Petrom Investor News

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Petrom Group: strong results[1] for Q2 and January – June 2011 driven by high crude price environment and operational performance improvements

- **Strong Q2/11 results and cash flows:** Petrom Group clean CCS EBIT was 86% higher compared to Q2/10, driven by favorable crude price environment; clean CCS net income was 38% higher and cash flows from operations almost doubled compared to Q2/10
- **Operational highlights:** Quarterly Group total hydrocarbon production continued to marginally increase, being 3% higher compared to Q2/10; downstream margins still under pressure as the high oil price burdens both refining and marketing margins, especially in retail
- **Outlook for 2011:** We expect the Romanian market to gradually continue its recovery; the E&P focus will be to mitigate natural decline and the progress of exploration initiatives; R&M will continue operational optimization and the Petrobrazi modernization; increased focus on G&P to complete commissioning of the two power projects in H2/11

Mariana Gheorghe, CEO of OMV Petrom S.A.: "The second quarter shows good operational performance. On the back of the favorable crude price environment we benefited from increased production levels and resurgent fuel and gas demand from both the industry and commercial sectors, in particular in Romania. For the fourth consecutive quarter, for the first time since privatization, we managed to marginally increase our Group daily hydrocarbon production rates. Our exploration activity also recorded good progress recently, with the successful discovery of a potentially significant gas discovery (Totea) and the decision to enter the next exploration phase in the deepwater Black Sea, jointly with ExxonMobil. The effects of efficiency measures implemented brought further benefits to our underlying performance. The high crude price environment burdened refining and marketing margins due to higher crude costs and still weak retail demand. We maintain our focus on completing the commissioning of the two power projects in H2/11. In a gradually improving Romanian economy, we continue to capitalize on revenue increasing initiatives and efficiency improvement initiatives to support our underlying operational performance."

Q1/11	Q2/11	Q2/10	Δ%	Key performance indicators (in RON mn)	6m/11	6m/10	Δ%	2010
1,192	1,224	728	68	EBIT	2,416	1,675	44	2,986
1,298	1,310	720	82	Clean EBIT	2,608	1,662	57	3,537
1,193	1,266	680	86	Clean CCS EBIT [2]	2,459	1,593	54	3,325
840	903	718	26	Net income attributable to stockholders[3]	1,744	1,521	15	2,201
841	935	677	38	Clean CCS net income attributable to stockholders [2,3]	1,776	1,452	22	2,457
0.0148	0.0159	0.0127	26	EPS (RON)	0.0308	0.0268	15	0.0389
0.0149	0.0165	0.0120	38	Clean CCS EPS (RON) [2]	0.0314	0.0256	23	0.0434
1,266	2,016	1,289	56	Cash flow from operations	3,282	2,213	48	4,630
-	-	-	n.a.	Dividend per share (RON)	-	-	n.a.	0.0177

[1] *The financials are unaudited and represent Petrom Group's (herein after also referred to as "the Group") consolidated results prepared according to IFRS; all the figures refer to Petrom Group, unless otherwise stated; financials are expressed in mn RON and rounded to closest integer value, so minor differences may result upon reconciliation; Petrom uses the National Bank of Romania exchange rates for its consolidation process*

[2] *Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries*

[3] *After deducting net income attributable to non-controlling interests*

Financial highlights

Second quarter 2011 (Q2/11)

In Q2/11, results were driven by a favorable crude price environment. **The Urals crude price**, the reference oil price for Romania, was 49% higher in Q2/11 compared to the level recorded in Q2/10. The **Group reported EBIT** of RON 1,224 mn was 68% above the level of Q2/10. **The net financial result** of RON (103) mn was substantially below the Q2/10 gain of RON 133 mn, mainly due to FX losses recorded in Q2/11. **Net income attributable to stockholders** was RON 903 mn. **Clean CCS EBIT** increased by 86% to RON 1,266 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 86 mn mainly related to the impairment of the exploration licence of Kultuk in Kazakhstan and inventory holding gains of RON 44 mn. **Clean CCS net income attributable to stockholders** was RON 935 mn, 38% higher than the Q2/10 result.

Exploration and Production (E&P) clean EBIT stood at RON 1,260 mn, up by 42% compared to Q2/10, driven by increased oil and NGL prices, higher gas sales volumes and lower production costs, counterbalanced by higher exploration expenses and hedging losses. At 187,000 boe/day, the Group's oil and gas production was 3% higher compared to Q2/10 due to increased production in both Romania and Kazakhstan.

In **Refining and Marketing (R&M)**, clean CCS EBIT was below the Q2/10 level at RON 9 mn (Q2/10: RON 78 mn). The result was mainly affected by higher costs for crude consumption as a result of increased oil prices. The result was also burdened by lower marketing sales and increased pressure on margins due to persisting subdued demand in retail.

In **Gas and Power (G&P)**, clean EBIT increased by RON 38 mn compared to Q2/10 to reach RON (9) mn, reflecting the lower losses at Doljchim and lower bad debt provisions in the gas business, whilst being negatively impacted by the ANRE order that enforced gas basket consumption to internal non-technological usage. At 1,112 mn cbm, consolidated gas sales volumes in Q2/11 increased by 19% in comparison with Q2/10 levels.

January - June 2011 (6m/11)

In 6m/11, results were above last year's level, driven by the favorable crude price environment, diminished by higher exploration expenses. The Urals crude price was 42% higher compared to 6m/10. The **Group reported EBIT** of RON 2,416 mn was 44% above the level of 6m/10. The net financial result was RON (283) mn, significantly lower than in 6m/10 (RON 147 mn), negatively influenced by FX effects due to the depreciation of USD against RON, partially compensated by the decrease in interest costs. **Net income attributable to stockholders** was RON 1,744 mn, which improved versus the previous year. **Clean CCS EBIT** increased to RON 2,459 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 192 mn and inventory holding gains of RON 149 mn. **Clean CCS net income attributable to stockholders** was RON 1,776 mn.

In **E&P**, clean EBIT increased by 42% compared to 6m/10 and reached RON 2,521 mn, mainly driven by the increased oil and NGL prices, higher gas sales quantities, lower production costs, partially offset by higher exploration expenses and the negative hedging result. The Group oil and gas production stood at 187,000 boe/d, 2% higher compared to 6m/10.

In **R&M**, clean CCS EBIT was negative, at RON (43) mn, significantly below 6m/10 which stood at RON 60 mn. The improved cost and operational performance due to the closure of Arpechim were more than offset by higher costs for crude consumption as a result of increased oil prices, lower marketing sales and increased pressure on margins which burdened the result.

In **G&P**, clean EBIT stood at RON 24 mn, 7% below 6m/10, as the gas business was affected by an increase in the cost of gas supply, due to a higher import quota, higher import prices and the negative effect resulting from the ANRE order enforcing gas basket consumption to internal non-technological usage. Consolidated gas sales reached 2,653 mn cbm, 7% higher compared to 6m/10.

Significant events in Q2/11

On **April 26,** the Ordinary (OGMS) and Extraordinary (EGMS) General Meeting of Shareholders was held. At the OGMS, OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2011 was approved, with investments estimated at RON 4.9 bn. The OGMS also approved a gross dividend of RON 0.0177/share for the financial year 2010, at the total amount of RON 1,003 mn, corresponding to a 46% payout ratio. The OGMS acknowledged Wolfgang Ruttenstorfer's waiver of his mandate as member of Petrom's Supervisory Board and approved the appointment of Manfred Leitner (member of the OMV Executive Board) in his place. Moreover, the OGMS approved the revocation of Marian Turlea's tenure as a member of Petrom's Supervisory Board upon the request of the Ministry of Economy, Trade and Business Environment (MECMA). The OGMS also approved MECMA's proposal to appoint Constantin Dascalu, personal advisor to the Minister of Economy, Trade and Business Environment as new member of the Supervisory Board for a mandate effective until April 28, 2013. The OGMS also approved the appointment of Ernst & Young Assurance Service S.R.L. as the new financial auditor for 2011, replacing Deloitte Audit S.R.L. The EGMS approved the change of the company's headquarters as of May 23, 2011. The address of the new headquarters is: 22 Coralilor Street, District 1, Bucharest ("Petrom City").

On **May 19**, Petrom announced having successfully brought on stream five gas wells drilled onshore on three fields located in the Oltenia region, which contributed significantly to the company's production, representing more than 6% of the daily gas production.

On **May 19**, Petrom announced the intention of MECMA - Office for the State Participations and Privatization in Industry to initiate a secondary public offering for a 9.84% stake in Petrom. The subscription period was July 11 – July 22. According to MECMA's communiqué released on July 22, 2011, the subscriptions submitted were below the 80% minimum subscription threshold required for successfully closing the offer.

On **June 21**, Petrom announced having performed the first power deliveries to the grid, as part of the Brazi power plant final testing stage before starting commercial operations.

Outlook 2011

For 2011, we expect the key market drivers to remain volatile. We anticipate the oil price will trade broadly within a range of USD 90-110/bbl and envisage continuing volatility of the relevant FX rates. We expect refining margins to remain depressed as higher crude costs are expected to offset the positive impact from improved demand for middle distillates. Marketing margins and volumes are expected to remain under pressure, given the high crude price environment and an envisaged slow economic recovery in our operating region. In Romania, we expect a relatively stable fuels and gas demand, with a potential increase, in line with the development of the economy.

