

S.C. OMV PETROM S.A.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2010
PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS TOGETHER WITH
THE INDEPENDENT AUDITOR'S REPORT

S.C. OMV PETROM S.A. AND SUBSIDIARIES
AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

CONTENTS	PAGE
INDEPENDENT AUDITOR'S REPORT	1 - 2
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	3 - 4
CONSOLIDATED INCOME STATEMENT	5
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7 - 8
CONSOLIDATED CASH FLOW STATEMENTS	9
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	10 - 51

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

Independent Auditor's Report

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of S.C. OMV Petrom S.A. and its subsidiaries ("the Group") as at December 31, 2010 which comprise the consolidated statement of financial position, the consolidated income statement, consolidated comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by European Union (EU), 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 consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the balance sheet in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion, the consolidated financial statements give a true and fair view of the financial position of S.C. OMV Petrom S.A. and its subsidiaries as of December 31, 2010, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union.

Other Matters

7. This report is made solely to shareholders of the Group companies, as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the shareholders of the Group companies as a body, for our audit work, for this report, or for the opinion we have formed.

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

In accordance with the Order of the Minister of Public Finance no 3055/2009 with the subsequent amendments, article no. 318 point 2) we have read the Annual Report that includes the Directors' Report accompanying the consolidated financial statements. The Directors' Report is not a part of the consolidated financial statements. In the Directors' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements.

Deloitte Audit SRL

Deloitte Audit S.R.L.
Bucharest, Romania
March 24, 2011

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010
(all amounts are expressed in million RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
ASSETS			
Intangible assets	5	1,369.49	1,360.06
Property, plant, equipment	6	23,777.15	21,430.58
Investment in associated companies	7	40.65	36.22
Other financial assets	8	2,492.84	2,298.20
Other assets	9	45.23	102.53
Non-current assets		<u>27,725.36</u>	<u>25,227.59</u>
Deferred tax assets	17	<u>734.11</u>	<u>712.60</u>
Inventories	10	2,500.12	2,582.69
Trade receivables	9	1,397.98	1,047.74
Other financial assets	8	138.72	227.11
Other assets	9	603.08	284.58
Cash and cash equivalents		1,588.60	384.00
Assets held for sale	11	<u>77.29</u>	<u>60.33</u>
Current assets		<u>6,305.79</u>	<u>4,586.45</u>
Total assets		<u>34,765.26</u>	<u>30,526.64</u>
EQUITY AND LIABILITIES			
Capital stock	12	18,983.37	18,983.37
Reserves		<u>(497.79)</u>	<u>(2,803.84)</u>
Stockholders' equity		<u>18,485.58</u>	<u>16,179.53</u>
Non-controlling interests		<u>(26.54)</u>	<u>11.30</u>
Equity		<u>18,459.04</u>	<u>16,190.83</u>
Provisions for pensions and similar obligations	13	297.16	283.07
Interest bearing debts	14	3,465.51	2,810.45
Provisions for decommissioning and restoration obligations	13	5,917.85	5,564.28
Other provisions	13	842.32	786.43
Other financial liabilities	15	178.38	122.48
Non-current liabilities		<u>10,701.22</u>	<u>9,566.71</u>
Deferred tax liabilities	17	<u>26.70</u>	<u>62.14</u>

The notes on pages 10 to 51 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2010

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

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Trade payables		3,453.35	2,295.41
Interest-bearing debts	14	391.05	187.52
Provisions for income taxes	13	214.64	111.01
Other provisions	13	739.07	928.19
Other financial liabilities	15	302.10	657.06
Other liabilities	16	478.09	527.77
Current liabilities		5,578.30	4,706.96
Total equity and liabilities		34,765.26	30,526.64

These consolidated financial statements were approved on March 24th, 2011.



Mrs. Mariana Gheorghe
 Chief Executive Officer



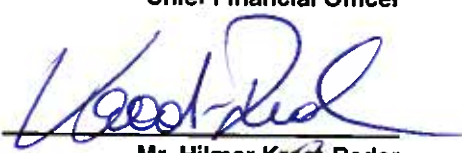
Mr. Daniel Turnheim
 Chief Financial Officer



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



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



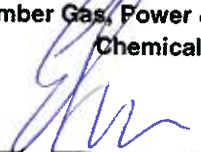
Mr. Hilmar Kroat-Reder
 E.B. Member Gas, Power &
 Chemicals



Mr. Neil Morgan
 E.B. Member Refining



Mr. Rainer Schlang
 E.B. Member Marketing



Mr. Siegfried Ehn
 Director Corporate Finance



Mrs. Alina Popa
 Head of Corporate Financial
 Reporting

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

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Sales revenues		18,615.69	16,089.73
Direct selling expenses		(436.61)	(364.02)
Production costs of sales		<u>(12,790.98)</u>	<u>(11,256.27)</u>
Gross profit		<u>5,388.10</u>	<u>4,469.44</u>
Other operating income	18	513.85	408.70
Selling expenses		(1,218.63)	(1,277.45)
Administrative expenses		(231.17)	(225.34)
Exploration expenses		(186.59)	(274.60)
Other operating expenses	19	<u>(1,280.05)</u>	<u>(1,480.28)</u>
Earnings before interest and taxes	20	<u>2,985.51</u>	<u>1,620.47</u>
Income from associated companies	21	6.72	6.07
Net interest expense	22	(537.00)	(416.01)
Other financial income and expenses	23	<u>150.09</u>	<u>(41.11)</u>
Net financial result		<u>(380.19)</u>	<u>(451.05)</u>
Profit from ordinary activities		<u>2,605.32</u>	<u>1,169.42</u>
Taxes on income	24	<u>(415.67)</u>	<u>(336.14)</u>
Net income for the year		<u>2,189.65</u>	<u>833.28</u>
thereof attributable to owners of the parent		<u>2,201.22</u>	<u>860.24</u>
thereof attributable to non-controlling interests		(11.57)	(26.96)
Basic earnings per share in RON	25	0.0389	0.0152

The notes on pages 10 to 51 form part of these consolidated financial statements.

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Net income for the year	2,189.65	833.28
Exchange differences from translation of foreign operations	(39.12)	26.40
Unrealized gains/ (losses) on available-for-sale financial assets	-	15.20
Unrealized gains/ (losses) on hedges	215.00	(789.97)
Income tax relating to components of other comprehensive income	<u>(34.40)</u>	<u>123.96</u>
Other comprehensive income for the year, net of tax	<u>141.48</u>	<u>(624.41)</u>
Total comprehensive income for the year	<u>2,331.13</u>	<u>208.87</u>
thereof attributable to owners of the parent	2,349.68	232.29
thereof attributable to non-controlling interests	(18.55)	(23.42)


These consolidated financial statements were approved on March 24th, 2011.



