459	3,259,207,499
3	Other equipment and furniture	09	90,574,329	24,779,572
4	Advances and tangible assets in progress	10	4,276,599,535	4,977,157,299
	Total (rows 07 to 10)	1 a) 11	15,828,768,819	18,769,904,648
III	Financial assets			
1	Investments in companies within the group	12	1,064,136,922	2,035,422,192
2	Loans to the companies within the group	13	2,066,639,241	2,194,969,305
3	Investments in associated companies	14	14,158,585	14,158,585
4	Amounts owed by subsidiaries and associated companies	15	-	-
5	Long term financial investments	16	-	-
6	Other debts	17	2,282,130,885	2,466,994,684
	Total (rows 12 to 17)	1 c) 18	5,427,065,633	6,711,544,766
	TOTAL FIXED ASSETS (rows 06+11+18)	19	22,243,002,582	26,623,660,873
B	CURRENT ASSETS			
I	Inventories			
1	Raw materials and consumables	20	1,045,174,928	762,517,925
2	Work in progress	21	123,714,225	125,554,299
3	Finished goods and merchandise	22	886,239,888	884,358,689
4	Advances for stock purchase	23	42,760,821	56,266,052
	Total (rows 20 to 23)	10.3 24	2,097,889,862	1,828,696,965
II	Receivables			
1	Trade receivables (net)	25	1,201,906,533	1,702,498,620
2	Amounts to be received from affiliates	26	491,475,056	26,613,218
3	Amounts to be received from investments	27	-	-
4	Other receivables	28	342,424,902	430,306,726
5	Receivables for subscribed and not paid in share capital	29	-	-
	Total (rows 25 to 29)	5 30	2,035,806,491	2,159,418,564

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Notes on pages 13 to 43 form integral part of these financial statements.

S.C. OMV PETROM S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	December 31, 2009	December 31, 2010
III	Short term investments			
1	Investments in affiliates	31	-	-
2	Other short term investments	32	-	-
	Total (rows 31+32)	33	-	-
IV	Cash and bank accounts	10.2 34	<u>280,035,791</u>	<u>1,416,091,506</u>
	TOTAL CURRENT ASSETS (rows 24+30+33+34)	35	<u>4,413,732,144</u>	<u>5,404,207,035</u>
C	PREPAYMENTS	36	<u>56,803,658</u>	<u>74,208,255</u>
D	PAYABLES WITHIN ONE YEAR			
1	Debenture loans	37	-	-
2	Payables to credit institutions	38	182,778,964	391,051,692
3	Advances cashed for orders	39	74,010,678	56,644,908
4	Trade payables	40	1,952,945,315	2,853,399,364
5	Bills of exchange payables	41	-	-
6	Payables to related parties	42	237,093,529	831,420,581
7	Payables to other investment companies	43	-	-
8	Other payables, including tax and social security payables	44	<u>1,114,507,093</u>	<u>751,597,655</u>
	Total (rows 37 to 44)	5 45	<u>3,561,335,579</u>	<u>4,884,114,200</u>
E	CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-63)	46	<u>824,063,601</u>	<u>574,917,368</u>
F	TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46)	47	<u>23,067,066,183</u>	<u>27,198,578,241</u>
G	PAYABLES IN MORE THAN ONE YEAR			
1	Debenture loans	48	-	-
2	Payables to credit institutions	49	2,176,218,785	3,465,508,688
3	Advances cashed for orders	50	-	-
4	Trade payables	51	-	-
5	Bills of exchange payables	52	-	-
6	Amounts payable to related parties	53	634,230,000	-
7	Payables to investments participation	54	-	-
8	Other payables, including tax and social security payables	55	<u>11,868,526</u>	<u>21,927,060</u>
	Total (rows 48 to 55)	5 56	<u>2,822,317,311</u>	<u>3,487,435,748</u>
H	PROVISIONS			
1	Provisions for pensions and other liabilities	57	-	-
2	Provisions for taxes	58	-	-
3	Other provisions	59	<u>6,176,529,278</u>	<u>7,502,395,876</u>
	TOTAL PROVISIONS (rows 57 to 59)	2 60	<u>6,176,529,278</u>	<u>7,502,395,876</u>

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S.C. OMV PETROM S.A.
BALANCE SHEET
AS AT DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	December 31, 2009	December 31, 2010
I	DEFERRED INCOME			
1	Investments subsidies	61	11,573,736	13,395,126
2	Deferred income (rows 63+64)	62	85,635,241	19,659,686
	Amounts to be booked to revenues within one year	63	85,136,622	19,383,722
	Amounts to be booked to revenues in more than one year	64	498,619	275,964
	Badwill	65	-	-
	TOTAL (rows 61+62+65)	66	97,208,977	33,054,812
J	SHARE CAPITAL AND RESERVES			
I	Share capital			
1	Subscribed and paid in share capital	67	5,664,410,834	5,664,410,834
2	Subscribed and not paid in share capital	68	-	-
3	Patrimony	69	-	-
	TOTAL (rows 67 to 69)	7	5,664,410,834	5,664,410,834
II	Premium related to capital	71	-	-
III	Revaluation reserve	72	81,614,855	55,357,958
IV	Reserves			
1	Legal reserve	73	553,748,670	616,695,996
2	Statutory or contractual capital reserve	74	-	-
3	Realized revaluation reserves	75	22,967,076	23,662,420
4	Other reserves	76	4,906,427,357	5,310,542,788
	TOTAL (row 73 to 76)	77	5,483,143,103	5,950,901,204
	Own shares	78	-	17,785
	Earnings related to owners' equity items	79	-	-
	Losses related to owners' equity items	80	-	-
V	Retained earnings			
	- Cr balance	81	1,537,974,645	2,826,978,447
	- Dr balance	82	-	-
VI	Profit for the period			
	- Cr balance	83	1,368,127,631	1,799,154,602
	- Dr balance	84	-	-
	Profit appropriation	85	79,123,829	101,709,733
	Total shareholders' equity (rows 70+71+72+77-78+79-80+81-82+83-84-85)	86	14,056,147,239	16,195,075,527
	Public patrimony	87	-	-
	TOTAL EQUITY (rows 86+87)	88	14,056,147,239	16,195,075,527

These financial statements were approved on March 24, 2011.