The macro-economic outlook of the Romanian economy remains positive with GDP expected to grow by 1.5% this year. Improved economic prospects should see a gradual rise in nominal wages as risks to companies' cashflows diminish. This, in turn should lead to a gradual recovery in domestic consumption towards the end of the year. However, risks posed by the sovereign debt crisis in Eurozone countries could potentially impact the speed and strength of domestic recovery. The continuation of structural reforms will be necessary to strengthen the resilience of the Romanian economy.

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining our sound financial position, with an investment budget for 2011 amounting to RON 4.9 bn for OMV Petrom S.A.

In order to protect the company's cash flow in 2011 and support this year's investment program, in January 2011, Petrom entered into oil price swaps, locking in a Brent price of approx. USD 97/bbl for a volume of 25,000 bbl/d. These hedged volumes are covered until the end of 2011.

In **E&P**, we will continue our efforts to largely offset the natural decline and enhance recovery rates whilst further pursuing strict cost management measures. The investment program will concentrate on drilling of development and production wells, surface facilities replacement, well workovers and optimization of water injection facilities. In addition, a key focus will be on making further progress with the integrated field redevelopment projects of selected key fields with engineering and implementation of the most advanced projects and technologies. After the successful start-up of our Hurezani gas delivery system, we will continue our progress to optimize gas production systems in our fields. Petrom confirmed its decision to enter a new exploration phase of the deep offshore Neptun block in Romania, following the Government decision to amend the Neptun concession agreement to extend the time allowed for exploration of the block. The work program to be executed in partnership with ExxonMobil includes the drilling of the first deep water exploration well in the Romanian waters of the Black Sea by the end of this year or beginning of 2012. In 2011, we aim to maintain the reserves replacement rate in Romania at 70% through continuous revisions of mature fields and implementation of modern reservoir

management techniques at field level. In Kazakhstan, we will continue to further develop the Komsomolskoe field where we expect increased production levels following the measures taken to address production ramp-up difficulties we had experienced in the past.

In **R&M**, we will pursue stringent cost management and further streamlining of the business in order to support our operational performance. At Petrobrazi, we aim to optimize refinery utilization and to continue the investment program, progressing with the modernization of the crude and vacuum distillation unit in order to begin operations in 2012. No major shutdown is scheduled for our Petrobrazi refinery. In line with the Supervisory Board decision, Arpechim refinery will be permanently closed. At Arpechim, we are in the process of obtaining the closure permits. In Marketing, we seek to optimize our response to the market dynamics within a high crude price environment with high pressure on both volumes and margins.

In the **G&P** business, our focus is on successfully completing the commissioning of the wind power plant in Dorobantu and the combined cycle gas fired power plant at Brazi in H2/11. As projects will only be in the start-up phase in 2011, we do not expect a material contribution from the Power business this year. In early 2011, the Romanian regulatory authorities decided to extend the applicability of the "gas basket" to internal non-technological consumption encompassing the power plant in Brazi. In addition, new regulations setting up two different "gas baskets" for households, on the one hand, and non-households on the other, were put in place with effect from July 1, 2011. These newly issued regulations are intended to temporarily freeze the gas price for households until end of March 2012 while implementing a 10% increase in gas prices for non-households, driven by a higher import quota than that applicable for the former gas basket. These regulatory changes have no impact on gas prices for domestic production. Though unlikely to significantly impact Petrom Group's results in 2011, these factors will adversely impact the contribution of the Brazi power plant in 2012. Under the precautionary Stand-By Arrangement with the IMF signed on March 25, 2011, the Romanian Government committed to present a roadmap for phasing out regulated prices in electricity and gas by September 2011.

At a glance

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
4,978	5,293	4,409	20	Sales [1]	10,271	8,343	23	18,616
1,261	1,170	887	32	EBIT E&P [2]	2,431	1,777	37	3,012
(53)	57	126	(55)	EBIT R&M	4	143	(97)	106
33	(9)	(47)	(80)	EBIT G&P	24	25	(4)	164
(21)	(11)	(43)	(74)	EBIT Co&O	(32)	(64)	(49)	(135)
(28)	17	(195)	n.m	Consolidation	(11)	(205)	(95)	(161)
1,192	**1,224**	**728**	**68**	**EBIT Group**	**2,416**	**1,675**	**44**	**2,986**
1,261	1,260	887	42	Clean EBIT E&P [2, 3]	2,521	1,777	42	3,544
(52)	9	78	(88)	Clean CCS EBIT R&M [3]	(43)	60	n.m	(104)
33	(9)	(47)	(80)	Clean EBIT G&P [3]	24	26	(7)	172
(21)	(11)	(43)	(75)	Clean EBIT Co&O [3]	(31)	(64)	(51)	(125)
(28)	17	(195)	n.m	Consolidation	(11)	(205)	(95)	(161)
1,193	**1,266**	**680**	**86**	**Clean CCS EBIT [3]**	**2,459**	**1,593**	**54**	**3,325**
1,011	1,121	861	30	Income from ordinary activities	2,133	1,822	17	2,605
841	903	719	26	Net income	1,744	1,526	14	2,190
840	903	718	26	Net income attributable to stockholders[4]	1,744	1,521	15	2,201
841	935	677	38	Clean CCS net income attributable to stockholders [3,4]	1,776	1,452	22	2,457
0.0148	0.0159	0.0127	26	EPS (RON)	0.0308	0.0268	15	0.0389
0.0149	0.0165	0.0120	38	Clean CCS EPS (RON) [3]	0.0314	0.0256	23	0.0434
1,266	2,016	1,289	56	Cash flow from operations	3,282	2,213	48	4,630
0.0224	0.0356	0.0228	56	CFPS (RON)	0.0579	0.0391	48	0.0817
2,349	2,364	2,697	(12)	Net debt	2,364	2,697	(12)	2,299
12	12	15	(20)	Gearing (%)	12	15	(20)	12
633	1,046	1,269	(18)	Capital expenditures	1,680	1,986	(15)	4,863
-	-	-	n.a.	Dividend per share	-	-	n.a.	0.0177
-	-	-	n.a.	ROFA (%)	19.1	14.2	35	12.5
-	-	-	n.a.	ROACE (%)	17.8	13.1	36	10.7
-	-	-	n.a.	ROE (%)	18.6	18.0	3	12.6
24,339	23,693	26,736	(11)	Petrom Group employees at the end of the period	23,693	26,736	(11)	24,662

[1] *Sales excluding petroleum excise tax;*
[2] *Excluding intersegmental profit elimination shown in the line "Consolidation";*
[3] *Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries;*
[4] *After deducting net income attributable to non-controlling interests*

Exploration and Production (E&P)

Q1/11	Q2/11	Q2/10	Δ%	In RON mn	6m/11	6m/10	Δ%	2010
2,880	2,883	2,372	22	Segment sales	5,762	4,651	24	9,534
1,261	1,170	887	32	EBIT [1]	2,431	1,777	37	3,012
0	(89)	0	n.a.	Special items	(89)	0	n.a.	(532)
1,261	1,260	887	42	Clean EBIT [1]	2,521	1,777	42	3,544

Q1/11	Q2/11	Q2/10	Δ%	Key performance indicators	6m/11	6m/10	Δ%	2010
16.78	16.98	16.54	3	Total hydrocarbon production (mn boe)	33.76	33.22	2	67.08
186,000	187,000	182,000	3	Total hydrocarbon production (boe/day)[2]	187,000	184,000	2	184,000
8.27	8.35	8.26	1	Crude oil and NGL production (mn bbl)	16.62	16.57	0	33.34
1.30	1.32	1.27	4	Natural gas production (bcm)	2.63	2.55	3	5.16
46.05	46.66	44.72	4	Natural gas production (bcf)	92.71	90.00	3	182.34
102.67	114.21	76.86	49	Average Urals price (USD/bbl)	108.29	76.12	42	78.29
90.14	95.72	66.76	43	Average Group realized crude price [3] (USD/bbl)	92.92	68.31	36	68.72
160.29	172.11	149.97	15	Average gas price for domestic producers in Romania (USD/1,000 cbm)[4]	165.95	157.72	5	155.44
114	96	53	81	Exploration expenditure (RON mn)	210	88	138	341
134	205	47	335	Exploration expenses (RON mn)	339	63	438	187
16.66	16.11	16.89	(5)	OPEX (USD/boe)	16.39	16.77	(2)	16.74

[1] Excluding intersegmental profit elimination
[2] Production figures in boe/day are rounded
[3] Realized price includes hedging result
[4] For detailed information see G&P section at page 10

Second quarter (Q2/11)

- **Clean EBIT increased by 42% compared to Q2/10, supported by higher oil price environment, higher gas sales volumes and lower production costs**
- **Group oil and gas production was 3% higher compared to Q2/10 driven by the higher production volumes in both Romania and Kazakhstan**
- **Group production costs in USD/boe were lower by 5% compared to Q2/10 due to higher production volumes and lower number of well interventions**

In Q2/11, results were driven by a favorable environment as the average **Urals crude price** reached USD 114.21/bbl, 49% above the Q2/10 level. The **average Group realized crude price** increased by 43% to USD 95.72/bbl, reflecting the negative hedging result.

Clean EBIT increased by 42% compared to Q2/10, to RON 1,260 mn, mainly driven by increased oil and NGL prices, higher gas sales volumes and lower production costs, counterbalanced by higher exploration expenses and hedging losses. The result from hedging had a negative impact on EBIT of RON (134) mn, compared to the negative level of RON (12) mn recorded in Q2/10. Reported **EBIT** included special items of RON (89) mn mainly relating to the impairment of the Kultuk exploration license in Kazakhstan. After interpreting the 3D seismic data acquired at the Kultuk oil field, it was decided not to pursue further appraisal due to the lack of economic viability.