Mrs. Mariana Gheorghe
Chief Executive Officer



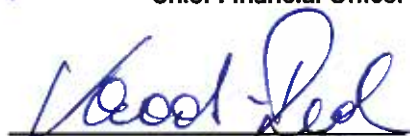
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Chief Financial Officer



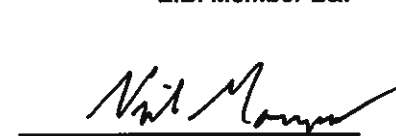
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S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in million RON, unless otherwise specified)

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Treasury shares</u>	<u>Stockholders' equity</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2010	18,983.37	(2,756.64)	(180.60)	137.53	(4.13)	-	16,179.53	11.30	16,190.83
Total comprehensive income for the year	-	2,201.22	180.60	(32.14)	-	-	2,349.68	(18.55)	2,331.13
Dividends distribution	-	-	-	-	-	-	-	(0.05)	(0.05)
Purchase of own shares	-	-	-	-	-	(1.78)	(1.78)	-	(1.78)
Distribution of own shares	-	-	-	-	-	1.76	1.76	-	1.76
Change in non- controlling interests	-	-	-	(43.13)	(0.48)	-	(43.61)	(19.24)	(62.85)
Balance at December 31, 2010	18,983.37	(555.42)	-	62.26	(4.61)	(0.02)	18,485.58	(26.54)	18,459.04

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

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

	<u>Share capital</u>	<u>Revenue reserves</u>	<u>Cash flow hedging reserve</u>	<u>Foreign currency translation reserve</u>	<u>Other reserves</u>	<u>Treasury shares</u>	<u>Stockholders' equity</u>	<u>Non- controlling interests</u>	<u>Total equity</u>
Balance at January 1, 2009	18,983.37	(3,616.88)	482.97	114.67	(19.25)	-	15,944.88	44.87	15,989.75
Total comprehensive income for the year	-	860.24	(663.57)	22.86	12.76	-	232.29	(23.42)	208.87
Dividend distribution	-	-	-	-	-	-	-	(0.07)	(0.07)
Change in non- controlling interests	-	-	-	-	2.36	-	2.36	(10.08)	(7.72)
Balance at December 31, 2009	18,983.37	(2,756.64)	(180.60)	137.53	(4.13)	-	16,179.53	11.30	16,190.83

Note: For details on reserves, please see Note 12

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010
(all amounts are expressed in million RON, unless otherwise specified)

	<u>Notes</u>	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Cash flow from operating activities			
Profit before taxation		2,605.32	1,169.42
Adjustments for:			
Interest expenses	22, 23	219.40	216.24
Interest income	22	(58.28)	(94.22)
Net movement in provisions for:			
- Financial assets		(0.62)	5.11
- Inventories		19.06	47.23
- Receivables		(119.78)	52.03
- Pensions and similar liabilities		14.09	31.61
- Decommissioning and restoration obligations		50.36	231.20
- Other provisions for risk and charges		(288.48)	(588.43)
Write off of receivables and other similar items		248.78	63.33
Income from investments in associates	21	(4.43)	(3.21)
(Gain)/ Loss on disposal of subsidiaries		(30.90)	-
Cash flow hedge recycled through income statement		(196.65)	196.65
Gain on disposals of fixed assets		(8.71)	(72.00)
(Gain)/ Loss on disposals of financial assets		(0.77)	(0.26)
Depreciation, amortization and impairment expense		2,811.62	2,466.27
Other non cash items		(196.23)	(1.17)
Cash generated from operating activities before working capital movements		5,063.78	3,719.80
(Increase)/ decrease in inventories		4.01	128.99
(Increase)/ decrease in receivables and other assets		(523.01)	(147.55)
Increase/ (decrease) in liabilities		559.36	(652.48)
Interest received		56.36	94.22
Interest paid		(165.08)	(122.91)
Tax on profit paid		(365.60)	(293.91)
Net cash generated from operating activities		4,629.82	2,726.16
Cash flow from investment activities			
Purchase of tangible and intangible assets		(4,322.07)	(4,402.65)
Proceeds from sale of fixed assets		134.53	139.66
Proceeds from sale of financial assets		0.77	1.80
Acquisition of financial assets		(1.78)	(7.73)
Acquisition of subsidiaries net of cash acquired	30	(68.41)	(8.68)
Proceeds from bonds issued by World Bank		-	206.38
Proceeds from sale of Petrom Group companies less cash and cash equivalents	30	(6.93)	-
Net cash used from investment activities		(4,263.89)	(4,071.22)
Cash flow from financing activities			
Net increase in loans		832.43	1,163.78
Dividends paid		(0.28)	(14.68)
Net cash provided by financial activities		832.15	1,149.10
Effect of foreign exchange rate changes on cash and cash equivalents		6.52	7.46
Total cash flows		1,204.60	(188.50)
Cash and cash equivalents at the beginning of the year		384.00	572.50
Cash and cash equivalents at the end of the year		1,588.60	384.00

The notes on pages 10 to 51 form part of these consolidated financial statements.

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

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

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

Shareholders' structure as at December 31, 2010 was as follows:

	Percent
OMV Aktiengesellschaft	51.01%
Ministry of Economy	20.64%
Property Fund S.A.	20.11%
European Bank for Reconstruction and Development	2.03%
Legal entities and physical persons	6.21%
Total	100.00%

Statement of compliance

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

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

Basis of preparation

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

Standards and Interpretations effective in the current period

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

- IFRS 1 (revised) "First-time Adoption of IFRS" adopted by the EU on 25 November 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRS 3 (revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters, adopted by the EU on 23 June 2010 (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 2 "Share-based Payment" – Group cash-settled share-based payment transactions adopted by the EU on 23 March 2010 (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009).

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

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

- Amendments to IAS 39 “Financial Instruments: Recognition and Measurement” - Eligible hedged items, adopted by the EU on 15 September 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to various standards and interpretations “Improvements to IFRSs (2009)” resulting from the annual improvement project of IFRS published on 16 April 2009, adopted by the EU on 23 March 2010 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 12 “Service Concession Arrangements” adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 “Agreements for the Construction of Real Estate” adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 “Hedges of a Net Investment in a Foreign Operation” adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 17 “Distributions of Non-Cash Assets to Owners” adopted by the EU on 26 November 2009 (effective for annual periods beginning on or after 1 November 2009),
- IFRIC 18 “Transfers of Assets from Customers” adopted by the EU on 27 November 2009 (effective for annual periods beginning on or after 1 November 2009),

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

Standards and Interpretations issued by IASB and adopted by EU but not yet effective

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

- Amendments to IAS 24 “Related Party Disclosures” - Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- Amendments to IAS 32 “Financial Instruments: Presentation” – Accounting for rights issues, adopted by the EU on 23 December 2009 (effective for annual periods beginning on or after 1 February 2010),
- Amendments to IFRS 1 “First-time Adoption of IFRS”- Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters, adopted by the EU on 30 June 2010 (effective for annual periods beginning on or after 1 July 2010),
- Amendments to IFRIC 14 “IAS 19 — The Limit on a defined benefit Asset, Minimum Funding Requirements and their Interaction” - Prepayments of a Minimum Funding Requirement, adopted by the EU on 19 July 2010 (effective for annual periods beginning on or after 1 January 2011),
- IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”, adopted by the EU on 23 July 2010 (effective for annual periods beginning on or after 1 July 2010).

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

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

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

Critical areas and use of management judgment

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

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

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

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

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

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

2. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. and its subsidiaries ("Petrom Group") as at 31 December 2010, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, 31 December 2010, as the parent company.

The valuation of assets and liabilities from subsidiaries is based on fair values at acquisition dates. Goodwill arising on acquisition is recognized as an asset, being the excess of the initially measured cost of the business combination over Petrom Group's interest in the net fair value of the identifiable assets and liabilities recognized. If Petrom Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized in profit and loss account. Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent write-backs to amortized cost.