Mrs. Mariana Gheorghe
Chief Executive Officer


Mr. Daniel Turnheim
Chief Financial Officer

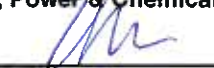

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E.B. Member E&P


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Director Corporate Finance


Mrs. Mihaela Milinschi
Director Financial Statements

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S.C. OMV PETROM S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	Year ended December 31, 2009	Year ended December 31, 2010
1	Net turnover (rows 02+03-04+05+06)	01	12,842,384,017	13,953,092,655
	Sales of production	02	11,251,543,470	11,529,127,066
	Sales of merchandise	03	1,590,840,547	2,449,109,633
	Discounts given	04	-	25,144,044
	Interest income for lease contracts	05	-	-
	Interest from subsidies related to net turnover	06	-	-
2	Stock variance			
	– Cr balance	07	-	86,869,934
	– Dr balance	08	1,860,989	-
3	Own work capitalized	09	207,915,979	245,619,336
4	Other operating revenue	10	157,743,750	343,656,477
	out of which, revenues related to goodwill	11	-	-
	Total operating revenues (rows 01+07-08+09+10)	12	13,206,182,757	14,629,238,402
5	a) Raw materials and consumables expenses	13	2,401,790,216	1,213,709,372
	Other materials expenses	14	42,888,818	39,035,155
	b) Other utilities expenses (energy and water)	15	500,328,874	416,272,385
	Purchases of goods for resale	16	1,325,179,709	2,193,546,252
	Discounts received	17	-	-
6	Salary expenses (rows 19+20)	18	2,344,256,632	1,919,305,092
	a) Salaries	19	1,822,027,783	1,480,438,732
	b) Social security contributions	20	522,228,849	438,866,360
7	a) Adjusting the value of tangible and intangible assets (rows 22-23)	21	1,752,308,449	1,987,119,625
	a. 1) Expenses	22	1,797,220,345	2,015,514,538
	a. 2) Revenues	23	44,911,896	28,394,913
	b) Adjusting the value of current assets (rows 25-26)	24	135,861,336	(55,896,914)
	b. 1) Expenses	25	367,806,204	158,293,562
	b. 2) Revenues	26	231,944,868	214,190,476
8	Other operating expenses (rows 28 to 31)	27	3,989,067,869	4,199,456,511
	8.1 Third parties services	28	2,722,796,166	2,921,242,828
	8.2 Other taxes, duties and similar expenses	29	665,086,775	783,469,106
	8.3 Other operating expenses	30	601,184,928	494,744,577
	Interest related to refinancing activities	31	-	-
	Adjustments for provisions for risks and charges (rows 33-34)	32	(482,777,610)	(485,002,623)
	Expenses	33	468,072,436	288,891,212
	Revenues	34	950,850,046	773,893,835

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S.C. OMV PETROM S.A.
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

No	Notes	Row	Year ended December 31, 2009	Year ended December 31, 2010
	Total operating expenses (rows 13 to 16-17+18+21+24+27+32)	35	<u>12,008,904,293</u>	<u>11,427,544,855</u>
	Operating Result			
	- profit (rows 12-35)	36	1,197,278,464	3,201,693,547
	- loss (rows 35-12)	37	<u>-</u>	<u>-</u>
9	Income from investments	38	183,833,432	202,280,861
	- out of which, within the group	39	180,974,269	199,993,531
10	Income from other financial investments and receivables, part of financial assets	40	-	-
	- out of which, within the group	41	-	-
11	Income from interest	42	119,402,753	121,888,606
	- out of which, within the group	43	87,180,978	91,320,532
	Other financial revenues	44	<u>816,143,358</u>	<u>586,333,797</u>
	Total financial revenues (rows 38+40+42+44)	45	<u>1,119,379,543</u>	<u>910,503,264</u>
12	Adjustment of financial assets and investments held (rows 47-48)	46	<u>137,497,382</u>	<u>447,471,458</u>
	Expenses	47	138,950,257	759,223,252
	Revenues	48	1,452,875	311,751,794
13	Interest expenses	49	104,136,725	128,844,537
	- out of which, within the group	50	26,244,216	23,631,556
	Other financial expenses including forex loss	51	<u>377,504,155</u>	<u>1,320,241,797</u>
	Total financial expenses (rows 46+49+51)	52	<u>619,138,262</u>	<u>1,896,557,792</u>
	Financial result			
	- profit (rows 45-52)	53	500,241,281	-
	- loss (rows 52-45)	54	<u>-</u>	<u>986,054,528</u>
14	Current profit (loss)			
	- profit (rows 12+45-35-52)	55	1,697,519,745	2,215,639,019
	- loss (rows 35+52-12-45)	56	<u>-</u>	<u>-</u>
15	Extraordinary revenues	57	-	-
16	Extraordinary expenses	58	-	-
17	Extraordinary result			
	- profit (rows 57-58)	59	-	-
	- loss (rows 58-57)	60	<u>-</u>	<u>-</u>
	Total revenues (rows 12+45+57)	61	<u>14,325,562,300</u>	<u>15,539,741,666</u>
	Total expenses (rows 35+52+58)	62	<u>12,628,042,555</u>	<u>13,324,102,647</u>

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FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	Year ended December 31, 2009	Year ended December 31, 2010
	Profit before tax				
	- profit (rows 61-62)		63	1,697,519,745	2,215,639,019
	- loss (rows 62-61)		64	-	-
18	Tax on profit	10.7	65	329,392,114	416,484,417
19	Other tax expenses not shown above		66	-	-
20	Net result of financial year				
	- profit (rows 63-65-66)		67	1,368,127,631	1,799,154,602
	- loss (rows 64+65+66); (rows 65+66-63)		68	-	-

These financial statements were approved on March 24, 2011.

Mrs. Mariana Gheorghe
Chief Executive Officer

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Director Financial Statements

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S.C. OMV PETROM S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2010</u>
Cash flow from operating activities			
Profit before taxation		1,697,519,745	2,215,639,019
Adjustments for:			
Interest expenses		104,136,725	128,844,537
Interest income		(119,402,753)	(121,888,606)
Net movement in provisions for:			
- Fixed asset impairment	10.8	285,822,721	286,256,318
- Financial assets	2	125,950,925	449,669,790
- Inventories		62,848,514	5,600,033
- Receivables		64,470,819	(123,711,542)
- Litigations		(360,518,961)	1,226,681
- Environmental expenditures		(53,509,424)	(22,178,776)
- Retirement benefits		31,680,069	5,531,389
- Other provisions for risk and charges		59,999,385	(84,699,258)
- Restructuring		(141,603,428)	(79,264,496)
Loss / (Gain) on disposals of fixed assets		201,902,876	(531,511)
Depreciation and amortization expense	1	1,466,485,715	1,700,863,307
Loss on financial assets		50,315,705	421,293,550
Other non-cash items		-	(13,630,342)
Cash generated from operating activities before working capital movements		3,476,098,633	4,769,020,093
Decrease in inventories		233,695,985	66,019,195
Increase in receivables and prepayments		(268,356,012)	(874,169,880)
Increase/ (decrease) in liabilities and deferred revenues		(549,246,952)	286,736,787
Interest received		96,353,528	68,557,889
Interest paid		(95,195,994)	(120,134,643)
Tax on profit paid		(236,380,526)	(341,634,140)
Net cash generated from operating activities		2,656,968,662	3,854,395,301
Cash flow from investment activities			
Purchase of tangible and intangible assets		(4,072,744,878)	(4,063,061,900)
Proceeds from sale of fixed assets		136,699,486	185,967,373
Proceeds from sale of financial assets		217,418,000	69,994,941
Purchase of financial assets		(56,564,693)	(147,313,600)
Net loans given to subsidiaries		(283,302,907)	(195,893,089)
Net cash used from investment activities		(4,058,494,992)	(4,150,306,275)
Cash flow from financial activities			
Net increase in loans		1,434,805,038	1,433,977,587
Dividends paid		(14,681,229)	(233,582)
Purchase of own shares		-	(1,777,316)
Net cash used for financial activities		1,420,123,809	1,431,966,689
Total cash flows		18,597,479	1,136,055,715

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S.C. OMV PETROM S.A.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2009</u>	<u>December 31, 2010</u>
Cash and cash equivalents at the beginning of the year	10.2	<u>261,438,312</u>	<u>280,035,791</u>
Cash and cash equivalents at the end of the year	10.2	<u>280,035,791</u>	<u>1,416,091,506</u>


These financial statements were approved on March 24, 2011.



Mrs. Mariana Gheorghe
Chief Executive Officer




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Chief Financial Officer



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

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

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

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

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

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

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


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

These financial statements were approved on March 24, 2011.