Exploration expenditures increased by 81% compared to Q2/10, amounting to RON 96 mn, as result of intensified activities. Exploration expenses were RON 205 mn, four times higher compared to Q2/10 (i.e. RON 47 mn), due to the impairment of unsuccessful exploration wells in Romania and the Kultuk exploration license in Kazakhstan.

In Q2/11, **Group production costs** in USD/boe were lower by 5% compared to Q2/10 due to higher production volumes and the lower number of well interventions, partially offset by FX development (USD weakened by 13% against the RON). Production costs in Romania decreased to USD 15.92/boe, 3% lower compared to the Q2/10 level, due to higher production volumes counterbalanced by stronger RON against USD. In RON terms, domestic production costs decreased by 15%, from RON 53.96/boe in Q2/10 to RON 45.82/boe in Q2/11.

Group oil, gas and NGL production in Q2/11 amounted to 16.98 mn boe, 3% higher compared to the same period of 2010, as a consequence of increased production in Romania and Kazakhstan.

Total oil, gas and NGL production in Romania amounted to 15.86 mn boe, 1% higher compared to Q2/10. **Domestic crude oil production** was 7.38 mn bbl, 2% lower than the level recorded in Q2/10, mainly due to the natural decline of production not fully compensated by new wells drilled and the workover

program. **Domestic gas production** reached 8.48 mn boe, 3% higher compared to Q2/10. The gas production increase was driven by the production from new wells and the positive impact of the workover program. **Oil and gas production in Kazakhstan** increased by 38% to 1.12 mn boe in Q2/11, mainly due to the Komsomolskoe field being gradually brought on-stream and to the workover and intervention campaigns in the TOC fields (Tasbulat, Turkmenoi, Aktas).

In Q2/11, the drilling program in Romania comprised 30 new wells, compared to 35 new wells in Q2/10.
The integration of E&P Services within E&P was successfully finalized in Q2/11.

Sales volumes went up by 3% compared to Q2/10, in line with the increase in production.

Compared to Q1/11, **clean EBIT** was stable, as the weaker USD compared to RON and the negative hedging result offset the positive impact of the higher crude price level (average Urals crude price increased by 11% in USD/bbl), higher gas sales in Romania and Kazakhstan and lower production costs. Reported **EBIT** was lower by 7% compared to Q1/11 due to the impairment of the Kultuk exploration license in Kazakhstan. **Group production costs** in USD/boe decreased by 3%, due to higher production volumes in Romania and Kazakhstan, partially counterbalanced by the negative FX development (USD weakened by 7% against the RON). Group oil, gas and NGL production amounted to 16.98 mn boe, higher by 1% compared to Q1/11, as a consequence of higher oil and gas production in Romania and Kazakhstan. In Romania, total oil, gas and NGL production was 1% higher than in Q1/11. Sales volumes increased by 2%, in line with the production increase.

January – June 2011 (6m/11)

In 6m/11, results were driven by the favorable crude price environment as the average **Urals crude price** reached USD 108.29/bbl, 42% above 6m/10. The **average Group realized crude price** increased by only 36% to USD 92.92/bbl, reflecting the negative hedging result.

Clean EBIT increased by 42% compared to 6m/10 and reached RON 2,521 mn, mainly driven by the increased oil and NGL prices, higher gas sales quantities, lower production costs, partially offset by higher exploration expenses and hedging losses. The result from hedging had a negative impact on EBIT amounting to RON (189) mn, compared to the positive level of RON 75 mn recorded in 6m/10. Reported **EBIT** included special items of RON (89) mn mainly relating to the impairment of the Kultuk exploration license in Kazakhstan.

Exploration expenditures increased by 138% compared to 6m/10, amounting to RON 210 mn, as a result of higher activities. In 6m/11, exploration expenses were RON 339 mn, more than five times higher compared to 6m/10 (i.e. RON 63 mn) due to the write-off of seven unsuccessful exploration wells in Romania and the impairment of the Kultuk exploration licence in Kazakhstan.

In 6m/11, **Group production costs** in USD/boe was 2% lower compared to 6m/10, due to higher production volumes and the lower number of well interventions, partly counterbalanced by negative FX development (USD weakened by 5% against the RON), increased services. Production costs in Romania expressed in USD terms slightly improved to USD 16.10/boe in 6m/11 (USD 16.15/boe in 6m/10), with stable production volumes and despite stronger RON. Domestic production costs in RON terms decreased by 5%, from RON 50.70/boe in 6m/10 to RON 48.03/boe in 6m/11.

Group oil, gas and NGL production in 6m/11 amounted to 33.76 mn boe, higher by 2% compared to the same period of 2010, driven by higher production in Kazakhstan. **Total oil, gas and NGL production in Romania** amounted to 31.61 mn boe, at almost the same level as in 6m/10. **Crude oil production** was 14.71 mn bbl, 2% lower than the level recorded in 6m/10, affected by natural decline which was not fully compensated by new wells drilled and the workover program. Gas production reached 16.89 mn boe, higher by 2% compared to 6m/10, positively influenced by the new gas wells contribution and gas workover program. **Oil and gas production in Kazakhstan** increased by 33% to 2.15 mn boe in 6m/11 compared to 6m/10, due to the Komsomolskoe field being brought gradually on-stream and the workover and intervention campaigns in the TOC fields.

Sales volumes increased by 2% compared to 6m/10, in line with the production increase.

Refining and Marketing (R&M)

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
3,889	4,575	3,775	21	Segment sales	8,464	6,600	28	15,176
(53)	57	126	(55)	EBIT	4	143	(97)	106
(106)	4	8	(50)	Special items	(102)	14	n.m.	(1)
105	44	40	8	CCS effect: Inventory holding gains/losses [1]	149	69	115	212
(52)	9	78	(88)	Clean CCS EBIT [1]	(43)	60	n.m.	(104)

Q1/11	Q2/11	Q2/10	Δ%	Key performance indicators	6m/11	6m/10	Δ%	2010
(0.88)	(1.39)	0.99	n.m.	Indicator refining margin (USD/bbl) [2]	(1.13)	0.92	n.m.	0.33
0.96	0.99	1.08	(8)	Refining input (mn t) [3]	1.95	2.16	(10)	4.15
81	83	51	63	Utilization rate refineries (%) [4]	82	51	60	49
0.91	0.94	0.93	1	Refining output (mn t) [5]	1.85	1.88	(2)	3.78
1.16	1.30	1.37	(5)	Total refined product sales (mn t) [6]	2.45	2.54	(4)	5.47
0.86	0.97	1.03	(6)	thereof Marketing sales volumes (mn t) [7]	1.83	1.91	(4)	4.16
794	794	804	(1)	Marketing retail stations	794	804	(1)	801

[1] Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries caused by increasing/decreasing crude oil prices
[2] The indicator refining margin is based on the international quotations for products [Augusta] and Urals crude and a standard yield set typical for Petrom's refineries until 2010. As of Q1/11 the indicator has been adapted to reflect the planned closure of the Arpechim refinery and the changes in the yield structure. Prior periods have not been restated.
[3] Figure includes crude and semi-finished products, in line with OMV Group reporting standard.
[4] As of Q1/11, the Arpechim refinery is no longer reflected in the calculation. Prior periods have not been restated.
[5] Represents Refining sales volumes excluding traded goods sourced externally by Refining.
[6] Includes all products sold by Petrom Group.
[7] Excludes export sales which are included in total refined product sales.

Second quarter (Q2/11)

- **R&M result burdened by high crude price environment and a weakened retail business**
- **Utilization rate of Petrobrazi refinery increased further to reach 83%**
- **Total marketing sales volumes decreased by 6% compared to Q2/10 whilst Group retail sales decreased by 5% over the same period, due to still weak retail demand**

Segment sales increased by 21% over Q2/10, due to the higher crude price levels.
Clean CCS EBIT was below the Q2/10 level, mainly as a result of increased oil prices, which led to higher costs for crude consumption. This negative impact more than offset the improved cost and operational performance due to the closure of Arpechim. The result was further burdened by lower marketing sales and increased pressure on margins due to weak retail demand. In addition to the net special charges of RON 4 mn, positive CCS effects of RON 44 mn led to a reported EBIT of RON 57 mn.
The indicator refining margin, which starting with Q1/11 reflects the standardized yield structure of the Petrobrazi refinery only, was USD (1.39)/bbl in Q2/11 compared to USD 0.99/bbl in Q2/10. The indicator refining margin was updated in order to reflect the structural changes in our Refining business, with the envisaged permanent closure of the Arpechim refinery. Although crack spreads were higher in Q2/11 compared to last year, the overall refining margin level deteriorated due to the higher cost for crude consumption as a result of increased crude oil prices.
The overall **utilization rate** stood at 83% and, starting from Q1/11, reflects only the Petrobrazi refinery utilization, following the Supervisory Board decision to permanently close the Arpechim refinery. In comparison, the Petrobrazi standalone utilization rate in Q2/10 stood at 52%. During Q2/10, Arpechim operated for two months and a planned cycle-end turnaround took place for approximately one month in Petrobrazi, leading to an overall utilization rate of 51%. The total quantity of **refining input** was 8% lower compared to Q2/10.
Total **refining output** in Q2/11 was 1% above that in Q2/10 whilst **total refined product sales** were 5% lower.
Total group marketing sales stood at 967 kt, down 6% compared to Q2/10, with decreases of retail and commercial sales volumes. Group retail sales represented 65% of total group marketing sales and decreased by 5% compared to Q2/10 as demand was still subdued due to the continued weakness in purchasing power. Overall, Group commercial sales decreased by 8% compared to Q2/10, driven by lower bitumen, LPG and fuel oils demand. The Group's **non-oil business turnover** decreased by 11% compared to Q2/10. The total number of **retail stations** within the Group as of June 30, 2011 decreased by 1%

compared to Q2/10, mainly due to retail network optimization in the Republic of Moldova.