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

The number of consolidated companies is as follows:

	Full consolidation	Equity consolidation
As at January 1st, 2010	22	1
Included for the first time	3	-
Merged	(1)	-
Deconsolidated during the year	(8)	-
As at December 31st, 2010	16	1
Romanian companies	9	1
Foreign companies	7	-

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

b) Associates

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES

a) Exploration and appraisal costs

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

b) Development and production costs

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

c) Intangible assets and property, plant and equipment

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

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

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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

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

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

d) Goodwill

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

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

e) Leases

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

f) Investments in associates

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

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

g) Financial assets

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

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

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

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss. Amounts deferred in equity are recycled in profit or loss in the periods when the hedged item is recognized in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss.

h) Borrowings 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.

i) Government grants

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

j) Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and selling expenses. Appropriate provisions are made for any obsolete or slow moving stocks based on the management's assessments.

k) Receivables and other assets

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

l) Provisions

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

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

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

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

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

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

m) Liabilities

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

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

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

n) Taxes on income including deferred taxes

Current tax

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

Deferred tax

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

o) Revenue recognition

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

Sale of goods

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Rendering of services

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

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

Dividend and interest revenue

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

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

p) Components of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid investments with maturities of less than three months.

r) Derivatives

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Valuation is at market value (fair value).

The fair value of derivative financial instruments reflects the estimated amounts that Group would pay or receive if the positions were closed at year end date, and thus the unrealized gains and losses on open positions. Quotations from banks or appropriate pricing models have been used to estimate the fair value of financial instruments at year end date.

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

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

For cash flow hedges, the effective part of the changes in fair value is recognized directly in equity, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows

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

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

results in an asset or liability, the amounts that are provided under equity are recognized in the income statement in the period in which the hedged position affects earnings.

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

s) Comparatives

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

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

4. FOREIGN CURRENCY TRANSLATION

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

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

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

The rates applied in translating currencies were as follows:

Exchange rates	Year ended December 31, 2010	Average for the year ended December 31, 2010	Year ended December 31, 2009	Average for the year ended December 31, 2009
US dollar (USD)	3.2045	3.1804	2.9361	3.0469
Euro (EUR)	4.2848	4.2110	4.2282	4.2376
Moldavian Leu (MDL)	0.2661	0.2573	0.2397	0.2747
Russian Ruble (RUB)	0.1034	0.1054	0.0977	0.0960
Serbian Dinar (RSD)	0.0403	0.0409	0.0440	0.0451
Bulgarian Leva (BGN)	2.1908	2.1531	2.1619	2.1667

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

5. INTANGIBLE ASSETS

	Concessions, licenses, and other intangible assets	Unproved mineral properties and related assets	Total
COST			
Balance as at January 1, 2010	<u>1,602.09</u>	<u>1,080.53</u>	<u>2,682.62</u>
Exchange differences	(2.45)	49.64	47.19
Changes in consolidated Group	38.39	(367.02)	(328.63)
Additions	90.09	207.66	297.75
Transfers (Note 6)	62.56	4.70	67.26
Disposals *)	<u>(8.55)</u>	<u>(92.08)</u>	<u>(100.63)</u>
Balance as at December 31, 2010	<u>1,782.13</u>	<u>883.43</u>	<u>2,665.56</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2010	<u>549.44</u>	<u>773.12</u>	<u>1,322.56</u>
Exchange differences	(0.55)	28.64	28.09
Changes in consolidated Group	(0.61)	(290.33)	(290.94)
Amortization	272.05	0.24	272.29
Impairment	1.83	46.61	48.44
Transfers (Note 6)	0.01	9.11	9.12
Disposals	(8.25)	(84.90)	(93.15)
Write-ups	<u>-</u>	<u>(0.34)</u>	<u>(0.34)</u>
Balance as at December 31, 2010	<u>813.92</u>	<u>482.15</u>	<u>1,296.07</u>
CARRYING AMOUNT			
As at January 1, 2010	<u>1,052.65</u>	<u>307.41</u>	<u>1,360.06</u>
As at December 31, 2010	<u>968.21</u>	<u>401.28</u>	<u>1,369.49</u>

*) Includes the amount of RON 0.88 million representing decrease from the reassessment of decommissioning asset for exploration wells.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl. buildings on third-party property	Proved mineral properties and related assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
COST							
Balance as at January 1, 2010	3,528.44	17,767.19	2,943.06	897.22	2,174.14	776.30	28,086.35
Exchange differences	(25.65)	112.54	1.81	5.44	58.17	5.83	158.14
Changes in consolidated Group	0.01	-	-	(6.73)	(3.15)	8.84	(1.03)
Additions**	171.78	2,490.58	203.17	51.98	862.59	1,087.98	4,868.08
Transfers*	549.98	773.97	228.56	78.10	(1,447.18)	(250.69)	(67.26)
Assets Held for Sale	(5.33)	-	(0.50)	(0.29)	12.56	-	6.44
Disposals	(39.05)	(65.65)	(141.96)	(149.65)	(98.82)	(0.07)	(495.20)
Balance as at December 31, 2010	4,180.18	21,078.63	3,234.14	876.07	1,558.31	1,628.19	32,555.52
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2010	716.09	3,779.64	1,552.95	449.19	156.79	1.11	6,655.77
Exchange differences	(1.91)	36.34	1.09	1.16	0.70	-	37.38
Changes in consolidated Group	-	-	-	(4.36)	(6.99)	-	(11.35)
Depreciation	166.06	1,301.13	296.83	93.91	-	-	1,857.93
Impairment	43.27	438.80	99.82	2.85	53.52	0.18	638.44
Transfers*	0.43	4.62	14.26	27.64	(56.32)	0.25	(9.12)
Assets Held for Sale	(3.61)	-	(0.38)	(0.23)	-	-	(4.22)
Disposals	(32.72)	(22.76)	(134.51)	(105.07)	(86.26)	-	(381.32)
Write-ups	(0.11)	(0.81)	(0.32)	(0.08)	(2.67)	(1.15)	(5.14)
Balance as at December 31, 2010	887.50	5,536.96	1,829.74	465.01	58.77	0.39	8,778.37
CARRYING AMOUNT							
As at January 1, 2010	2,812.35	13,987.55	1,390.11	448.03	2,017.35	775.19	21,430.58
As at December 31, 2010	3,292.68	15,541.67	1,404.40	411.06	1,499.54	1,627.80	23,777.15

*) Net amount represents transfers to intangibles. See Note 5;

**) Includes the amount of RON 9.81 million representing land deeds, RON 30.94 million representing capitalized environmental works to be performed for land and RON 137.37 million increase of decommissioning asset.

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

6. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 33.23 million as at December 31, 2010 (December 31, 2009: RON 5.64 million).

Net impairments losses booked during the year ended December 31, 2010 for tangible and intangible assets were mainly related to E&P segment amounting RON 520.79 million, R&M amounting RON 153.45 million and also other segments RON 7.16 million.

7. INVESTMENTS IN ASSOCIATED COMPANIES

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

COST	Associated companies
Balance as at January 1, 2010	36.22
Changes in consolidated Group	-
Increases in value	4.43
Disposals	-
Balance as at December 31, 2010	40.65

As at December 31, 2010 and December 31, 2009 Petrom Group had one associated company: Congaz S.A.

8. OTHER FINANCIAL ASSETS

	December 31, 2010	Liquidity term	
		less than 1 year	over 1 year
Investments	8.81	-	8.81
Expenditure recoverable from Romanian State	2,458.95	-	2,458.95
Other financial assets	163.80	138.72	25.08
Total	2,631.56	138.72	2,492.84

	December 31, 2009	Liquidity term	
		less than 1 year	over 1 year
Investments	11.82	-	11.82
Expenditure recoverable from Romanian State	2,372.68	99.81	2,272.87
Other financial assets	140.81	127.30	13.51
Total	2,525.31	227.11	2,298.20

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

8. OTHER FINANCIAL ASSETS (continued)

Investments

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

Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the OMV Petrom S.A. from the Romanian State as these pertain to E&P activities prior to privatization of the OMV Petrom S.A. in 2004. Consequently, OMV Petrom S.A. has recorded the estimated decommissioning expenditures against receivable from the Romanian State in amount of RON 1,992.84 million as at December 31, 2010 (2009: RON 1,835.22 million). OMV Petrom S.A. also recorded receivable from the Romanian State related to environmental liabilities in E&P, Refining and Doljchim amounting to RON 466.11 million (2009: RON 537.46 million) as these were existing prior to privatization of OMV Petrom S.A.