Mrs. Mariana Gheorghe
Chief Executive Officer


Mr. Daniel Turnheim
Chief Financial Officer



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


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


Mr. Hilmar Kroat-Reder
E.B. Member Gas, Power & Chemicals


Mr. Neil Morgan
E.B. Member Refining


Mr. Rainer Schlang
E.B. Member Marketing


Mr. Siegfried Ehn
Director Corporate Finance


Mrs. Mihaela Milinschi
Director Financial Statements

Free translation from the Romanian version which is the original
Notes on pages 13 to 43 form integral part of these financial statements.

S.C. OMV PETROM S.A.
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2010	Increase out of which	Transfer	Decrease out of which	Transfer	Balance at 31.12.2010
Subscribed share capital	5,664,410,834	-	-	-	-	5,664,410,834
Revaluation reserve	81,614,855	-	-	26,256,897 ***	1,005,544	55,357,958
Legal reserves	553,748,670	101,709,733	101,709,733	38,762,407 ****	-	616,695,996
Reserves representing surplus from revaluation reserves	22,967,076	1,005,544	1,005,544	310,200 ****	-	23,662,420
Other reserves	(156,408,807)	421,459,456 *	-	17,344,025 **	1,759,531	247,706,624
Other reserves-geological quota	5,062,836,164	-	-	-	-	5,062,836,164
Less: Own shares	-	1,777,316 *****	-	1,759,531	1,759,531	17,785
Retained earnings	2,826,978,447	-	-	-	-	2,826,978,447
Profit for the year	-	1,799,154,602	-	101,709,733	101,709,733	1,697,444,869
Total	14,056,147,239	2,321,552,019	102,715,277	182,623,731	102,715,277	16,195,075,527

* RON 421,459,456 is made up from: RON 411,651,362 represents the hedge liability realized by the Company in 2010 and RON 9,808,094 represents land for which ownership was obtained but was not included in social capital.

** RON 17,344,025 is made up from: RON 15,584,494 related to spin-off of the Company's Marketing activities and RON 1,759,531 represents own shares distributed to employees.

*** RON 26,256,897 is made up from: RON 24,119,288 related to spin-off of the Company's Marketing activities, RON 1,005,544 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings and other special constructions that were previously revalued and RON 1,132,065 representing impairment of buildings and other special constructions that were revalued in the past.


**** RON 38,762,407 and RON 310,200 related to spin-off of the Company's Marketing activities and was transferred to OMV Petrom Marketing SRL.

*****RON 1,777,316 represents own shares acquired in for distribution to employees.

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Notes on pages 13 to 43 form integral part of these financial statements.

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS

a) Tangible assets

GROSS BOOK VALUE	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Land	647,307,482	113,502,308	29,768,969	185,470,283	25,367,540	575,339,507
Buildings and constructions	11,629,763,234	3,919,568,099 *	1,790,157,037	939,096,973 **	156,274,017	14,610,234,360
Machinery and equipment	5,624,898,897	1,367,393,250	960,800,377	1,184,344,369	341,390,402	5,807,947,778
Other equipment and furniture	188,513,013	19,326,478	15,051,582	147,553,110	10,049,235	60,286,381
Advances and tangible assets in progress	5,026,474,871	3,437,268,231	280,694,320	3,390,105,907	3,191,152,588	5,073,637,195
Total	23,116,957,497	8,857,058,366	3,076,472,285	5,846,570,642	3,724,233,782	26,127,445,221

ACCUMULATED DEPRECIATION	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Buildings and constructions	3,003,885,664	1,007,438,459	12,102,839	130,764,605	19,734,387	3,880,559,518
Machinery and equipment	1,445,877,701	546,055,454	83,662,187	368,128,054	76,226,538	1,623,805,101
Other equipment and furniture	72,114,157	25,234,182	4,640,231	77,165,047	4,444,346	20,183,292
Total	4,521,877,522	1,578,728,095	100,405,257	576,057,706	100,405,271	5,524,547,911

* Includes the amount of RON 1,303,954,222 (E&P: RON 1,293,328,703 and R&M: RON 10,625,519) representing decommissioning assets reassessment recognized in January 2010 in order to comply with MOF no. 3055/2009 and an amount of RON 60,669,620 representing increase in environmental liability.

** Includes the amount of RON 23,483,518 related to E&P segment representing decrease from the reassessment of decommissioning asset.

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S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Land	387,257,900	8,424,809	8,401,715	45,135,162	8,402,533	350,547,547
Buildings and constructions	557,429,656	106,254,236	57,124,119	217,977,368	83,949,979	445,706,524
Machinery and equipment	1,045,923,737	427,420,187	264,607,384	548,408,746	198,391,444	924,935,178
Other equipment and furniture	25,824,527	3,722,322	2,176,123	14,223,332	2,598,831	15,323,517
Advances and tangible assets in progress	749,875,336	55,609,759	1,303,372	709,005,199	596,030,429	96,479,896
Total	2,766,311,156	601,431,313	333,612,713	1,534,749,807	889,373,216	1,832,992,662
NET BOOK VALUE	15,828,768,819					18,769,904,648

Included in fixed assets presented above are fixed assets acquired through finance lease with a carrying amount of RON 15,887,113 as at December 31, 2010 (December 31, 2009: RON 1,710,194).

Net impairments losses booked during the year ended December 31, 2010 for tangible and intangible assets were mainly related to R&M segment amounting RON 145,246,655, E&P and EPS amounting RON 135,359,699 and also other segments RON 5,649,964.

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

b) Intangible assets

COST	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Intangible assets ***	1,467,818,474	912,067,132 *	672,958,606	126,864,543 **	11,577,218	2,253,021,063
Advances and intangible assets in progress	102,745,152	100,452,318	-	13,657,798	13,619,891	189,539,672
Total	1,570,563,626	1,012,519,450	672,958,606	140,522,341	25,197,109	2,442,560,735
ACCUMULATED DEPRECIATION	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Intangible assets	572,677,386	223,890,864	1,350,395	7,901,445	1,350,381	788,666,805
Total	572,677,386	223,890,864	1,350,395	7,901,445	1,350,381	788,666,805
ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2010	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2010
Intangible assets ***	7,300,743	606,942,983	558,979,279	105,979,615	3,218,776	508,264,111
Advances and intangible assets in progress	3,417,367	993	-	-	-	3,418,360
Total	10,718,110	606,943,976	558,979,279	105,979,615	3,218,776	511,682,471
NET BOOK VALUE	987,168,130					1,142,211,459

* Includes the amount of RON 2,219,276 in E&P representing decommissioning assets for exploration wells reassessment recognized in January 2010 in order to comply with MOF no. 3055/2009.

** Includes the amount of RON 881,687 related to E&P segment representing decrease from the reassessment of decommissioning asset for exploration wells.

*** Includes intangible assets representing development costs amounting to RON 232,769,011 (cost of RON 737,257,197 less impairment losses of RON 504,488,186).

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S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets

COST	Balance at 01.01.2010	Increase	Decrease	Balance at 31.12.2010
Investments (a)	1,393,025,911	1,182,827,817	451,264,595	2,124,589,133
Other receivables (b)	2,144,477,715	816,513,143	-	2,960,990,858
Expenditure recoverable from Romanian State (c)	2,272,873,663	278,131,973	92,059,415	2,458,946,221
Total	5,810,377,289	2,277,472,933	543,324,010	7,544,526,212
WRITE DOWN ALLOWANCE				
Investments (a)	314,730,404	50,293,400	290,015,448	75,008,356
Other receivables (b)	68,581,252	757,973,089	68,581,251	757,973,090
Total	383,311,656	808,266,489	358,596,699	832,981,446
NET BOOK VALUE	5,427,065,633			6,711,544,766

(a) The 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 (RON 1,009,526,219), acquisition of remaining shares in Petrom Aviation SA and acquisition of shares in the company Wind Power Park SRL. The decrease represents the 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.