Compared to Q1/11, clean CCS EBIT increased, favored by the start of the holiday driving season which offset higher costs associated with crude consumption in Refining as a result of increased crude prices. The marketing business contribution increased considerably compared to Q1/11, impacted by higher margins and higher volumes.

January – June 2011 (6m/11)

Segment sales increased by 28% due to higher price levels compared to the first six months of 2010 and despite lower quantities sold.

Clean CCS EBIT was below 6m/10 as the improved cost and operational performance due to the closure of Arpechim were more than offset by higher costs for crude consumption as a result of increased crude oil prices, lower marketing sales and increased pressure on margins.

The indicator **refining margin** was below the 6m/10 level as the higher gasoline and middle distillates cracks were fully offset by higher costs for crude consumption driven by the significant increase in crude prices.

During 6m/11, a high **utilization rate** was maintained at the Petrobrazi refinery (82%). In contrast, the Petrobrazi utilization rate during 6m/10 stood at 58% as the refinery was stopped for one month in order to perform the planned cycle-end turnaround. During 6m/10, the overall utilization rate for both Petrobrazi and Arpechim stood at 51%, with Arpechim in use for approximately three months. Total **refining output** was down 2% compared to 6m/10.

The clean **marketing** result was considerably lower compared to 6m/10 as margins and volumes were negatively affected particularly in retail, by the still weak economic environment with subdued demand. The deteriorated conditions more than offset the impact of higher volumes and improved margins for commercial sales of diesel and gasoline.

Gas and Power (G&P)

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
1,041	749	562	33	Segment sales	1,791	1,504	19	3,065
33	(9)	(47)	(80)	EBIT	24	25	(4)	164
0	0	0	(100)	Special items	0	(1)	(100)	(8)
33	(9)	(47)	(80)	Clean EBIT	24	26	(7)	172

Q1/11	Q2/11	Q2/10	Δ%	Key performance indicators	6m/11	6m/10	Δ%	2010
1,542	1,112	937	19	Consolidated gas sales (mn cbm)	2,653	2,485	7	4,917
160	172	150	15	Average gas price for domestic producers in Romania (USD/1,000 cbm)	166	158	5	155
495	495	495	0	Average gas price for domestic producers in Romania (RON/1,000 cbm)	495	495	0	495
396	428	360	19	Import gas price (USD/1,000 cbm)[1]	408	347	18	360

[1] *The actual import gas prices published retrospectively by ANRE on a monthly basis are presented in the table. As of the date of this report, the latest available data is for May 2011, hence the Q2/11 and 6m/11 figures are estimates.*

Second quarter (Q2/11)

- **Consolidated gas sales volumes 19% higher than in Q2/10 driven by increased industry demand**
- **EBIT improved compared to Q2/10 mainly due to positive changes in bad debt position**
- **First power deliveries to the grid from Brazi and Dorobantu power plants**

In Q2/11, natural gas consumption in Romania increased by 10% as compared to the same period of the previous year, while Petrom's **consolidated gas sales** volumes increased by 19%, driven by higher sales to commercial customers. This increase was supported by lower injection of domestic volumes into storage compared to the previous year which enabled higher volumes to be placed on the market.

Clean EBIT generated by the G&P business in Q2/11 increased as compared to Q2/10, reflecting the lower losses at Doljchim, due to the ongoing closure process, and lower bad debt provisions in the gas business. However, the gas business of Petrom was negatively affected by the ANRE order, enforcing gas basket consumption to internal non-technological usage.

The domestic gas price charged by Petrom remained unchanged at RON 495/1,000 cbm (or equivalent USD 172/1,000 cbm). The actual import price, which was retrospectively published by ANRE for April-May 2011, was USD 428/1,000 cbm.

In Q2/11, the average **import quota** set by ANRE for the Romanian gas market stood at 18% (with a maximum of 22% in June), while in Q2/10 the import quota averaged 22% (with a maximum of 30% in April).

In line with management's decision to exit the **chemicals business,** Petrom continued the Doljchim closure and will make further progress with the dismantling and decontamination of the plant in compliance with European environmental and safety standards.

The **Brazi power plant** started commissioning in June with the first fire of the gas turbines. This is the final stage before starting commercial operation of the plant. Steam turbine was also prepared for start-up.

The construction works on the **Dorobantu wind park** are in the final stage. The foundation works for all turbines were finalized and 13 turbines (out of 15 in total) were erected.

In June, Petrom performed the first power deliveries to the grid as both power plants were in the testing and commissioning stage.

Compared to Q1/11, clean EBIT decreased, reflecting seasonally lower gas sales and lower margins. Compared to Q1/11, Petrom's consolidated volumes decreased by 28%, while Romanian total consumption decreased by 51%. In Q2/11, Petrom stored a significant volume of imported gas instead of domestic production which made an increased volume of domestic gas available to the market.

January – June 2011 (6m/11)

In 6m/11, Petrom's **consolidated gas sales** increased by around 7% compared to 6m/10, while the increase in total gas consumption in Romania was 4%.

At the end of June 2011, total volume of natural gas in storage owned by Petrom amounted to 232 mn cbm compared to 270 mn cbm at the end of June 2010.

Clean EBIT generated by the G&P business decreased by 7% as compared to 6m/10, as the gas business was affected by increased cost of gas supply, due to higher import quota, higher import prices and also by the negative effect of the ANRE order, enforcing gas basket consumption to internal non-technological usage. This negative effect was partly offset by the lower bad debt provisions in the gas business. Moreover, the negative result in Doljchim in 6m/11 was reduced by 26%, due to the ongoing closure process.

Until the end of 6m/11, the regulated end-user gas price for households and captive industrial customers in Romania, which represents the price ceiling on the market, remained unchanged since July 1, 2009, when it decreased by 5%. Due to the capped end-user gas prices, the higher import gas price could not be transferred to such end consumers, thus putting pressure on the results of players along the gas value chain.

Financial highlights

Group interim financial statements and notes (condensed, unaudited)

Legal principles and general accounting policies

The interim condensed consolidated financial statements for the six months ended June 30, 2011 have been prepared in accordance with IAS 34 Interim Financial Statements.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's annual financial statements as of December 31, 2010.

The accounting policies adopted in preparation of the interim condensed consolidated financial statements are consistent with those followed in preparation of the Group's annual financial statements for the year ended December 31, 2010. The valuation methods in effect on December 31, 2010, remain unchanged. The detailed structure of the consolidated companies in Petrom Group at June 30, 2011 is presented in the appendix 1 to the current report.

The interim consolidated financial statements for 6m/11 are unaudited and an external review by an auditor was not performed.

Changes in the consolidated Group

During Q2/11, there was no change in the consolidated Group structure.

Seasonality and cyclicality

Seasonality is of particular significance in G&P and R&M; for details please refer to the relevant section in the business segments.

In addition to the interim financial statements and notes, further information on main factors affecting the interim financial statements as of June 30, 2011, is given as part of the description of Petrom Group's business segments performance.

Exchange rates

Petrom uses the National Bank of Romania (NBR) exchange rates in its consolidation process. Income statements of subsidiaries are translated to RON using average exchange rates published by the National Bank of Romania, detailed below.

Statements of the financial position of foreign subsidiaries are translated to RON using the closing rate method based on exchange rates published by the National Bank of Romania, detailed below.

Q1/11	Q2/11	Q2/10	Δ%	NBR FX rates	6m/11	6m/10	Δ%	2010
4.224	4.133	4.178	(1)	Average EUR/RON FX rate	4.179	4.146	1	4.211
3.091	2.872	3.283	(13)	Average USD/RON FX rate	2.981	3.129	(5)	3.180
4.098	4.216	4.352	(3)	Closing EUR/RON FX rate	4.216	4.352	(3)	4.285
2.912	2.927	3.570	(18)	Closing USD/RON FX rate	2.927	3.570	(18)	3.205

Income statement (unaudited)