OMV Petrom filed two claims for reimbursement of environmental cleanup costs in the amount of RON 91.68 million. Up to now the Romanian State has not paid the claimed amounts. Contractual reimbursement procedures are ongoing.

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

	<u>Investments</u>	<u>Other financial assets</u>	<u>Total</u>
January 1, 2010	50.80	20.21	71.01
Impairment	-	-	-
Disposals	(29.04)	(19.59)	(48.63)
Write-ups	-	(0.62)	(0.62)
December 31, 2010	21.76	-	21.76

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Up to 60 days overdue	0.12	0.13
61 to 120 days overdue	-	-
More than 120 days overdue	3.67	32.69
Total	3.79	32.82

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

9. RECEIVABLES AND OTHER ASSETS

a) Trade receivables are amounting to RON 1,397.98 million as at December 2010 and to RON 1,047.74 million as at December 2009. They are presented net of provisions, which are detailed in the movement below.

b) Other assets

	December 31, 2010	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	71.69	46.34	25.35
Rental and lease prepayments	27.91	27.91	-
Other receivables	548.71	528.83	19.88
Total	648.31	603.08	45.23

	December 31, 2009	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	55.03	55.03	-
Rental and lease prepayments	27.73	27.28	0.45
Other receivables	304.35	202.27	102.08
Total	387.11	284.58	102.53

c) Valuation allowances for trade receivables and other assets

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

	Trade receivables	Other assets	Total
January 1, 2010	253.15	455.77	708.92
Additions/ (releases)	(10.56)	5.92	(4.64)
Disposals	(33.94)	(81.20)	(115.14)
Exchange differences and changes in consolidated Group	0.37	0.27	0.64
December 31, 2010	209.02	380.76	589.78

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

	December 31, 2010	December 31, 2009
Up to 60 days overdue	177.59	137.00
61 to 120 days overdue	6.92	0.94
More than 120 days overdue	1.21	1.61
Total	185.72	139.55

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

10. INVENTORIES

	December 31, 2010	December 31, 2009
Crude oil	417.78	483.04
Natural gas	57.12	63.11
Other raw materials	597.92	787.38
Work in progress	127.35	125.83
Finished products	1,225.15	1,069.58
Advances paid for inventories	74.80	53.75
Total	2,500.12	2,582.69

11. ASSETS HELD FOR SALE

	December 31, 2010	December 31, 2009
Land	74.54	49.40
Property, plant and equipment	2.37	6.65
Deferred tax asset (see Note 17)	0.38	4.28
Assets held for sale	77.29	60.33

12. STOCKHOLDERS' EQUITY

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares with a total nominal value of RON 5,664.41 million. The balance up to RON 18,983.37 million represents inflation adjustment, as Romania was a hyperinflationary economy until January 2004.

In order to protect Petrom Group's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from the production of 38,000 bbl/d in 2010. The derivative instruments were accounted as cash flow hedge and the effective part of the changes in fair value was recognized directly in equity (December 31, 2009: RON 215.00 million), including the related deferred tax asset (December 31, 2009: RON 34.40 million). During the year 2010 the oil price hedge was realized, resulting in expense of RON 6.16 million in OMV Petrom S.A. There are no related balances for this hedge as of December 31, 2010.

Reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves). Geological quota included in revenue reserves is amounting to RON 5,062.84 million. Legal reserves included in revenue reserves are amounting to RON 616.70 million.

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

13. PROVISIONS

	Pensions and similar obligations	Current Income Taxes	Decommissioning and restoration	Other provisions	Total
January 1, 2010	283.07	111.01	5,564.28	1,714.62	7,672.98
Exchange differences	-	0.29	3.85	0.15	4.29
Changes in consolidated Group	-	-	(0.98)	-	(0.98)
Used	(15.66)	(111.01)	(244.18)	(583.23)	(954.08)
Allocations	29.75	214.35	594.88	449.85	1,288.83
December 31, 2010	297.16	214.64	5,917.85	1,581.39	8,011.04
thereof short-term	-	214.64	-	739.07	953.71
thereof long-term	297.16	-	5,917.85	842.32	7,057.33

Provisions for defined benefit obligations

Employees of Group companies are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on qualified actuarial calculations using a discount rate of 4.75%.

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Decommissioning and restoration provision for the year ended December 31, 2010 was calculated using a time profile spread over 35 years by using a discount rate of 6.25% and an inflation rate of 2.73%.

The provision for decommissioning and restoration costs includes obligations in respect of OMV Petrom S.A. amounting to RON 5,702.80 million (2009: RON 5,532.58 million). There is a corresponding claim against the Romanian State of RON 1,992.84 million (2009: RON 1,835.22 million), which is disclosed under "Other financial assets" item.

Details on the Decommissioning and restoration obligations are as follows:

	December 31, 2010	December 31, 2009
Balance as at January 1	5,564.28	5,103.32
Exchange differences	3.85	0.79
New obligations	99.42	9.56
Changes in consolidated Group	(0.98)	5.99
Revisions in estimates	42.37	88.10
Unwinding effect	453.09	384.70
Settlements current year	(244.18)	(28.18)
Balance as at December 31	5,917.85	5,564.28

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

13. PROVISIONS (continued)

Other provisions were as follows:

2010	Total	less than 1 year	over 1 year
Environmental provision	638.05	282.59	355.46
Other personnel provisions	223.52	223.52	-
Provisions for litigations	698.97	217.53	481.44
Other	20.85	15.43	5.42
Total	1,581.39	739.07	842.32

Environmental provisions

The environmental provision is estimated by the management based on the list of environment related projects that must be completed by Petrom Group. Petrom Group experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2010. OMV Petrom S.A. recorded environmental liabilities against receivable from the Romanian State in E&P, Refining and Doljchim as these obligations existed prior to privatization.

Emissions certificates

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

OMV Petrom S.A. is the only company from Petrom Group included into the emission certificates allocation scheme. Under this scheme OMV Petrom S.A. received a total of 4,650,862 free emissions certificates for the year 2010 (2009: 4,282,612).

During 2010 Petrom Group had net sales of 2,650,000 emissions certificates.

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

Other personnel provisions

Included in other personnel provisions is mainly the restructuring provision recorded by OMV Petrom S.A. further to approved restructuring plan that has been communicated to those affected by it.