(b) Other receivables include loans given to subsidiaries in Kazakhstan (Kom Munai LLP, Tasbulat Oil Corporation LLP, Korned LLP) whose principal activities are exploration and production of oil and gas and also loans given to the other subsidiaries in R&M and G&P segments, such as OMV Srbija DOO, OMV Bulgaria OOD, Wind Power Park SRL. Loans given to subsidiaries have different maturities and bear an interest rate based on market quotations plus a margin.

(c) As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the Romanian State as these pertain to Exploration and Production (E&P) activities prior to privatization of the Company in 2004. Furthermore, the Company recorded environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim for the lagoons that existed prior to privatization of the Company.

As of 31 December 2010, OMV Petrom S.A. holds receivables from the Romanian state amounting to RON 2,458,946,221. The receivables consist of RON 466,107,588 for cost relating to environmental cleanup and RON 1,992,838,633 for costs relating to the decommissioning. OMV Petrom S.A. filed two claims for reimbursement of environmental cleanup costs in the amount of RON 91,683,670. Up to now the Romanian state has not paid the claimed amounts. Contractual reimbursement procedures are ongoing.

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Investments as at December 31, 2010 consist of the following:

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
Subsidiaries (>50%)				
OMV PETROM MARKETING SRL	Fuel distribution	100.00%	1,389,858,965	-
PETROM AVIATION SA	Kerosene distribution	100.00%	54,142,484	-
ICS PETROM MOLDOVA SA	Fuel distribution	100.00%	100,709,484	-
TASBULAT OIL CORPORATION LLP	Oil exploration and drilling in Kazakhstan	100.00%	13,426,985	-
KORNED LLP	Oil exploration and drilling in Kazakhstan	100.00%	38,187,206	-
OMV PETROM GAS SRL	Gas distribution	99.99%	8,601,500	-
PETROM DISTRIBUTIE GAZE SRL	Gas distribution	99.99%	63,304,077	63,304,077
WIND POWER PARK SRL	Eolian power production	99.99%	119,926,363	-
PETROM LPG SA	LPG distribution	99.99%	122,307,743	-
PETROMED SOLUTIONS SRL	Medical services	99.99%	2,999,900	-
OMV BULGARIA OOD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,968	-
PETROM NADLAC SRL	Fuel distribution	98.51%	6,521,923	1,910,717
KOM MUNAI LLP	Oil exploration and drilling in Kazakhstan	95.00%	33,121,000	-
PETROCHEMICALS ARGES SRL	Refining petrochemicals production	95.00%	200	-
TRANS GAS SERVICES SRL	LPG transportation related services	80.00%	3,909,919	-
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	50.00%	10	-

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

<u>Company Name</u>	<u>Field of Activity</u>	<u>Share interest percentage</u>	<u>Cost</u>	<u>Write down allowance</u>
Associated companies (20-50%)				
FRANCIZA PETROM 2001 SA	Other financial services	40.00%	144,000	144,000
BRAZI OIL & ANGHELESCU PROD COM SRL	Fuel distribution	37.70%	310,800	310,800
FONTEGAS PECO MEHEDINTI SA	Fuel distribution	37.40%	295,881	295,881
CONGAZ SA	Natural gas distribution	28.59%	14,158,085	-
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	Public relations and public representation	20.00%	500	-
Other financial investments (<20%)				
BURSA DE MARFURI OLTENIA CRAIOVA	Other financial services	2.63%	1,526	1,526
AIR TOTAL ROMANIA SA	Kerosene distribution	1.83%	8,929,975	8,929,975
TELESCAUN TIHUTA SA	Cable transportation	1.68%	420	420
AGRIBAC SA	Animals breeding	0.79%	28,060	28,060
BENZ OIL SA	Fuel distribution	0.48%	700	700
CREDIT BANK FORTE ASIGURARI-REASIGURARI SA	Other financial services	0.22%	500	500
OFICIUL PATRONAL JUDETEAN MURES	Insurance services	0.16%	7,250	7,250
	Economic and Union activities development	0.01%	1,000	1,000
MD INDIA	Exploration and production	0.01%	73,450	73,450
TOTAL			<u>2,124,589,133</u>	<u>75,008,356</u>

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS AND ADJUSTMENTS ON THE VALUE OF ASSETS

PROVISIONS	Balance at 01.01.2010	Increase	Decrease	Balance at 31.12.2010
Provision for litigations (i)	674,134,581	144,152,113	145,679,671	672,607,023
Provision for decommissioning expenses – OMV Petrom S.A. (ii)	2,378,209,930	1,541,518,530	248,023,698	3,671,704,762
Provision for expenditure to be incurred on behalf of State	1,848,337,728	182,754,669	-	2,031,092,397
Provision for retirement benefits (iii)	278,171,044	25,086,752	22,997,080	280,260,716
Provision for environmental expenditures- OMV Petrom S.A. (iv)	114,438,796	82,877,459	27,100,179	170,216,076
Provision for environmental expenditures to be incurred on behalf of State (iv)	469,735,883	14,446,098	17,278,684	466,903,297
Provision for restructuring (v)	289,112,721	119,328,034	203,531,310	204,909,445
Other provisions for risk and charges (vi)	124,388,595	4,383,561	124,069,996	4,702,160
Total	6,176,529,278	2,114,547,216	788,680,618	7,502,395,876

PROVISIONS/ ADJUSTMENTS ON THE VALUE OF ASSETS

Adjustments for clients (Note 5)	639,600,363	27,048,819	225,496,341	441,152,841
Adjustments for short term financial assets (Note 5)	19,612,221	-	2,198,364	17,413,857
Adjustments for depreciation of inventories (Note 10.3)	178,509,317	71,634,984	66,424,304	183,719,997
Adjustments for impairment of fixed assets (Note 1 a, b)	2,777,029,266	1,208,375,289	1,640,729,422	2,344,675,133
Adjustments for depreciation of financial assets (Note 1c)	383,311,656	808,266,489	358,596,699	832,981,446
Total	3,998,062,823	2,115,325,581	2,293,445,130	3,819,943,274

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS (continued)

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

(ii) In accordance with the provisions of MOF no. 3055/2009, the decommissioning provision related to the Company's liability was reassessed in January 2010. In December 2005 it was the last reassessment performed according to Romanian legislation. As at December 31, 2010 the decommissioning provisions were set up using the best possible estimate considering the applicable legislation. In determining those provisions management considered existing and future technologies that were expected to be used from the period when it was expected that the costs will be incurred.

As at December 31, 2010, the decommissioning provision for Company's liability is of RON 3,671,704,762 (December 31, 2009: RON 2,378,209,930).

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

(iv) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2010. The Company recorded environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim as these lagoons existed prior to privatization of the Company.

As at December 31, 2010, the Company had not shortfall in EU allowances allocated compared to the CO2 emissions of installations subject to the EU Emission Trading Scheme.

(v) In order to run the Company in the most effective and efficient manner, the Company's management has approved this restructuring plan and the plan has been communicated.

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

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

3. PROFIT ALLOCATION

	December 31, 2009	December 31, 2010
Net profit to be allocated	<u>1,368,127,631</u>	<u>1,799,154,602</u>
- legal reserve	79,123,829	101,709,733
- dividends	<u>-</u>	<u>-</u>
Profit not allocated	<u>1,289,003,802</u>	<u>1,697,444,869</u>

The General Meeting of the Shareholders held on April 28, 2010 approved no allocation of the 2009 profit to dividends. The profit for the year ended December 31, 2010 will be allocated based on the decision of the General Meeting of the Shareholders.