Q1/11	Q2/11	Q2/10	Consolidated statement of income in RON mn	6m/11	6m/10	2010
4,978.09	5,292.99	4,409.39	Sales revenues	10,271.08	8,343.19	18,615.69
(145.91)	(124.10)	(95.88)	Direct selling expenses	(270.01)	(207.89)	(436.61)
(2,961.07)	(3,276.41)	(2,949.88)	Production costs of sales	(6,237.48)	(5,343.16)	(12,790.98)
1,871.11	**1,892.48**	**1,363.63**	**Gross profit**	**3,763.59**	**2,792.13**	**5,388.10**
114.08	88.23	115.40	Other operating income	202.31	262.20	513.85
(247.83)	(263.64)	(311.41)	Selling expenses	(511.47)	(582.16)	(1,218.63)
(52.69)	(64.33)	(67.72)	Administrative expenses	(117.02)	(115.71)	(231.17)
(133.74)	(204.91)	(47.09)	Exploration expenses	(338.65)	(62.77)	(186.59)
(359.29)	(223.69)	(324.60)	Other operating expenses	(582.98)	(618.38)	(1,280.05)
1,191.64	**1,224.14**	**728.21**	**Earnings before interest and taxes (EBIT)**	**2,415.78**	**1,675.31**	**2,985.51**
1.19	3.66	5.00	Income from associated companies	4.85	7.49	6.72
(64.03)	(49.99)	(134.44)	Net interest expense	(114.02)	(242.18)	(537.00)
(117.70)	(56.40)	262.66	Other financial income and expenses	(174.10)	381.86	150.09
(180.54)	**(102.73)**	**133.22**	**Net financial result**	**(283.27)**	**147.17**	**(380.19)**
1,011.10	**1,121.41**	**861.43**	**Profit from ordinary activities**	**2,132.51**	**1,822.48**	**2,605.32**
(170.13)	(218.11)	(142.38)	Taxes on income	(388.24)	(296.03)	(415.67)
840.97	**903.30**	**719.05**	**Net income for the period**	**1,744.27**	**1,526.45**	**2,189.65**
840.19	**903.32**	**717.90**	**thereof attributable to stockholders of the parent**	**1,743.51**	**1,520.89**	**2,201.22**
0.78	(0.02)	1.15	thereof attributable to non-controlling interests	0.76	5.56	(11.57)
0.0148	**0.0159**	**0.0127**	**Basic earnings per share in RON**	**0.0308**	**0.0269**	**0.0389**

Statement of comprehensive income (unaudited)

Q1/11	Q2/11	Q2/10	Δ %	Consolidated statement of comprehensive income in RON mn	6m/11	6m/10	Δ%	2010
840.97	**903.30**	**719.05**	**26**	**Net income for the period**	**1,744.27**	**1,526.45**	**14**	**2,189.65**
42.91	13.86	(2.45)	n.m.	Exchange differences from translation of foreign operations	56.77	(48.43)	n.m.	(39.12)
-	-	-	n.a.	Unrealized gains/(losses) on available-for-sale financial assets	-	-	n.a.	-
(375.52)	173.01	169.01	2	Unrealized gains/(losses) on hedges	(202.51)	169.68	n.m.	215.00
60.08	(27.68)	(27.04)	2	Income tax relating to components of other comprehensive income	32.40	(27.15)	n.m.	(34.40)
(272.53)	**159.19**	**139.52**	**14**	**Other comprehensive income for the period, net of tax**	**(113.34)**	**94.10**	**n.m.**	**141.48**
568.44	**1,062.49**	**858.57**	**24**	**Total comprehensive income for the period**	**1,630.93**	**1,620.54**	**1**	**2,331.13**
565.19	1,062.57	860.92	23	thereof attributable to **stockholders** of the parent	1,627.76	1,624.33	0	2,349.68
3.25	(0.08)	(2.35)	(97)	thereof attributable to non-controlling interests	3.17	(3.79)	n.m.	(18.55)

Notes to the income statement

Second quarter 2011 (Q2/11)

Consolidated sales in Q2/11 increased by 20% compared to Q2/10, amounting to RON 5,293 mn, mainly driven by higher oil and product prices and increased gas sales volumes, partially offset by the negative impact from oil price hedges. R&M represented 86% of total consolidated sales, G&P accounted for 12% and E&P for approximately 2% (sales in E&P being largely intra-group sales rather than third party sales).

The **Group's EBIT** amounted to RON 1,224 mn, 68% above the result recorded in Q2/10 (RON 728 mn), mainly driven by higher oil prices, combined with a positive effect from consolidation (lower injection of domestically produced gas and also the decrease in quantities of petroleum products), which more than offset lower margins in R&M and higher exploration expenses. The increase in exploration expenses was mainly driven by the impairment of the exploration license for the Kultuk field in Kazakhstan and also by higher exploration at Petrom. **Clean CCS EBIT** stood at RON 1,266 mn, 86% higher than the RON 680 mn recorded in Q2/10. The Clean CCS EBIT is stated after eliminating net special expenses of RON 86 mn and inventory holding gains of RON 44 mn.

The **net financial result** of RON (103) mn was substantially below the net financial gain recorded in Q2/10 amounting to RON 133 mn. The Q2/10 net financial result included a considerable positive effect driven by the significant appreciation of USD closing rate against RON related to USD loans given by Petrom to its Kazakh subsidiaries, while in Q2/11 the USD exchange rate was steady. Furthermore, EUR appreciation against RON on closing rates in Q2/11 negatively impacted the net financial result related to the EUR denominated loans payable. The negative effect described above was partially compensated by lower interest charges driven by the loans reimbursements in 2011.

The profit from ordinary activities amounted to RON 1,121 mn, and the **corporate income tax** expense stood at RON 218 mn. **Current taxes** on the Group's income were RON 204 mn and **deferred tax** expenses amounted to RON 14 mn. **The effective corporate tax rate** was 19% (Q2/10: 17%). The increase in the effective tax rate is mainly due to the impairment of the Kultuk exploration license, which is not deductible.

Net income attributable to stockholders (i.e. net income attributable to **stockholders** of the parent) was RON 903 mn, above the RON 718 mn in Q2/10. **Clean CCS net income attributable to stockholders** was RON 935 mn. **EPS** was RON 0.0159 in Q2/11, versus RON 0.0127 in Q2/10, while **clean CCS EPS** was RON 0.0165, compared to RON 0.0120 in Q2/10.

Compared to Q1/11, sales increased by 6%, mainly driven by the positive price environment and increased sales volumes in R&M that compensated lower gas sales. EBIT amounted to RON 1,224 mn, 3% higher compared to Q1/11. Clean CCS EBIT increased by 6%. The net financial loss of RON (103) mn improved compared to the level recorded in Q1/11 (RON (181) mn), driven by FX effects. Further to the profit from ordinary activities, **corporate income tax** amounted to RON 218 mn (Q1/11: RON 170 mn). **The effective corporate tax rate** was 19% (Q1/11: 17%). **Net income attributable to stockholders** was RON 903 mn, above the Q1/11 value of RON 840 mn. At RON 935 mn, clean CCS net income attributable to stockholders also increased versus Q1/11 (RON 841 mn).

January – June 2011 (6m/11)

Consolidated sales for 6m/11 increased by 23% compared to 6m/10, to RON 10,271 mn, mainly driven by high crude and product prices. R&M represented 82% of total consolidated sales, G&P accounted for 15% and E&P for approximately 3% (sales in E&P being largely intra-group sales rather than third party sales).

The **Group's EBIT** amounted to RON 2,416 mn, significantly higher than 6m/10, mainly due to the positive price environment, which more than offset the reduction of volumes sold by the R&M business and higher exploration expenses in both Romania and Kazakhstan (impairment of the Kultuk field exploration license).

Clean CCS EBIT increased to RON 2,459 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 192 mn and inventory holding gains of RON 149 mn.

The **net financial result** of RON (283) mn was significantly lower than 6m/10 (RON 147 mn). The financial result was negatively influenced by FX effects, mainly related to the USD loans given by Petrom to its Kazakh subsidiaries due to the depreciation of USD against RON in 6m/11 compared to the significant appreciation of USD against RON from 6m/10, which was partially compensated by the decrease in interest costs.

As a consequence of the increase in profits from ordinary activities in 6m/11 to RON 2,133 mn, the **corporate tax charge** also recorded an increase. **Current taxes** on the Group's income were RON 395 mn and income from **deferred taxes** of RON 7 mn were recognized in 6m/11. The **effective corporate tax rate** was 18% (6m/10: 16%).

Net income attributable to stockholders (i.e. net income attributable to **stockholders** of the parent) was RON 1,744 mn, higher compared to 6m/10 (RON 1,521 mn). Minority interests were RON 1 mn compared to RON 6 mn in 6m/10. **Clean CCS net income attributable to stockholders** was RON 1,776 mn. **EPS** was RON 0.0308 in 6m/11 (6m/10: RON 0.0269) and **clean CCS EPS** was RON 0.0314 (6m/10: RON 0.0256).

Statement of financial position, capital expenditure and gearing (unaudited)

Consolidated statement of financial position in RON mn	June 30, 2011	Dec 31, 2010
Assets		
Intangible assets	1,085.01	1,369.49
Property, plant and equipment	24,293.59	23,777.15
Investments in associated companies	42.64	40.65
Other financial assets	2,533.88	2,492.84
Other assets	13.16	45.23
Non-current assets	**27,968.28**	**27,725.36**
Deferred tax assets	**761.25**	**734.11**
Inventories	2,329.24	2,500.12
Trade receivables	1,310.72	1,397.98
Other financial assets	139.57	138.72
Other assets	430.48	603.08
Cash and cash equivalents	445.72	1,588.60
Non-current assets held for sale	78.87	77.29
Current assets	**4,734.60**	**6,305.79**
Total assets	**33,464.13**	**34,765.26**
Equity and liabilities		
Capital stock	18,983.37	18,983.37
Reserves	127.37	(497.79)
Stockholders' equity	**19,110.74**	**18,485.58**
Non-controlling interests	(23.45)	(26.54)
Equity	**19,087.29**	**18,459.04**
Provisions for pensions and similar obligations	302.34	297.16
Interest-bearing debts	2,359.32	3,465.51
Provisions for decommissioning and restoration obligations	5,636.57	5,917.85
Other provisions	911.31	842.32
Other financial liabilities	111.54	178.38
Non-current liabilities	**9,321.08**	**10,701.22**
Deferred tax liabilities	**21.10**	**26.70**
Trade payables	2,417.33	3,453.35
Interest-bearing debts	423.31	391.05
Provisions for income taxes	207.08	214.64
Other provisions and decommissioning	797.39	739.07
Other financial liabilities	593.40	302.10
Other liabilities	596.15	478.09
Current liabilities	**5,034.66**	**5,578.30**
Total equity and liabilities	**33,464.13**	**34,765.26**

Notes to the statement of the financial position as of June 30, 2011

Capital expenditure decreased to RON 1,680 mn (6m/10: RON 1,986 mn) due to substantially lower CAPEX in G&P, since construction works of the power plant in Romania are in the final stage. The lower G&P investments were partially offset by increased investments in E&P and R&M.