Provisions for litigations

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

2009	Total	less than 1 year	over 1 year
Environmental provision	585.03	150.99	434.04
Other personnel provisions	295.23	295.23	-
Provisions for litigations	700.89	348.51	352.38
Other	133.47	133.46	0.01
Total	1,714.62	928.19	786.43

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

14. INTEREST BEARING DEBTS

December 31, 2010	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities	3,856.56	391.05	3,465.51
TOTAL	3,856.56	391.05	3,465.51

December 31, 2009	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities	2,997.97	187.52	2,810.45
TOTAL	2,997.97	187.52	2,810.45

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

Interest bearing debts short-term

Borrower	Lender	December 31, 2010	December 31, 2009
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	336.64	-
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	21.42	-
OMV Petrom S.A.	Banca Comerciala Intesa Sanpaolo Romania S.A. (c)	-	105.79
OMV Petrom S.A.	Raiffeisen Bank S.A. (d)	-	52.28
OMV Petrom S.A.	Petromed Solutions S.R.L. (e)	-	3.62
OMV Petrom S.A.	Accrued interest	32.99	25.83
Total interest bearing debts short term		391.05	187.52

Interest bearing debts long-term

Borrower	Lender	December 31, 2010	December 31, 2009
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	1,398.71	618.37
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	85.70	37.00
OMV Petrom S.A.	Banks Consortium (agent: UniCredit Bank Austria AG) (f)	1,074.08	1,520.85
OMV Petrom S.A.	Banks Consortium (agent: UniCredit Bank Austria AG) (g)	350.00	-
OMV Petrom S.A.	European Investment Bank (h)	557.02	-
OMV Petrom S.A.	OMV Aktiengesellschaft (i)	-	634.23
Total interest bearing debts long term		3,465.51	2,810.45

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

14. INTEREST BEARING DEBTS (continued)

- (a) During 2009, OMV Petrom S.A. concluded two loan agreements with European Bank for Reconstruction and Development:
- (i) An unsecured corporate loan agreement for a maximum amount of EUR 200.00 million 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 557.02 million (equivalent of EUR 130.00 million) (December 31, 2009: RON 211.41 million, equivalent of EUR 50.00 million).
 - (ii) An unsecured corporate loan agreement for a maximum amount of EUR 275.00 million 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 150.00 million) 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 1,178.33 million (equivalent of EUR 275.00 million) (December 31, 2009: RON 406.96 million, equivalent of EUR 96.25 million).
- (b) For the funding of the environmental program OMV Petrom S.A. concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25.00 million. 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 107.12 million (equivalent of EUR 25.00 million) (December 31, 2009: RON 37.00 million, equivalent of EUR 8.75 million).
- (c) Overdraft facility contracted from Banca Comerciala Intesa Sanpaolo Romania S.A. in April 2009 for a limit of RON 106.00 million obtained by the OMV Petrom S.A. 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 85.00 million. The facility is not secured.
- (d) Credit facility received from Raiffeisen Bank S.A. up to EUR 95.00 million obtained by OMV Petrom S.A., 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 letter of guarantee and Letters of Credit in multi-currencies. Starting with September 29, 2010, the facility can be used in the same limit by OMV Petrom Marketing S.R.L.
- (e) A cash pooling agreement was signed by OMV Petrom S.A. and Petromed Solutions S.R.L., 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. As of December 31, 2010, Petromed Solutions S.R.L. became a consolidated subsidiary.
- (f) Banks Consortium loan represents a revolving unsecured credit facility given to OMV Petrom S.A. by a Consortium of Banks that includes BRD – Groupe Société Générale S.A., Crédit Agricole Luxembourg S.A., Emporiki Bank-Romania S.A., Erste Group Bank AG, Raiffeisen Zentralbank Österreich AG, Société Générale Bank & Trust S.A. and UniCredit Bank Austria AG. The agreement was signed on October 14, 2008 and the final maturity date was prolonged to October 14, 2012. The total facility is EUR 375.00 million 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 964.08 million (equivalent of EUR 225.00 million) (December 31, 2009: RON 1,006.35 million, equivalent of EUR 238.01 million) and RON 110.00 million (December 31, 2009: RON 514.50 million).

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

14. INTEREST BEARING DEBTS (continued)

- (g) On December 21, 2009 OMV Petrom S.A. concluded a second Banks Consortium agreement, unsecured, for a maximum amount of EUR 500.00 million with a Consortium of banks, as follows: Banca Românească S.A., BAWAG P.S.K. Bank, Caja de Ahorros y Pensiones de Barcelona, Erste Group Bank AG, Banca Comercială Română S.A., Eurobank EFG Private Bank Luxembourg AG, ING Bank N.V., Marfin Egnatia Bank S.A., Raiffeisen Bank S.A., Raiffeisen Zentralbank Österreich AG and UniCredit Tiriac Bank S.A.. 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 350.00 million.
- (h) During 2009 OMV Petrom S.A. concluded an unsecured loan agreement for a maximum amount of EUR 200.00 million 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 557.02 million (equivalent of EUR 130.00 million).
- (i) A Credit Offer of EUR 500.00 million was signed by OMV Petrom S.A. with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The 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 634.23 million (equivalent of EUR 150.00 million) were fully reimbursed during 2010 and no other amount was drawn in 2010.
- (j) The overdraft facility contracted by OMV Bulgaria OOD from Citibank Sofia, existing at December 31, 2010, with a maximum limit of BGN 58.49 million (equivalent of RON 128.15 million) was prolonged until July 15, 2011. The destination of the overdraft is issuance of letters of guarantee without cash collateral.
- (k) The overdraft facility contracted by OMV Bulgaria OOD from UniCredit Bulbank Sofia, existing at December 31, 2010, with a maximum limit of BGN 33.00 million (equivalent of RON 72.30 million) was prolonged until October 30, 2011. The destination of the overdraft is issuance of letters of guarantee without cash collateral.
- (l) The overdraft facility contracted by OMV Srbija from Raiffeisen Bank Belgrade, existing at December 31, 2010, with a maximum limit of EUR 4.50 million (equivalent of RON 19.28 million) was prolonged until January 12, 2012. The destination of the overdraft is issuance of letters of guarantee without cash collateral.

OMV Petrom S.A. has signed also facilities with several banks for issuing letters of guarantees, as follows:

- (m) A Facility Agreement was signed with Fortis Bank – Bucharest branch – for up to EUR 30.00 million, to be utilized only for issuance of letters of guarantee, with maturity date December 16, 2012. The facility is not secured.
- (n) Credit Facility up to EUR 127.40 million obtained by OMV Petrom S.A. from BRD – Groupe Société Générale S.A., to be utilized only for issuance of a letter of guarantee for fiscal authorities. The validity period for the credit facility is April 30, 2011. The facility is not secured.
- (o) Credit Facility received from Bancpost, up to EUR 25.00 million, to be utilized only for issuance of letters of guarantee, with maturity date February 28, 2012. The facility is not secured.
- (p) Credit facility up to USD 3.00 million obtained by OMV Petrom S.A. 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.
- (q) Credit facility up to EUR 1.50 million obtained by Aviation Petroleum from Raiffeisen Bank for issuing of bank guarantees, with maturity date December 31, 2011.

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

14. INTEREST BEARING DEBTS (continued)

- (r) Credit facility up to EUR 3.60 million obtained by Petrom Aviation from Raiffeisen Bank for issuing of bank guarantees, with maturity date May 15, 2011.

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

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

15. OTHER FINANCIAL LIABILITIES

	December 31, 2010	less than 1 year	over 1 year
Liabilities on finance leases	30.62	4.85	25.77
Other financial liabilities	449.86	297.25	152.61
Total	480.48	302.10	178.38

	December 31, 2009	less than 1 year	over 1 year
Liabilities from hedge contracts	411.65	411.65	-
Liabilities on financial lease	2.72	1.07	1.65
Other financial liabilities	365.17	244.34	120.83
Total	779.54	657.06	122.48

Liabilities from hedge contracts

To protect Petrom Group's cash flow, OMV Petrom S.A. entered into crude oil hedges in the second quarter of 2009 for a volume of 38,000 bbl/d. Liabilities from hedge contracts were valued at the market value of RON 411.65 million as at December 31, 2009. As at December 31, 2010 an amount of RON 128.36 million is included in other financial liabilities, representing payable related to fourth quarter hedge settlement.