4. ANALYSIS OF OPERATING PROFIT

	December 31, 2009	December 31, 2010
1. Net turnover	<u>12,842,384,017</u>	<u>13,953,092,655</u>
2. Costs of goods sold and services rendered (3+4+5)	<u>10,769,034,836</u>	<u>10,201,444,390</u>
3. Operating activity expenses	8,115,801,008	7,688,051,336
4. Secondary activity expenses	1,658,254,689	1,570,855,072
5. Indirect production expenses	994,979,139	942,537,982
6. Gross profit due to net turnover (1-2)	<u>2,073,349,181</u>	<u>3,751,648,265</u>
7. Selling and distribution expenses	798,067,191	658,557,801
8. Administrative expenses	235,747,276	235,053,394
9. Other operating revenues	<u>157,743,750</u>	<u>343,656,477</u>
10. Operating profit (6-7-8+9)	<u>1,197,278,464</u>	<u>3,201,693,547</u>

S.C. OMV PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES

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

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

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

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5. RECEIVABLES AND PAYABLES (continued)

Receivables	December 31, 2010	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,717,081,198	1,665,663,598	51,417,600
Advances to suppliers	42,964,113	42,964,113	-
Other debtors	383,886,196	383,886,196	-
Advances to personnel	6,041,705	6,041,705	-
Interest receivable	18,655,757	18,655,757	-
Other receivables	77,501,810	77,501,810	-
Provision for doubtful receivables*	(458,566,698)	(407,149,098)	(51,417,600)
VAT not due	133,426,635	133,426,635	-
Other taxes and similar accounts	217,003,848	217,003,848	-
Loans given to subsidiaries – short term portion	21,424,000	21,424,000	-
Total	2,159,418,564	2,159,418,564	-

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

Payables	December 31, 2010	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Loans from financial institutions	3,823,568,833	358,060,145	2,802,835,801	662,672,887
Interest for loans	32,991,547	32,991,547	-	-
Amounts owed to affiliates	828,280,085	828,280,085	-	-
Interest related to amounts owed to affiliates	3,140,496	3,140,496	-	-
Suppliers and similar accounts	2,853,399,364	2,853,399,364	-	-
Advance payments from customers	56,644,908	56,644,908	-	-
Other creditors	7,615,419	7,615,419	-	-
Guarantees from suppliers	29,405,433	7,478,373	10,110,184	901,022
Employees rights	83,382,091	83,382,091	-	-
Contribution to social security	48,545,894	48,545,894	-	-
Contribution to unemployment fund	1,058,480	1,058,480	-	-
Contribution to special funds	11,321,852	11,321,852	-	-
Tax on salaries	15,655,856	15,655,856	-	-
Tax on profit	177,842,166	177,842,166	-	-
VAT payable	73,870,192	73,870,192	-	-
Dividends to be paid	9,599,884	9,599,884	-	-
Other payables	315,227,448	315,227,448	8,867,058	2,048,796
Total	8,371,549,948	4,884,114,200	2,821,813,043	665,622,705

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5. RECEIVABLES AND PAYABLES (continued)

Liabilities from hedge contracts

To protect the Company's cash-flows, OMV Petrom S.A. entered into crude oil hedges in the second quarter of 2009 for a volume of 38,000 bbl/d. During the year 2010 the oil price hedge was realized, resulting in an expense in OMV Petrom S.A. of RON 202,820,338. As at December 31, 2010 an amount of RON 128,363,195 is included in other payables representing liability related to fourth quarter hedge settlement. Liabilities from hedge contracts were valued at the market value of RON 411,651,362 as at December 31, 2009.

As at December 31, 2009 and 2010, the Company had the following loans:

Short term interest bearing debts

	December 31, 2009	December 31, 2010
European Bank for Reconstruction and Development (a)	-	336,635,312
Black Sea Trade and Development Bank (b)	-	21,424,000
Banca Comerciala Intesa Sanpaolo Romania (c)	105,788,473	-
Raiffeisen Bank SA (d)	52,278,901	833
Cash pooling (e)	234,676,530	828,280,085
Accrued interest	27,128,589	36,132,043
Total interest bearing debts short term	419,872,493	1,222,472,273

Long term interest bearing debts

	December 31, 2009	December 31, 2010
European Bank for Reconstruction and Development (a)	618,374,250	1,398,708,688
Black Sea Trade and Development Bank (b)	36,996,750	85,696,000
Banks Consortium (agent: UniCredit Bank Austria AG) (f)	1,520,847,785	1,074,080,000
Banks Consortium (agent: UniCredit Bank Austria AG) (g)	-	350,000,000
European Investment Bank (h)	-	557,024,000
OMV AG (i)	634,230,000	-
Total interest bearing debts long term	2,810,448,785	3,465,508,688

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

- (i) 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, 2010 amounted to RON 557,024,000 (equivalent of EUR 130,000,000) (December 31, 2009: RON 211,410,000, equivalent of EUR 50,000,000).

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5. RECEIVABLES AND PAYABLES (continued)

- (ii) 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 16, 2015 (for maximum amount of EUR 150,000,000) and November 15, 2013 (for rest of amount). Interest rate is calculated as the interbank rate applicable for interest period plus an applicable margin. The drawings as at December 31, 2010 were RON 1,178,320,000 (equivalent of EUR 275,000,000) (December 31, 2009: RON 406,964,250, equivalent of EUR 96,250,000).
- (b) For the funding of the environmental program the Company concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25,000,000. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. Interest rate is calculated as the interbank rate applicable for interest period plus an applicable margin. The drawings as at December 31, 2010 amounted to RON 107,120,000 (equivalent of EUR 25,000,000) (December 31, 2009: RON 36,996,750, equivalent of EUR 8,750,000).
- (c) Overdraft facility contracted from Banca Comerciala Intesa Sanpaolo Romania S.A. in April 2009 for a limit of RON 106,000,000 obtained by the Company for general corporate expenditure, with maturity date April 24, 2012 and interest rate 1 month ROBOR plus an applicable margin. Starting with July 2010 the limit was adjusted to RON 85,000,000. The facility is not secured.
- (d) Credit facility received from Raiffeisen Bank S.A. up to EUR 95,000,000 obtained by the Company, with maturity date December 31, 2011 and interest rate 1 month ROBOR plus an applicable margin. The facility is not secured. This limit could be used for issuance of letters of guarantee and letters of credit in multi-currencies.
- (e) Cash pooling agreements with the applicable interest rate minimum between National Bank of Romania reference interest rate and 1 month ROBOR valid on the first day of each month and with maturity April 29, 2011, are signed between OMV Petrom S.A. and the following affiliates:
 - (i) Petromed Solutions S.R.L. for an amount up to RON 15,000,000. The balance as at December 31, 2010 amounts to RON 3,622,880.
 - (ii) Aviation Petroleum S.R.L. for an amount up to RON 10,000,000. The balance as at December 31, 2010 amounts to RON 5,274,100.
 - (iii) Petrom LPG S.A. for an amount up to RON 150,000,000. The balance as at December 2010 amounts to RON 90,223,500.
 - (iv) OMV Petrom Marketing S.R.L. for an amount up to RON 1,500,000,000. The balance as at December 31, 2010 amounts to RON 496,054,555.
 - (v) Petrom Gas S.R.L. for an amount up to RON 210,000,000. The balance as at December 31, 2010 amounts to RON 168,945,050.
 - (vi) Wind Power Park S.R.L. for an amount up to RON 100,000,000. The balance as at December 31, 2010 amounts to RON 64,160,000.