Investments in E&P activities (RON 1,111 mn) represented 66% of total CAPEX for the first six months of 2011 and were focused on drilling development wells, field re-development projects, workover activities and sub-surface operations.

Approximately 16% of investments were realized in **G&P** (RON 275 mn), mainly related to the Brazi power plant, with the remainder representing construction works for the Dorobantu wind park.

R&M investments accounted for 16% of total investments in the six months of 2011 (RON 268 mn). Investments were mainly related to the Petrobrazi modernization, especially for the modernization of the crude and vacuum distillation unit and the coker installation and also for the construction of the Isalnita terminal in Romania.

CAPEX for the Corporate & Other (**Co&O**) segment was RON 26 mn, mainly referring to investments directed to IT projects.

Compared to year-end 2010, **total assets** decreased by RON 1,301 mn to RON 33,464 mn. The change was mainly driven by the decrease in **cash and cash equivalents** by RON 1,143 mn mainly due to loan reimbursements and dividend payments and by the reduction of **inventories and other short term assets** by RON 344 mn, partially offset by the higher value of tangible and intangible assets at RON 232 mn.

Equity amounted to RON 19,087 mn as of June 30th, 2011 and its increase was generated by the net profit of the current period, which has been offset by the allocation of dividends distributed for the 2010 financial year (RON 1,003 mn). The Group's **equity ratio**[1] increased to 57% at June 2011, 8% higher than the level of December 2010 (53%).

Short and long-term interest bearing debts decreased from RON 3,857 mn in December 2010 to RON 2,783 mn as of June 30, 2011 due to significant reimbursements made by OMV Petrom SA during 6m/11 for the first and the second club deal loans, undertaken in October 2008 and in December 2009, respectively.

Total liabilities decreased by RON 1,924 mn mainly due to the decrease in trade payables and decrease in litigation and decommissioning provision that were offset by the increase in financial liabilities from the fair value of hedging contracts.

While the reduction of interest-bearing debt liabilities was compensated by the decrease in cash and cash equivalents, Petrom Group's **net debt**[2] shows a slight increase to RON 2,364 mn, compared to RON 2,299 mn at the end of 2010. As of June 30, 2011, the **gearing ratio**[3] decreased to 12.39%, from 12.45% in December 2010, positively influenced by the net profit recorded in 6m/11.

[1] *Equity ratio is calculated as Equity/(total assets) x 100*
[2] *Net debt is calculated as interest bearing debts including financial lease liability less cash and cash equivalents*
[3] *Gearing ratio is calculated as Net debt/(equity) x 100*

Cash flows (unaudited)

Q1/11	Q2/11	Q2/10	Summarized statement of cash flows (in RON mn)	6m/11	6m/10	2010
1,011.10	1,121.41	861.43	Profit before taxation	2,132.51	1,822.48	2,605.32
(20.30)	(56.01)	(47.17)	Net change in provisions	(76.31)	(208.96)	(325.37)
(10.46)	0.13	(10.12)	Losses/(gains) on the disposal of non-current assets	(10.33)	(17.74)	(9.48)
676.18	759.37	553.91	Depreciation, amortization including write-ups	1,435.55	1,067.63	2,811.62
183.18	116.18	(214.58)	Other adjustments	299.36	(242.64)	(18.31)
1,839.70	**1,941.08**	**1,143.47**	**Sources of funds**	**3,780.78**	**2,420.77**	**5,063.78**
(20.27)	123.50	(183.63)	(Increase)/decrease in inventories	103.23	(10.91)	4.01
(69.02)	243.48	49.12	(Increase)/decrease in receivables	174.46	210.92	(523.01)
(465.71)	103.34	474.32	(Decrease)/increase in liabilities	(362.37)	(88.31)	559.36
8.89	(19.99)	(77.19)	Net interest received/(paid)	(11.10)	(90.50)	(108.72)
(27.56)	(375.09)	(117.26)	Tax on profit paid	(402.65)	(228.95)	(365.60)
1,266.03	**2,016.32**	**1,288.83**	**Net cash from operating activities**	**3,282.35**	**2,213.02**	**4,629.82**
(1,433.67)	(1,062.59)	(1,492.34)	Intangible assets and property, plant and equipment	(2,496.26)	(2,238.82)	(4,322.07)
24.02	5.64	9.63	Proceeds from sale of non-current assets	29.66	98.88	135.30
0.00	0.00	0.00	Investments, loans and other financial assets	0.00	(1.78)	(1.78)
0.00	0.00	(35.42)	Acquisition of subsidiaries and businesses net of cash acquired	0.00	(65.55)	(68.41)
0.00	0.00	0.00	Proceeds from sale of subsidiaries, net of cash disposed	0.00	0.00	(6.93)
(1,409.65)	**(1,056.95)**	**(1,518.13)**	**Net cash used in investing activities**	**(2,466.60)**	**(2,207.27)**	**(4,263.89)**
(986.55)	6.18	209.10	(Decrease)/increase in borrowings	(980.37)	530.47	832.43
(0.04)	(960.55)	(0.13)	Dividends paid	(960.59)	(0.21)	(0.28)
(986.59)	**(954.37)**	**208.97**	**Net cash from financing activities**	**(1,940.96)**	**530.26**	**832.15**
(20.96)	3.29	16.37	Effect of exchange rate changes on cash and cash equivalents	(17.67)	15.21	6.52
(1,151.17)	**8.29**	**(3.96)**	**Net (decrease)/increase in cash and cash equivalents**	**(1,142.88)**	**551.22**	**1,204.60**
1,588.60	437.43	939.18	Cash and cash equivalents at beginning of period	1,588.60	384.00	384.00
437.43	**445.72**	**935.22**	**Cash and cash equivalents at end of period**	**445.72**	**935.22**	**1,588.60**

Notes to the cash flows

In 6m/11, **free cash flow** (defined as net cash from operating activities less net cash used in investing activities) showed an inflow of funds of RON 816 mn (6m/10: inflow of RON 6 mn). **Free cash flow less dividend payments** resulted in a cash outflow of RON 145 mn (6m/10: inflow of RON 6 mn).

The inflow of funds from profit before tax, adjusted for non-cash items such as depreciation, net change of provisions and other non-cash adjustments was RON 3,781 mn (6m/10: RON 2,421 mn); **net working capital,** interest and taxes generated a cash outflow of RON 498 mn (6m/10: outflow of RON 208 mn).

Cash flow from investing activities (outflow of RON 2,467 mn; 6m/10: outflow of RON 2,207 mn) mainly includes payments for investments in intangible assets and property, plant and equipment.

Cash flow from financing activities shows an outflow of funds amounting to RON 1,941 mn (6m/10: inflow of RON 530 mn), mainly coming from the decrease in loans in OMV Petrom S.A. and from payments of dividends in the amount of RON 961 mn. The net outflow reflects the loan reimbursements which occurred during 6m/11, as OMV Petrom S.A. fully reimbursed the first and second club deal loans which were larger than the new tranches withdrawn from EIB and EBRD loans agreements.

Condensed statement of changes in equity (unaudited)

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2011	**18,983.37**	**(555.42)**	**57.65**	**(0.02)**	**18,485.58**	**(26.54)**	**18,459.04**
Total comprehensive income for the period	-	1,743.51	(115.75)	-	1,627.76	3.17	1,630.93
Dividends distribution	-	(1,002.60)	-	-	(1,002.60)	(0.08)	(1,002.68)
Purchase of own shares	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	-	-	-	-	-
June 30, 2011	**18,983.37**	**185.49**	**(58.10)**	**(0.02)**	**19,110.74**	**(23.45)**	**19,087.29**

in RON mn	Share capital	Revenue reserves	Other reserves[1]	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2010	**18,983.37**	**(2,756.64)**	**(47.20)**	**-**	**16,179.53**	**11.30**	**16,190.83**
Total comprehensive income for the period	-	1,520.89	103.45	-	1,624.34	(3.79)	1,620.55
Dividends distribution	-	-	-	-	-	(0.05)	(0.05)
Purchase of own shares	-	-	-	(1.78)	(1.78)	-	(1.78)
Distribution of own shares	-	-	-	1.01	1.01	-	1.01
Change non-controlling interests	-	-	0.14	-	0.14	(0.32)	(0.18)
June 30, 2010	**18,983.37**	**(1,235.75)**	**56.39**	**(0.77)**	**17,803.24**	**7.14**	**17,810.38**

[1] *Other reserves contain mainly exchange differences from the translation of foreign operations and unrealized gains and losses from hedges.*

Dividends

At the Annual General Meeting held on April 26, 2011, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2010 in the amount of RON 1,003 mn. The payment of the dividends started on June 1, 2011.