Finance lease liability

In other financial liabilities as at December 31, 2010 is included the finance lease liability. Petrom Group acquired through finance lease mainly cars, trucks and few power generators, which are held by OMV Petrom S.A., Petrom Aviation S.A. and OMV Petrom Marketing S.R.L.

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

	December 31, 2010	December 31, 2009
Obligations under finance leases		
Amounts due within 1 year	6.92	1.19
Amounts due after more than 1 year but not later than 5 years	16.39	1.74
Amounts due after 5 years	49.54	-
Total lease obligations	72.85	2.93
Less future finance charges on finance leases	(42.23)	(0.21)
Present value of finance lease liabilities	30.62	2.72
<i>Analysed as follows:</i>		
Maturing within 1 year	4.85	1.07
Maturing after more than 1 year but not later than 5 years	9.78	1.65
Maturing after 5 years	15.99	-
Total present value of finance lease liabilities	30.62	2.72

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

16. OTHER LIABILITIES

	December 31, 2010	less than 1 year	over 1 year
Deferred income	93.06	93.06	-
Tax liabilities	275.67	275.67	-
Social security	27.81	27.81	-
Other liabilities	81.55	81.55	-
Total	478.09	478.09	-

	December 31, 2009	less than 1 year	over 1 year
Deferred income	122.10	122.10	-
Tax liabilities	302.07	302.07	-
Social security	20.57	20.57	-
Other liabilities	83.03	83.03	-
Total	527.77	527.77	-

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

17. DEFERRED TAX

2010	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and Intangible assets	94.02	1.52	92.50	445.98
Financial assets	48.85	2.08	46.77	6.62
Inventories	50.25	-	50.25	-
Receivables and other assets	78.30	39.76	38.54	-
Untaxed reserves	-	-	-	17.89
Provisions for pensions and severance payments	47.55	-	47.55	-
Other provisions	777.55	35.06	742.49	-
Liabilities	35.46	-	35.46	0.07
Tax loss carried forward	124.41	-	124.41	-
TOTAL	1,256.39	78.42	1,177.97	470.56
Netting (same tax jurisdiction/country)			(443.86)	(443.86)
Deferred tax, net			734.11	26.70
Deferred tax for assets held for sale (see Note 11)	0.38	-	0.38	-
Deferred tax, TOTAL			734.49	26.70
2009	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and Intangible assets	8.23	3.70	4.53	421.43
Financial assets	31.42	-	31.42	4.59
Inventories	35.57	0.20	35.37	-
Receivables and other assets	123.62	58.11	65.51	-
Untaxed reserves	-	-	-	41.36
Provisions for pensions and severance payments	45.29	-	45.29	-
Other provisions	748.94	1.38	747.56	-
Liabilities	86.96	0.06	86.90	0.12
Tax loss carried forward	101.38	-	101.38	-
TOTAL	1,181.41	63.45	1,117.96	467.50
Netting (same tax jurisdiction/country)			(405.36)	(405.36)
Deferred tax, net			712.60	62.14
Deferred tax for assets held for sale (see Note 11)	4.28	-	4.28	-
Deferred tax, TOTAL			716.88	62.14

At the end of 2010, losses carry-forward for tax purposes amounted to RON 655.98 million (2009: RON 679.13 million). Eligibility of losses for carry-forward expires as follows:

	2010	2009
2010	-	8.24
2011	8.01	13.39
2012	25.77	7.59
2013	11.06	-
2014	7.28	71.27
2015/ After 2014	71.38	578.64
After 2015	532.48	-
Total	655.98	679.13

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

18. OTHER OPERATING INCOME

	December 31, 2010	December 31, 2009
Exchange gains from operating activities	149.48	127.93
Gains from the disposal of fixed assets	39.04	96.89
Write-up tangible and intangible assets	5.48	22.86
Other operating income	<u>319.85</u>	<u>161.02</u>
Total	<u>513.85</u>	<u>408.70</u>

Other operating income include sales of carbon certificates amounting to RON 168.32 million (2009: RON 58.57 million).

19. OTHER OPERATING EXPENSES

	December 31, 2010	December 31, 2009
Exchange losses from operating activities	122.10	172.05
Losses from the disposal of fixed assets	20.39	24.89
Expenses/ (Income) with provisions for litigations	71.87	(4.99)
Other operating expenses	<u>1,065.69</u>	<u>1,288.33</u>
Total	<u>1,280.05</u>	<u>1,480.28</u>

Other operating expenses include an amount of RON 129.28 million in 2010 (2009: RON 211.10 million) representing restructuring expenses. Restructuring expenses have been booked based on the management approval and communication of the restructuring plan.

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

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

As at December 31, 2010 and December 31, 2009 earnings before interest and tax under the total cost method were as follows:

	December 31, 2010	December 31, 2009
Revenues	18,615.69	16,089.73
Inventory changes	82.80	15.13
Own work accounted for in fixed assets	247.34	217.32
Other operating income	513.85	408.70
Costs of material	(6,441.14)	(5,555.11)
Costs of energy	(460.03)	(513.09)
Other costs of production	(2,121.60)	(1,878.01)
Cost of material and services	(9,022.77)	(7,946.21)
Wages and salaries	(1,836.23)	(1,740.18)
Other personnel expenses	(248.67)	(352.60)
Personnel expenses	(2,084.90)	(2,092.78)
Depreciation and amortization	(2,130.22)	(1,877.72)
Impairment tangible and intangible assets	(686.88)	(611.41)
Depreciation, amortization and impairment	(2,817.10)	(2,489.13)
Transportation and postage expenses	(542.62)	(618.54)
Rental expenses	(218.00)	(197.04)
Advertising and protocol expenses	(75.89)	(78.41)
Insurance expenses	(41.38)	(52.67)
Travel expenses and daily allowances	(52.68)	(52.08)
Other operating expenses	(1,618.83)	(1,583.55)
Total other operating expenses	(2,549.40)	(2,582.29)
EARNINGS BEFORE INTEREST AND TAX	2,985.51	1,620.47

21. NET INCOME FROM ASSOCIATED COMPANIES

	December 31, 2010	December 31, 2009
Income from associated companies	4.43	3.21
Dividends from associated companies	2.29	2.86
Total income from associated companies	6.72	6.07

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

22. NET INTEREST EXPENSE

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Interest income		
Interest income from available-for-sale financial instruments	-	9.59
Interest income from receivables	27.51	38.13
Interest income from short term bank deposits	<u>30.77</u>	<u>46.50</u>
Total interest income	<u>58.28</u>	<u>94.22</u>
Interest expense		
Interest expenses	(174.95)	(195.04)
Unwinding expenses for retirement benefits provision	(15.42)	(13.71)
Unwinding expenses for decommissioning provision	(303.15)	(251.73)
Other unwinding/ discounting expenses	<u>(101.76)</u>	<u>(49.75)</u>
Total interest expense	<u>(595.28)</u>	<u>(510.23)</u>
Net interest result	<u>(537.00)</u>	<u>(416.01)</u>

23. OTHER FINANCIAL INCOME AND EXPENSES

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Financial Income		
Exchange gains from financing activities	366.03	178.49
Gains from disposal of investments	<u>1.37</u>	<u>0.27</u>
Total financial income	<u>367.40</u>	<u>178.76</u>
Financial Expense		
Exchange losses from financing activities	(172.86)	(196.30)
Losses related to financial assets and securities	-	(2.37)
Other financing costs	<u>(44.45)</u>	<u>(21.20)</u>
Total financial expense	<u>(217.31)</u>	<u>(219.87)</u>
Other financial income and expenses	<u>150.09</u>	<u>(41.11)</u>