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5. RECEIVABLES AND PAYABLES (continued)

- (f) Banks Consortium loan represents a revolving unsecured credit facility given to the Company by a Consortium of Banks that includes BRD – Groupe Société Générale S.A., Crédit Agricole Luxembourg S.A., Emporiki Bank-Romania S.A., Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG, Société Générale Bank & Trust S.A. and UniCredit Bank Austria AG. The agreement was signed on October 14, 2008 and the final maturity date was prolonged to October 14, 2012. The total facility is EUR 375,000,000 and the drawings can be made in EUR, USD or RON. The interest rates are based on EURIBOR, LIBOR and respectively ROBOR plus an applicable margin. The drawings as of December 31, 2010 were RON 964,080,000 (equivalent of EUR 225,000,000) and RON 110,000,000 (December 31, 2009: RON 1,006,347,785; equivalent of EUR 238,008,558 and RON 514,500,000).
- (g) On December 21, 2009 the Company concluded a second Banks Consortium agreement, unsecured, for a maximum amount of EUR 500,000,000, with a Consortium of banks, as follows: Banca Românească S.A., BAWAG P.S.K. Bank, Caja de Ahorros y Pensiones de Barcelona, Erste Group Bank AG, Banca Comercială Română S.A., Eurobank EFG Private Bank Luxembourg AG, ING Bank N.V., Marfin Egnatia Bank S.A., Raiffeisen Bank S.A., Raiffeisen Zentralbank Österreich AG and UniCredit 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, LIBOR for drawings in USD and ROBOR for drawings in RON) plus an applicable margin. The drawings as at December 31, 2010 were in value of RON 350,000,000.
- (h) During 2009 the Company concluded an unsecured loan agreement for a maximum amount of EUR 200,000,000 with European Investment Bank also for the construction of the Petrobrazi Power Plant. The agreement was signed on May 8, 2009 and the final maturity date is October 12, 2022. The drawings as at December 31, 2010 were in value of RON 557,024,000 (equivalent of EUR 130,000,000).
- (i) A Credit Offer of EUR 500,000,000 was signed by the Company with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The interest rate is based on 3 years interest rate swap plus an applicable margin. The drawings as at December 31, 2009, in value of RON 634,230,000 (equivalent of EUR 150,000,000) were fully reimbursed during 2010 and no other amount was drawn in 2010.

The Company has signed also facilities with several banks for issuing letters of guarantees, as follows:

- (j) A Facility Agreement was signed with Fortis Bank – Bucharest branch – for up to EUR 30,000,000, to be utilized only for issuance of letters of guarantee, with maturity date December 16, 2012. The facility is not secured.
- (k) Credit Facility up to EUR 127,400,068 obtained by the Company from BRD – Groupe Société Générale S.A., to be utilized only for issuance of a letter of guarantee for fiscal authorities. The validity period for the credit facility is April 30, 2011. The facility is not secured.
- (l) Credit Facility received from Bancpost, up to EUR 25,000,000, to be utilized only for issuance of letters of guarantee, with maturity date February 28, 2012. The facility is not secured.

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5. RECEIVABLES AND PAYABLES (continued)

(m) Credit facility up to USD 3,000,000 obtained by the Company from RBS Bank S.A., to be utilized only for issuance of letters of guarantee, with maturity date October 28, 2011. The facility is not secured.

As at December 31, 2010, the Company is in compliance with financial covenants stipulated by the loan agreements.

Finance lease liability

In other payables as at December 31, 2009 and December 31, 2010 is included the short and long term portion of the finance lease liability.

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

	December 31, 2009	December 31, 2010
Obligations under finance leases		
Amounts due within 1 year	649,574	5,099,769
Amounts due after more than 1 year but not later than 5 years	644,191	10,776,541
Amounts due after 5 years	-	6,409,568
Total lease obligations	1,293,765	22,285,878
Less future finance charges on finance leases	(51,643)	(7,102,606)
Present value of finance lease liabilities	1,242,122	15,183,272
<i>Analysed as follows:</i>		
Maturing within 1 year	611,434	4,267,418
Maturing after more than 1 year but not later than 5 years	630,688	8,867,058
Maturing after 5 years	-	2,048,796
Total present value of finance lease liabilities	1,242,122	15,183,272

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6. ACCOUNTING PRINCIPLES AND METHODS

Basis of preparation

These financial statements are the responsibility of the management of the Company and are prepared in accordance with the Ministry of Finance Order ("MOF") no. 3055/2009 with the subsequent amendments.

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

- a) EEC Directive IV 78/660/EEC dated July 25, 1978, as revised and detailed in MOF no. 3055/2009;
- b) Art. 10 paragraph 2 Directive 2004/25/CE of the European Parliament and Council dating April 21, 2004 regarding public acquisitions offers;
- c) Provisions of the Directive 2006/43/CE of the European Parliament and Council dating May 17, 2006 regarding amendments to Directive 78/660/CEE;
- d) Provisions of the Directive 2006/46/CE of the European Parliament and Council dating June 14, 2006 regarding amendments to Directive 78/660/CEE;
- e) Provisions of the Directive 2009/49/CE of the European Parliament and Council dating June 18, 2009 regarding amendments to Directive 78/660/CEE;
- f) EEC Directive VII 83/349/EEC dated June 13, 1983 related to consolidated financial statements, as revised and detailed in MOF No. 3055/2009.

The MOF no. 3055/2009 with subsequent amendments is harmonized to the EEC Directive IV and EEC Directive VII and differs from the International Financial Reporting Standards. Therefore, these financial statements are not in accordance with International Financial Reporting Standards.

These financial statements, prepared in accordance with MOF no. 3055/2009 with subsequent amendments, are not to be used by third parties or by users of the financial statements that are not familiar with the aforementioned accounting principles.

The comparatives as at December 31, 2009 were prepared in accordance with MOF no. 1752/2005 with subsequent amendments. This Order comprises of Accounting Regulations in accordance with European Directives, namely:

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

Currency of presentation

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

Consolidated financial statements

These are the stand alone statutory financial statements. The Company also prepares consolidated financial statements for the same period in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU). IFRS Consolidated financial statements for the year ended December 31, 2010 have been authorized for issue by the management on March 24, 2011.

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Prior Year Restatements and Retained Earnings

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

Use of estimates

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

Property plant and equipment

(i) Cost/ Valuation

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

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

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

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

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

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

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Exploration and Appraisal Costs

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

Development and Production Costs

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

(ii) Depreciation

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date, except for the core items within the Exploration & Production segment which are depreciated using the unit of production method. For fiscal purposes and only for some equipments it is used the accelerated depreciation method.

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

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

Intangible assets

(iii) Intangible assets

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

(iv) Impairment of assets

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

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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

(v) Provision for Decommissioning Costs

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

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

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

Starting January 1, 2006 until December 2009, changes in the amount of estimated expenditure were not recorded as an adjustment to the amount already capitalized. Decommissioning provision was only decreased with the amounts used for actual work performed.

Starting with January 1, 2010 the decommissioning provision was reassessed as described above, in accordance with the provisions of MOF no. 3055/2009 and the change was reflected as an adjustment to decommissioning provision.

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

Inventories

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

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Receivables

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

Contributions for employees

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

Tax on profit

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

Operating leases

Leases are classified as operating leases whenever risks and rewards of ownership are not assumed by the Company. Rental payables under operating leases are charged to expenses on accrual basis over the term of the relevant lease.