Segment reporting

Intersegmental sales

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
2,686.22	2,782.99	2,233.73	25	Exploration and Production	5,469.21	4,271.14	28	8,861.74
40.58	42.36	26.02	63	Refining and Marketing	82.94	55.55	49	126.31
110.79	99.72	41.87	138	Gas and Power	210.51	91.45	130	185.69
136.81	66.12	107.70	(39)	Corporate and Other	202.93	212.00	(4)	485.70
2,974.40	**2,991.19**	**2,409.32**	**24**	**Total**	**5,965.59**	**4,630.14**	**29**	**9,659.44**

Sales to external customers

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
193.31	99.65	138.19	(28)	Exploration and Production	292.96	380.15	(23)	672.66
3,848.69	4,532.25	3,748.53	21	Refining and Marketing	8,380.94	6,544.26	28	15,050.18
930.50	649.49	519.83	25	Gas and Power	1,579.99	1,412.16	12	2,879.68
5.59	11.60	2.83	310	Corporate and Other	17.19	6.61	160	13.17
4,978.09	**5,292.99**	**4,409.39**	**20**	**Total**	**10,271.08**	**8,343.19**	**23**	**18,615.69**

Total sales

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
2,879.53	2,882.64	2,371.92	22	Exploration and Production	5,762.17	4,651.29	24	9,534.40
3,889.27	4,574.61	3,774.55	21	Refining and Marketing	8,463.88	6,599.81	28	15,176.49
1,041.29	749.21	561.70	33	Gas and Power	1,790.50	1,503.61	19	3,065.37
142.40	77.72	110.54	(30)	Corporate and Other	220.12	218.62	1	498.87
7,952.49	**8,284.18**	**6,818.71**	**21**	**Total**	**16,236.67**	**12,973.33**	**25**	**28,275.13**

Segment and Group profit

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
1,260.61	1,170.42	887.06	32	EBIT Exploration and Production	2,431.03	1,776.94	37	3,012.12
(52.76)	56.68	126.28	(55)	EBIT Refining and Marketing	3.92	142.53	(97)	106.30
33.30	(9.26)	(46.85)	(80)	EBIT Gas and Power	24.04	24.96	(4)	163.85
(21.14)	(11.06)	(42.87)	(74)	EBIT Corporate and Other	(32.20)	(63.65)	(49)	(135.48)
1,220.01	**1,206.78**	**923.62**	**31**	**EBIT segment total**	**2,426.79**	**1,880.78**	**29**	**3,146.79**
(28.37)	17.36	(195.41)	n.m.	Consolidation: Elimination of intercompany profits	(11.01)	(205.47)	(95)	(161.28)
1,191.64	**1,224.14**	**728.21**	**68**	**Petrom Group EBIT**	**2,415.78**	**1,675.30**	**44**	**2,985.51**
(180.54)	**(102.73)**	**133.22**	**n.m.**	**Net financial result**	**(283.27)**	**147.17**	**n.m.**	**(380.19)**
1,011.10	**1,121.41**	**861.43**	**30**	**Petrom Group profit from ordinary activities**	**2,132.51**	**1,822.48**	**17**	**2,605.32**

Assets[1]

in RON mn	June 30, 2011	Dec 31, 2010
Exploration and Production	17,539.07	17,604.91
Refining and Marketing	4,682.44	4,657.06
Gas and Power	2,394.05	2,016.25
Corporate and Other	763.04	868.42
Total	**25,378.60**	**25,146.64**

[1] *Segment assets consist of intangible assets and property, plant and equipment*

Other notes

Significant transactions with related parties

Business transactions in the form of supplies of goods and services take place on a constant and regular basis with companies from OMV Group such as OMV Supply & Trading AG and OMV Refining & Marketing GmbH.

Subsequent events

On **July 7,** Petrom announced the successful result of the exploration well 4539 Totea in the Oltenia region, Southwestern Romania. The results to date indicate this may be a significant new gas field which is to be assessed by further appraisal.
On **July 21**, Petrom confirmed its decision to enter a new exploration phase of the Neptun block in Romania, following Government decision to amend the Neptun concession agreement to extend the time allowed for exploration of the block. The work program to be executed in partnership with ExxonMobil Exploration and Production Romania Ltd includes the drilling of the first deep water exploration well in the Romanian waters of the Black Sea by the end of this year/beginning of 2012.

Declaration of the management

We confirm to the best of our knowledge that the condensed financial statements for the period ended June 30, 2011, prepared in accordance with the International Financial Reporting Standards, offer a true and fair view of Petrom Group's assets, liabilities, financial position and profit or loss of the Group as required by the applicable accounting standards and that the statements of operations and the information presented in this report gives a true and fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial statements.

Bucharest, August 10, 2011

The Executive Board

Mariana Gheorghe
Chief Executive Officer

Daniel Turnheim
Chief Financial Officer

Johann Pleininger

Hilmar Kroat-Reder

Neil Morgan

Further information

EBIT breakdown

EBIT

Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
1,261	1,170	887	32	Exploration and Production [1]	2,431	1,777	37	3,012
(53)	57	126	(55)	Refining and Marketing	4	143	(97)	106
33	(9)	(47)	(80)	Gas and Power	24	25	(4)	164
(21)	(11)	(43)	(74)	Corporate and Other	(32)	(64)	(49)	(135)
(28)	17	(195)	n.m.	Consolidation	(11)	(205)	(95)	(161)
1,192	**1,224**	**728**	**68**	**Petrom Group reported EBIT**	**2,416**	**1,675**	**44**	**2,986**
(107)	**(86)**	**8**	**n.m.**	**Special items[2]**	**(192)**	**13**	**n.m.**	**(551)**
(0.7)	(5)	0	n.m.	thereof: Personnel and restructuring	(6)	(0.5)	n.m.	(139)
0	0	(4)	n.m.	Unscheduled depreciation	0	(5)	n.m.	(446)
0	0	6	n.m.	Asset disposal	0	9	n.m.	16
0	0	0	n.a.	Provision for litigation	0	0	n.a.	0
(106)	(81)	6	n.m.	Other	(187)	10	n.m.	18
105	44	40	8	CCS effects [3]: Inventory holding gains/(losses)	149	69	115	212
1,193	**1,266**	**680**	**86**	**Petrom Group clean CCS EBIT**	**2,459**	**1,593**	**54**	**3,325**
1,261	1,260	887	42	thereof: Exploration and Production	2,521	1,777	42	3,544
(52)	9	78	(88)	Refining and Marketing	(43)	60	n.m.	(104)
33	(9)	(47)	(80)	Gas and Power	24	26	(7)	172
(21)	(11)	(43)	(75)	Corporate and Other	(31)	(64)	(51)	(125)
(28)	17	(195)	n.m.	Consolidation	(11)	(205)	(95)	(161)

[1] Excluding intersegmental profit elimination shown in the line "Consolidation"
[2] Special items are added back or deducted from EBIT; for more details please refer to each specific segment.
[3] Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from the fuels refineries caused by increasing/decreasing crude oil prices

EBITD

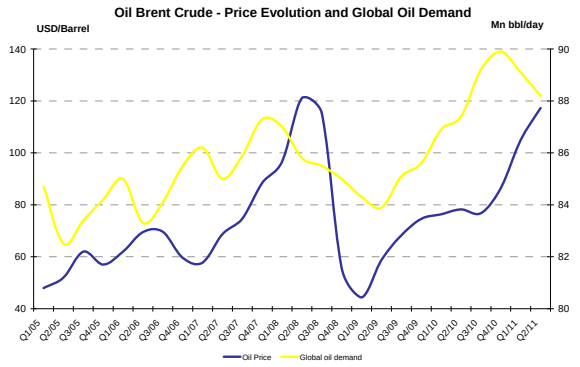
Q1/11	Q2/11	Q2/10	Δ%	in RON mn	6m/11	6m/10	Δ%	2010
1,788	1,783	1,295	38	Exploration and Production [1]	3,571	2,566	39	5,103
69	174	239	(27)	Refining and Marketing	243	360	(32)	694
35	(6)	(45)	(86)	Gas and Power	29	28	0	171
5	15	(11)	n.m.	Corporate and Other	20	0	n.a.	(9)
(28)	17	(195)	n.m.	Consolidation	(11)	(205)	(95)	(161)
1,868	**1,984**	**1,282**	**55**	**Petrom Group**	**3,851**	**2,748**	**40**	**5,797**

[1] Excluding intersegmental profit elimination shown in the line "Consolidation"

Business environment

The revival of the global economy continues to be uneven with the strength of the recovery looking increasingly uncertain. The latest IMF forecast revised marginally down world GDP growth, to 4.3%, but global growth perspectives appear to become less positive compared to a few months ago. Non-OECD economies are expected to advance by 6.5% this year while economic growth in OECD countries is expected to expand by only 2.3%. However, lower activity in the US industry together with persisting financial tensions in the Eurozone countries have added to worries over a possible slowdown in economic growth. Sovereign debt problems in a few Eurozone economies remain a distinct issue and, if left unaddressed, could hamper the Eurozone's economic growth prospects. Global inflationary pressures continued to prevail and forced the European Central Bank to increase its benchmark interest rate to 0.5% in April.

According to the IEA preliminary data, **world oil demand** rose by 1.7% in 6m/11 compared to 6m/10, to 88.7 mn bbl/d. OECD demand contracted by around 1% compared to 6m/10. Non-OECD countries continue to provide the main impetus behind global oil demand growth. In 6m/11 their demand increased by almost 4%.



Global oil output climbed by 1.4% year-on-year, up to 88.1 mn bbl/d, although only part of the fall of 0.9 mn bbl/d in Libyan output was replaced by other sources. The remaining supply gap was filled by an inventory drawback of 0.6 mn bbl/d. OPEC had a market share of over 40%, with a crude production of 29.7 mn bbl/d and NGL of 5.8 mn bbl/d.