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

24. TAXES ON INCOME

	December 31, 2010	December 31, 2009
Taxes on income - current year	501.44	419.46
Deferred tax	<u>(85.77)</u>	<u>(83.32)</u>
Total taxes on income	<u>415.67</u>	<u>336.14</u>

The reconciliation of deferred taxes is as follows:

	December 31, 2010	December 31, 2009
Deferred taxes January 1	654.74	457.30
Deferred taxes December 31	<u>707.79</u>	<u>654.74</u>
Changes in deferred taxes	<u>53.05</u>	<u>197.44</u>
Deferred taxes on revaluation of securities and hedges charged directly to equity	(34.40)	123.96
Changes in consolidated Group, exchange differences and similar items	<u>1.68</u>	<u>(9.84)</u>
Deferred taxes per income statement	<u>85.77</u>	<u>83.32</u>

Reconciliation

Net profit before taxation	2,605.32	1,169.42
Income tax rate applicable for Parent company	16.00%	16.00%
Profits tax based on income tax rate of the Parent	416.85	187.11
Effect of differing foreign tax rates	(61.09)	107.70
Profits tax based on applicable rates	355.76	294.81
Tax effect of permanent differences	<u>59.91</u>	<u>41.33</u>
Profits tax expense in Income Statement	<u>415.67</u>	<u>336.14</u>
Tax effect of other temporary differences	<u>85.77</u>	<u>83.32</u>
Profits tax to be paid for the year	<u>501.44</u>	<u>419.46</u>

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

25. EARNINGS PER SHARE

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

	<u>December 31, 2010</u>	<u>December 31, 2009</u>
Net profit attributable to own shareholders	2,201.22	860.24
Weighted average number of shares	<u>56,641,009,185</u>	<u>56,644,108,335</u>
Earnings per share	<u>0.0389</u>	<u>0.0152</u>

26. SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

26. SEGMENT INFORMATION (continued)

Primary segment reporting:

	E&P	Refining & Marketing	Gas & Power	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	8,861.74	126.31	185.69	485.70	9,659.44	(9,659.44)	-
Sales with third parties	672.66	15,050.18	2,879.68	13.17	18,615.69	-	18,615.69
Total sales	9,534.40	15,176.49	3,065.37	498.87	28,275.13	(9,659.44)	18,615.69
EBIT	3,012.12	106.30	163.85	(135.48)	3,146.79	(161.28)	2,985.51
Total assets	21,092.35	8,263.11	2,678.50	3,013.27	35,047.23	(281.97)	34,765.26
Investments in PPE/IA	3,021.50	782.02	1,207.98	154.33	5,165.83	-	5,165.83
Investment in associated companies	-	-	40.65	-	40.65	-	40.65
Assets Held for Sale	-	2.85	-	74.44	77.29	-	77.29
Total liabilities	8,906.21	2,080.90	350.47	4,968.64	16,306.22	-	16,306.22
Depreciation and amortization	1,570.08	433.94	5.54	120.66	2,130.22	-	2,130.22
Impairment losses	520.79	153.45	1.63	5.53	681.40	-	681.40
Result from associated companies	-	-	6.72	-	6.72	-	6.72

Secondary segment reporting:

	Romania	Rest of CEE	Rest of Europe	Rest of world	Consolidation	Consolidated total
Sales with third parties	14,484.18	3,507.64	-	623.87	-	18,615.69
EBIT	3,568.08	120.03	-	(541.32)	(161.28)	2,985.51
Total assets	31,370.75	1,567.21	-	2,109.27	(281.97)	34,765.26
Investments in PPE/IA	4,798.16	65.39	-	302.28	-	5,165.83

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

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

27. AVERAGE NUMBER OF EMPLOYEES

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>
Total Petrom Group	26,718	31,767
thereof:		
OMV Petrom S.A.	25,058	29,417
Other subsidiaries	1,660	2,350

*) The number of employees was calculated as average headcount of 12 months number of employees. Figures for December 31, 2009 were adjusted accordingly.

28. RELATED PARTIES

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

During 2010, Petrom Group had the following transactions with related parties:

	<u>Purchases</u>	<u>Payables</u>
OMV Deutschland GmbH	5.46	-
OMV Exploration & Production GmbH	38.80	17.35
OMV Gas & Power GmbH	1.94	0.03
OMV Gas GmbH	0.59	0.04
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	19.94	0.75
OMV Refining & Marketing GmbH	300.79	41.23
OMV Solutions GmbH	22.31	7.63
OMV Supply & Trading AG	675.46	99.84
OMV International Services GmbH	7.58	43.61
OMV Austria Exploration & Production GmbH	1.37	-
OMV Power International GmbH	1.72	1.71
Borealis AG	0.61	-
Congaz S.A.	0.19	-
Petrol Ofisi A.Ş.	6.82	1.15
OMV Aktiengesellschaft	4.23	0.65
Petrom Nadlac S.R.L.	0.77	-
OMV Hrvatska d.o.o.	0.03	0.02
EconGas Hungária Földgázkereskedelmi Kft.	61.84	11.77
Trans Gas Services S.R.L.	1.28	0.18
Total	1,151.73	225.96

	<u>Revenues</u>	<u>Receivables</u>
OMV BH d.o.o.	0.51	-
OMV Deutschland GmbH	224.64	31.76
OMV Hrvatska d.o.o.	1.03	0.04
OMV Refining & Marketing GmbH	47.74	0.42
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	0.28	-
OMV Slovensko s.r.o.	0.27	0.02
OMV Solutions GmbH	13.55	4.55
OMV Supply & Trading AG	610.25	62.22
OMV International Services GmbH	54.28	20.52
Borealis AG	0.08	-
Petrol Ofisi A.Ş.	0.16	-
Petrom Nadlac	0.01	-
Trans Gas Services S.R.L.	0.08	0.02
OMV Finance Ltd.	0.12	0.14
Total	953.00	119.69

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

28. RELATED PARTIES (continued)

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

29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2010

Company Name	Share interest percentage	Consolidation treatment*	Activity	Country of incorporation
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION LLP	100.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
WIND POWER PARK S.R.L.	99.99%	FC	Eolian power production	Romania
KORNED LLP	100.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
OMV PETROM GAS S.R.L.	99.99%	FC	Gas distribution	Romania
ICS PETROM MOLDOVA S.A.	100.00%	FC	Fuel distribution	Moldova
PETROMED SOLUTIONS S.R.L.	99.99%	FC	Medical services	Romania
PETROM DISTRIBUTIE GAZE S.R.L.	99.99%	FC	Gas distribution	Romania
PETROM LPG S.A.	99.99%	FC	LPG distribution	Romania
OMV BULGARIA OOD	99.90%	FC	Fuel distribution	Bulgaria
OMV PETROM MARKETING S.R.L.	100.00%	FC	Fuel distribution	Romania
OMV SRBIJA DOO	99.90%	FC	Fuel distribution	Serbia
PETROM NADLAC S.R.L.	98.51%	NC	Fuel distribution	Romania
AVIATION PETROLEUM S.R.L.	100.00%	FC	Kerosene distribution	Romania
PETROM AVIATION S.A.	100.00%	FC	Kerosene distribution	Romania
KOM MUNAI LLP	95.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
PETROCHEMICALS ARGES S.R.L.	95.00%	NC	Refining petrochemicals production	Romania
TRANS GAS SERVICES S.R.L.	80.00%	NC	LPG transportation related services	Romania
PETROM EXPLORATION & PRODUCTION LIMITED	50.00%	FC	Exploration and production services	Isle of Man

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

29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2010 (continued)

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

*) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

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

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

Most of the subsidiaries which are not consolidated have very low volumes of business; the total sales, net income/losses and equity of such companies represent less than 1% of the consolidated totals.