Financial leases

Property, plant and equipment contains assets being used under finance leases. Since the Company benefits from the economic benefits of ownership, the assets must be capitalized, at the lower of the present value of minimum lease obligation and fair value, and then depreciated over their expected useful life or the duration of the lease, if shorter. A liability equivalent to the capitalized amount is recognized, and future lease payments are split into the finance charge and the capital repayment element.

Borrowing costs

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

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- the Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

- it is probable that the economic benefits associated with the transaction will flow to the entity;
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

Dividend and interest revenue

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income

Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease.

Provisions

Provisions are recognized where it is probable that expenditure will be required and liability will arise in the future as a result of a past transaction.

Operational expenses

Operational expenses are recorded as expenses within the period they occurred.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date. At December 31, 2010 the exchange rate was RON 3.2045 to USD 1 and RON 4.2848 to EUR 1 (31 December 2009: RON 2.9361 to USD 1 and RON 4.2282 to EUR 1).

All differences resulting from foreign currency amounts settlements are recognized in profit and loss account in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in profit and loss account for the year.

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

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.

Long-term investments

Long term investments are carried at lower of cost and share of net assets of the investee or quoted market value of shares if available.

Retirement Benefit Costs

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Actuarial gains and losses are recognized in full in the period in which they occur as a provision for risks and charges.

Restructuring provision

A provision for restructuring is recognized when the entity has a detailed formal plan for the restructuring of a part of the business and has raised valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Available-for-sale financial assets

Available-for-sale financial assets represent investments intended to be held for an undetermined period of time, which may be sold for liquidity purposes due to changes in interest rates, exchange rates and equity prices. They are recorded at cost until they are realized when the effect is reflected in the Income Statement.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity and shall be measured at amortized cost.

Hedging

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Such financial instruments are recorded at cost, if any. No fair value adjustment is recognized at month end. Hedge effect is recognized in profit or loss when it is realized.

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6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Segmental reporting

The Company has vertical integrated activities and presents the following reportable segments: Exploration and Production, Refining and Marketing, Gas and Power, Corporate and Other. The pricing of inter-segment transfer is based on market price for various types of products transferred between segments. As a result, the Earnings Before Interest and Taxes per segments presented in Note 10.8 reflects the results of each segment based on the transfer price. Financial assets have been presented according to their nature of activity.

7. SHARE CAPITAL

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

	<u>December 31, 2009</u>	<u>December 31, 2010</u>
No. of shares	<u>56,644,108,335</u>	<u>56,644,108,335</u>

Shareholder Structure as at December 31, 2009 and 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>

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

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8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees in 2010 is 25,169 (2009: 30,391). In addition to the average number of employees, in the table below are also included 7 administrators representing members of the Supervisory Board.

	No. of employees in 2009*	Salaries in 2009	No. of employees in 2010*	Salaries in 2010
As of December 31	<u>30,398</u>	<u>1,822,027,783</u>	<u>25,176</u>	<u>1,480,438,732</u>

*) The number of employees was calculated as average of the headcount as of December 2009 and December 2010.

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

	<u>2009</u>	<u>2010</u>
Liquidity ratios		
Current assets	1.26	1.12
Acid test	0.67	0.75
Risk ratios		
Indebtness ratio*	19.99%	21.40%
Interest cover	17.30	18.20
Operational ratios		
Stock turnover – days	76	70
Days in receivables – days	32	38
Days in payables – days	56	63
Tangible assets turnover	0.81	0.74
Total assets turnover	0.48	0.43
Profitability ratios		
Return on capital employed (%) ROCE	10.67%	11.91%
Earnings per share (RON)	0.024	0.032
Profit before tax (%)	13.22%	15.88%

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

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10. OTHER INFORMATION

10.1. Nature of activity

The Company's headquarters is located at Calea Dorobanti no. 239, sector 1 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..

10.2. Cash and bank accounts

	December 31, 2009	December 31, 2010
Bank accounts	256,298,790	1,415,877,174
Petty cash	23,733,989	51,317
Other values	3,012	163,015
Total	280,035,791	1,416,091,506

Included in bank accounts as at December 31, 2010 is the amount of RON 140,374,046 representing cash restricted mainly in relation with several litigation cases.

10.3. Inventories

	December 31, 2009	December 31, 2010
Raw materials and materials	1,009,850,240	772,598,593
Small tools	28,721,526	16,293,892
Finished products	740,739,553	634,854,317
Work in progress	123,714,225	125,554,299
Packaging and other	413,676	273,701
Materials at third parties	181,443,481	154,955,320
Products at third parties	78,939,573	171,049,325
Goods purchased for resale at third parties	69,816,084	80,571,463
Provision for inventories *	(178,509,317)	(183,719,997)
Advances for stocks	42,760,821	56,266,052
Total	2,097,889,862	1,828,696,965

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

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10. OTHER INFORMATION (continued)

10.4. Earning per share

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

	December 31, 2009	December 31, 2010
Net profit for the year	1,368,127,631	1,799,154,602
Weighted average of ordinary shares during the year	56,644,108,335	56,641,009,185
Basic earnings per share – RON	0.024	0.032

10.5. Related Parties Transactions and Balances

During 2010, the Company had the following purchases transactions with related parties:

Related party suppliers

Name	Balance	Transactions
Aviation Petroleum SRL	1,533,503	4,797,533
OMV Bulgaria OOD	1,910,646	3,690,091
ICS Petrom Moldova SA	-	51,203
Petrom Distributie Gaze SRL	22,686	186,621
Petrom Aviation SA	882,476	10,348,266
OMV Petrom Gas SRL	200,279	3,711,849
Petrom LPG SA	143,543	42,470,634
Petromed Solutions SRL	1,933,624	23,019,961
OMV Petrom Marketing SRL	33,042,717	67,125,077
Petrom Exploration & Production Limited	-	49,895,293
OMV Deutschland GmbH	-	5,459,624
OMV Refining & Marketing GmbH	24,588,457	229,188,296
OMV Supply & Trading AG	99,835,058	675,458,502
OMV Solutions GmbH	1,310,112	6,907,642
Petrol Ofisi A.S.	-	5,669,973
Congaz SA	-	37,750
Petrom Nadlac SRL	-	660,177
Trans Gas Services SRL	177,320	573,727
OMV Austria Exploration&Production GmbH	-	1,370,837
OMV Gas GmbH	37,099	587,327
OMV Gas&Power GmbH	25,384	1,936,186
OMV Hungaria	712,960	1,997,374
OMV Aktiengesellschaft	653,136	4,211,826
OMV Exploration & Production GmbH	14,058,238	35,313,957
OMV Power International GmbH	190,234	190,289
Borealis AG	-	607,003
Total	181,257,472	1,175,467,018

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10. OTHER INFORMATION (continued)

During 2010, the Company had the following sales transactions with related parties:

Related party receivables

Name	Balance	Transactions
Aviation Petroleum SRL	17,576	276,832
M.P. Petroleum Distributie SRL	-	171,392,004
Petrom Distributie Gaze SRL	321,227	8,044,005
OMV Petrom Gas SRL	400,006,809	1,888,183,202
Korned LLP	531,392	930,202
Korsarneft LLC	-	5,736
OMV Petrom Marketing SRL	619,343,163	2,535,188,484
OMV Bulgaria OOD	79,337,117	483,710,255
ICS Petrom Moldova SA	22,159,457	150,039,664
OMV Srbija d.o.o.	14,467,879	91,862,884
Tasbulat Oil Corporation LLP	20,519,784	8,368,600
OMV Refining & Marketing GmbH	-	43,515,192
Kom Munai LLP	42,893,316	6,396,426
OMV Solutions GmbH	4,493,263	13,285,000
OMV Supply & Trading AG	62,222,198	610,254,422
Petrom Nadlac SRL	-	5,590
OMV New Zealand Limited	-	89,400
Petrom Exploration & Production Limited	817,249	-
Petrom Aviation SA	2,860,840	159,589,292
Petrol Ofisi A.S.	-	163,644
Trans Gas Services SRL	-	11,426
Borealis AG	-	55,226
OMV Deutschland GmbH	31,757,421	224,642,195
OMV Finance Ltd	143,508	115,811
Petrom LPG SA	41,369,521	309,296,713
Petromed Solutions SRL	332,016	1,950,472
Wind Power Park SRL	1,491,207	1,202,586
Total	1,345,084,943	6,708,575,263

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10. OTHER INFORMATION (continued)

10.6. Legal reserves

At December 31, 2010 the legal reserve amounted to RON 616,695,996 (December 31, 2009: RON 553,748,670). During 2010 the amount of RON 38,762,407 out of the legal reserve was transferred to OMV Petrom Marketing S.R.L. following the spin-off of the Company's Marketing activities. At the year end the legal reserve is established as a transfer of net income up to 5% of gross profit but not more than 20% of share capital. Legal reserve cannot be distributed to the shareholders, but can be utilized by the Company in accordance with relevant regulations.

10.7. Tax on profit calculation

	December 31, 2009	December 31, 2010
Revenues	14,325,562,300	15,539,741,666
Expenses	12,628,042,555	13,324,102,647
Gross profit	1,697,519,745	2,215,639,019
Deductions	(1,351,171,115)	(1,614,586,608)
Non-deductible expenses	1,825,160,296	2,402,477,615
Fiscal depreciation for fixed assets	(1,509,245,120)	(1,647,377,833)
Accounting depreciation for fixed assets	1,466,485,715	1,700,862,364
Other taxable elements	30,670,213	137,173,579
Other non taxable elements	(166,276,733)	(399,892,630)
Taxable profit	1,993,143,001	2,794,295,506
Preliminary tax on profit	318,902,880	447,087,281
less sponsorship expenses	(38,527,166)	(13,493,404)
External fiscal credit	(1,122,319)	-
Income tax related to previous years	50,138,719	(17,109,460)
Income tax due for the period	329,392,114	416,484,417

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10. OTHER INFORMATION (continued)

10.8. Segmental reporting

	Extraction & Production	Refining & Marketing	Gas & Power	Corporate & Other	Inter-segmental elimination	Total
Revenue						
External Sales	70,506,225	11,590,761,621	2,235,126,662	56,698,147	-	13,953,092,655
Inter-segment Sales	8,841,508,806	84,153,407	176,182,375	390,086,885	(9,491,931,473)	-
Other revenues	293,511,109	(1,306,754,173)	47,939,111	20,839,558	1,620,610,142	676,145,747
Total Revenues	9,205,526,140	10,368,160,855	2,459,248,148	467,624,590	(7,871,321,331)	14,629,238,402
Total Expenses	5,691,040,838	10,505,151,532	2,375,216,851	601,652,032	(7,745,516,398)	11,427,544,855
Operating result (EBIT)	3,514,485,302	(136,990,677)	84,031,297	(134,027,442)	(125,804,933)	3,201,693,547
Financial loss						(986,054,528)
Income tax						(416,484,417)
Net Result						1,799,154,602
Other information						
Capital expenditure - Tangibles and intangibles	2,742,608,837	607,231,811	1,272,618,235	130,844,924	-	4,753,303,807
Capital expenditure - Investments	5	3,081,820	170,219,773	-	-	173,301,598
Depreciation and amortization	1,344,497,234	280,442,288	136,553	75,787,232	-	1,700,863,307
Impairment loss, net	135,359,699	145,246,655	414,408	5,235,556	-	286,256,318
Balance Sheet						
Segment tangible and intangible assets	14,859,560,757	2,201,036,056	1,928,123,936	923,395,358	-	19,912,116,107
Segment financial assets	3,752,721,477	2,725,127,118	230,695,771	3,000,400	-	6,711,544,766

Free translation from the Romanian version which is the original

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10. OTHER INFORMATION (continued)

10.9. Commitments and guarantees

Commitments

As at December 31, 2010 the total commitments engaged by the Company for investments amounted to RON 1,597,731,060 (December 31, 2009: RON 2,295,946,388).

10.10. Contingencies

Litigations

The Company is and may become party in some lawsuits in front of different courts and governmental agencies, involving contractual aspects, tax and duties and other aspects. As presented in Note 2 the Company booked a provision for certain potential liabilities related on-going litigation.

Tax system

In Romania there are a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appears to be subject to significantly less regulation and the company under review appears to have significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Company.

Contingent liabilities

OMV Petrom SA has granted a guarantee amounting to EUR 40,881,600 (RON 175,169,480) to Vestas consortium, supplier of wind turbines installations for the newly acquired subsidiary Wind Power Park SRL. Taking into account the advance payment made to the supplier during the period (RON 43,790,656), the outstanding contingent liability as at December 31, 2010 is of RON 131,378,824. In addition OMV Petrom S.A. has other contingent liabilities amounting to RON 2,629,828 representing performance guarantees.

10.11. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2010 prepared in accordance with OMF no. 3055/2009 was of EUR 45,000.

10.12. Market risk

The financial assets, which could lead the Company to an exposure credit risk, mainly consist of receivables (customers and assimilated receivables). Given the big number of Company's customers, the credit risk is quite limited.

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10. OTHER INFORMATION (continued)

10.13. Foreign exchange and inflation risk

The Company undertakes transactions denominated in other currencies, including US Dollars and EUR. The official inflation rate in Romania, during the year ended December 31 2010 was under 10% (respectively 6.09%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004. The official exchange rates were RON 3.2045 to USD 1 and RON 4.2848 to EUR 1 (31 December 2009: RON 2.9361 to USD 1 and RON 4.2282 to EUR 1).

10.14. Commodity price risk management

The Company produces crude oil & gas and uses crude oil mainly for its own production. 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 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.

In 2009 the Company used derivative instruments in order to protect the Company's cash flow from the adverse impact of falling oil prices for a volume of 38,000 bbl/d in 2010, securing a price floor of USD 54/bbl via the sale of a price cap of USD 75/bbl (zero-cost structure). In case the oil price is below USD 54/bbl in 2010, the hedge pays out the difference to the realized market price, while the Company would not be able to profit from oil prices above approximately USD 75/bbl in 2010 for the above stated volume. In case the oil price in 2010 is between the two intervals, no cash settlement is required. The hedges are over-the-counter (OTC) contracts with first class banks and will be settled on a quarterly basis in 2010. During the year 2010 the oil price hedge was realized, resulting in an expense in OMV Petrom S.A. of RON 202,820,338. As at December 31, 2009 the fair value amounted to RON 411,651,362, same as the related liability (see Note 5).

10.15. Credit risk

In the normal course of its business, the Company incurs credit risk from trade debtors and on funds deposited at the financial institutions. Management closely monitors its exposure to credit risk on a regular basis.

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

10.16. Subsequent events

There are no significant events subsequent to the balance sheet date.

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%
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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.

Furthemore, 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.

**March 24, 2011
Bucharest**

Mariana Gheorghe