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

30. ACQUISITION AND DISPOSALS OF SUBSIDIARIES

a) Acquisition of subsidiaries

During the year ended December 31, 2009, Petrom Group acquired 100% interest in the company KORNED LLP that activates in exploration and production area.

During 2010, Petrom Group acquired 99.99 % of shares of Wind Power Park SRL, a company based in Romania that has as object of activity the production of eolian power. This transaction has been accounted for as a business combination in accordance with IFRS 3.

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

	December 31, 2010	December 31, 2009
Intangible assets	39.38	-
Mineral interests unproved reserves	-	146.31
Property, plant and equipment	12.69	-
Trade and other receivables	0.54	-
Provisions	-	(6.03)
Trade and other liabilities	(11.31)	(92.50)
Deferred tax liability, net	(6.44)	(9.59)
Share of net assets at the acquisition date	34.86	38.19
Goodwill arising on acquisition	0.56	-
Total consideration transferred	35.42	38.19
- thereof paid until end of the year	35.42	8.68
- thereof not paid until end of the year	-	29.51
Consideration paid on acquisition of subsidiaries during the year	35.42	8.68
Payments of cash for subsidiaries previously consolidated	32.99	-
Cash used on acquisition net of cash acquired	68.41	8.68

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

30. ACQUISITION AND DISPOSALS OF SUBSIDIARIES (continued)

b) Disposal of subsidiaries

During August 2010, Petrom Group disposed of Ring Oil Holding & Trading Ltd and its subsidiaries (LLC Management Company Corsarneft, LLC Artamira, OJSC Chalykneft, OJSC Karneft, Oil Company Renata LLC, LLC Neftepoisk, CJSC Saratovneftedobycha).

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

	December 31, 2010	December 31, 2009
Mineral interests unproved reserves and other intangibles	77.07	-
Property, plant and equipment	2.37	-
Investments	237.26	-
Inventories	0.92	-
Trade and other receivables	5.30	-
Cash and cash equivalents	13.28	-
Deferred tax liability, net	(7.91)	-
Provisions for decommissioning and restoration obligations	(0.98)	-
Loans payable	(21.92)	-
Trade and other liabilities	(2.11)	-
Less cost of investment in indirect holdings	(237.26)	-
Net assets disposed off	66.02	-
Gain on disposal of subsidiaries		-
	December 31, 2010	December 31, 2009
Consideration to be received	52.04	-
Net assets disposed off	(66.02)	-
Non-controlling interests	16.57	-
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	28.31	-
Gain on disposal of subsidiaries	30.90	-
Net cash outflow on disposal of subsidiaries		
	December 31, 2010	December 31, 2009
Net consideration received in cash and cash equivalents	6.35	-
Less cash and cash equivalents balances disposed off	(13.28)	-
Net cash outflow on disposal of subsidiaries	(6.93)	-

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

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

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

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

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

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

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

32. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2010 the total commitments engaged by Petrom Group for investments amount to RON 1,816.86 million (December 31, 2009: RON 2,338.00 million).

Other contingencies

Cash and bank accounts as at December 31, 2010 include an amount of RON 140.3 million representing cash restricted, mainly in relation with several litigation cases.

Litigations

Petrom Group is making provisions against litigations that is likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect Petrom Group's financial position. The production facilities and properties of all Group companies are

subject to a variety of environmental protection laws and regulations in the countries where they operate: provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on consolidated results.

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

32. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

OMV Petrom S.A. has granted a guarantee amounting to EUR 40.88 million (RON 175.17 million) 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 43.79 million), the outstanding contingent liability as at December 31, 2010 is of RON 131.38 million. In addition, Petrom Group has other contingent liabilities amounting to RON 10.46 millions, representing performance guarantees.

33. RISK MANAGEMENT

Capital risk management

Petrom Group continuously manages its capital to ensure that entities in Petrom Group will be optimally capitalized in balance with their risks exposure in order to maximize the return to stakeholders. The capital structure of Petrom Group consists of equity attributable to equity holders of the parent (comprising issued capital, reserves and revenue reserves as disclosed in the "Consolidated Statement of Changes in Equity") and debt (which includes the short and long term borrowings disclosed in Note 14, cash and cash equivalents). The gearing ratio of Petrom Group as at December 31, 2010 was 12% (December 31, 2009: 16%) showing a decreasing exposure to leverage risk.

Petrom Group's management reviews the capital structure as well as group risk reports regularly. As part of this review, the cost of capital and the risks associated with each class of capital are being considered.

Significant accounting policies

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

Financial risk management objectives

Petrom Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports twice per year to Petrom Group's risk management committee, that monitors risks and policies implemented to mitigate risk exposures. Petrom Group's Risk Management actively pursues to minimize the effects of manageable risks (operational and financial as well).

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

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

33. RISK MANAGEMENT (CONTINUED)

Market risk management

Market Risk wise, Petrom Group's activities are exposed naturally to the risks arising out of marketing petroleum products and their accessory price volatility. This risk is considered, analyzed, evaluated and constantly mitigated for limited exposure in Petrom Group.

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

Foreign currency risk management

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

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

	Assets		Liabilities	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Thousand USD	782,203	676,572	107,032	303,411
Thousand EUR	95,669	22,369	886,585	629,250

Foreign currency sensitivity analysis

Translation risk arises on the consolidation of subsidiaries preparing their financial statements in other currencies than in Romanian lei but also from the consolidation of assets and liabilities naturally denominated in foreign currency. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

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

+10% Sensitivity increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2010	2009	2010	2009
Profit/ (Loss)	67,517	58,659	(79,092)	(60,688)
Other equity	-	(7,323)	-	-

-10% Sensitivity decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2010	2009	2010	2009
Profit/ (Loss)	(67,517)	(58,659)	79,092	60,688
Other equity	-	7,323	-	-

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

33. RISK MANAGEMENT (CONTINUED)

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

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

From risk management perspective, Petrom Group is permanently monitoring and mitigating the FX risk exposure across its entire base of operations.

The above sensitivity analysis of the inherent foreign exchange risk shows the exposure at the end of the year; however the exposure during the year is continuously monitored and managed by Petrom Group.

Interest rate risk management

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

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

Analysis for change in interest rate risk

Variable rate borrowings:	Balance as at		Effect of 1% change in interest rate	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Short term borrowings	358.06	161.69	3.58	1.62
Long term borrowings	3,465.51	2,810.45	34.66	28.10

Commodity price risk management

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

In order to protect the Group'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, in order to protect Petrom Group's cash flow from the adverse impact of falling oil prices, derivative instruments have been used to hedge the proceeds from the production of 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). For the period when the oil price was below USD 54/bbl in 2010, the hedge paid out the difference to the realized market price, while the Petrom Group was not able to profit from oil prices above USD 75/bbl in 2010 for the above stated volume. In case the oil price in 2010 was between the two intervals, no cash settlement was required. The hedges were over-the-counter (OTC) contracts with first class banks and were settled on a quarterly basis in 2010. As at December 31, 2009 the fair value amounted to RON 411.65 million, same as the related liability (see Note 15).

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

33. RISK MANAGEMENT (CONTINUED)

Credit risk management

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

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

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout Petrom Group are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments.

To ensure that Petrom Group remains solvent all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

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

34. SUBSEQUENT EVENTS

No significant events subsequent to the balance sheet date.