In 6m/11, the average Brent price was USD 111.09/bbl, 44% higher compared to the same period a year ago. The wave of protests and revolts across North Africa and the Middle East countries has increased the level of uncertainty regarding regional oil supply prospects and pushed up oil prices. The average Urals price was USD 108.29/bbl in 6m/11, 42% higher versus 6m/10.

After growing at an annual rate of 1.7% in Q1/11, the recovery pace of Romanian GDP is expected to be maintained in Q2/11. Industry output rose by 8.9% during the first five months of the year, compared to the same period a year ago. Manufacturing continues to power ahead the industry sector as a whole, rising by 9.7%. Mining and quarrying also performed well, going up by 7.1%.

The performance of the construction sector, however, remains dismal. Although annual change in construction sector work volume ticked up by 1.9% in May, it fell over the first five months of the year by 3.3% compared to the same period a year ago.

Demand for both residential and commercial construction work remains low as uncertainty over the pace of the recovery still persists. High real bank borrowing rates continues to hamper households' demand for credit while purchasing power fell below the level registered in the similar period of last year. At the end of May, the average wage bought 8.1% less of goods and services than it did a year ago. However, households' purchasing power is widely expected to improve during the second part of the year, as the effects of last June's VAT rise wear off.

Conditions in the labor market continue to improve with the rate of employment gathering pace. The economy added 24 thousand new jobs in May, pushing up employment by almost 0.6%. The latest employment data has been consolidating an ascending trend which emerged in March this year.

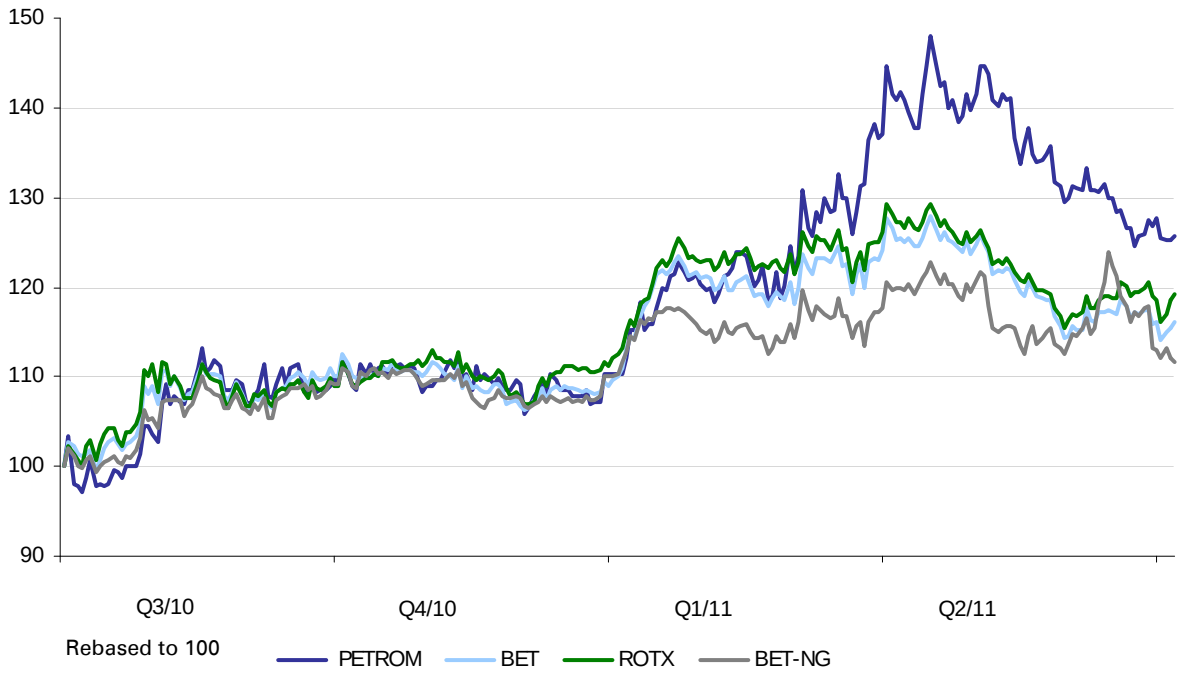
Annual **CPI inflation fell** unexpectedly in June by 0.3%, pushing inflation down to 7.9% at the end of Q2/11. Seasonal effects, such as lower prices for food were the main drivers behind the fall. The monetary policy stance of the Romanian authorities remained loose with NBR's benchmark interest rate maintained in Q2/11 at 6.25%, a value which is still below the inflation rate.

In 6m/11 the RON fell marginally by 0.7% against the EUR while it rose against the USD by 5%. Exchange rate volatility could increase slightly as investors' concern over the sustainability of public finances in Europe, especially Greece, Ireland, Spain and Italy remains elevated.

Q1/11	Q2/11	Q2/10	Δ%	European Central Bank average FX-rates	6m/11	6m/10	Δ%	2010
4.221	4.138	4.185	(1)	Average EUR/RON FX-rate	4.180	4.149	1	4.212
3.088	2.876	3.301	(13)	Average USD/RON FX-rate	2.983	3.138	(5)	3.185
1.368	1.439	1.271	13	Average EUR/USD FX-rate	1.403	1.327	6	1.326

Stock watch

Evolution of Petrom share price, BET, ROTX and BET-NG indices (July 2010 – June 2011)



In Q2/11, Petrom's share price reached its year high quotation of RON 0.450/share on April 8. Over the quarter, the Petrom share price had a downward trend, overall in line with the indexes BET, the reference index for the BSE market, and BET-NG (the energy and utilities sector index from the local capital market), which both decreased by 7%. After reaching its maximum on April 8, Petrom share price started to decrease and reached its quarterly minimum quotation of RON 0.370/share on June 17. At the end of Q2/11, SNP closing price stood at RON 0.382/share, 11% lower in comparison with the previous quarter, on March 31.

ISIN: ROSNPPACNOR9	Market capitalization, June 30	RON 21.6 bn
Bucharest Stock Exchange: SNP	Market capitalization, June 30	EUR 5.1 bn
Reuters: SNPP.BX	Closing price, June 30 (RON/share)	0.3820
Bloomberg: SNP RO	Year's high, April 8 (RON/share)	0.4500
	Year's low, January 3 (RON/share)	0.3410
	Number of shares	56,644,108,335

Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bcf	billion cubic feet; 1,000 standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
boe	barrels of oil equivalent
bn	billion
bcm	billion cubic meters
BSE	Bucharest Stock Exchange
cbm	cubic meters
CEO	Chief Executive Officer
CFO	Chief Financial Officer
Co&O	Corporate and Other
CAPEX	Capital expenditure
CCS	Current cost of supply
CFPS	Cash Flow Per Share
HSEQ	Health, Safety, Security, Environment and Quality
EBIT	Earnings before interest and tax
EBITD	Earnings before interest, taxes and depreciation
EGMS	Extraordinary General Meeting of Shareholders
E&P	Exploration and Production
EPS	Earnings per share
EUR	Euro
FX	Foreign Exchange
G&P	Gas and Power
GDP	Gross Domestic Product
GMS	General Meeting of Shareholders
IEA	International Energy Agency
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IMF	International Monetary Fund
IT	Information Technology
kt	thousand tons
MECMA	Ministry of Economy, Trade and Business Environment
mn	million
LTI	Lost Time Injury indicator
NBR	National Bank of Romania
NGL	Natural Gas Liquids
n.a.	not applicable
n.m.	not meaningful i.e. deviation exceeds (+/-)500% or comparison is made between positive to negative values
OECD	Organization for Economic Co-operation and Development
OPEC	Organization of Petroleum Exporting Countries
OPEX	Operating Expenditures
ROACE	Return On Average Capital Employed = NOPAT/Average Capital Employed
ROE	Return On Equity = Net Profit/Average Equity
ROFA	Return On Fixed Assets = EBIT/Average Fixed Assets
ROTX	Romanian Traded Index (made up of 15 Romanian blue chip stocks traded at Bucharest Stock Exchange)
RON	Romanian leu
R&M	Refining and Marketing
S.A.; S.R.L.	Societate pe Actiuni (Joint-stock company); Societate cu Raspundere Limitata (Limited liability company)
t	metric tons
USD	United States dollar

Appendix 1

Consolidated companies in Petrom Group at June 30, 2011

Parent company
OMV Petrom S.A.

Subsidiaries

EXPLORATION & PRODUCTION		**REFINING & MARKETING**	
Tasbulat Oil Corporation LLP (Kazakhstan)	100.00%	OMV Petrom Marketing S.R.L. (Romania)	100.00%
Korned LLP (Kazakhstan)	100.00%	Aviation Petroleum S.R.L. (Romania)	99.99%
Kom Munai LLP (Kazakhstan)	95.00%	Petrom Aviation S.A. (Romania)	99.99%
Petrom Exploration & Production Ltd.	50.00%	Petrom LPG S.A. (Romania)	99.99%
		ICS Petrom Moldova S.A. (Republic of Moldova)	100.00%
GAS & POWER		OMV Bulgaria OOD (Bulgaria)	99.90%
OMV Petrom Gas S.R.L.	99.99%	OMV Srbija DOO (Serbia)	99.90%
Petrom Distributie Gaze S.R.L.	99.99%		
Wind Power Park S.R.L.	99.99%		
		CORPORATE & OTHER	
		Petromed Solutions S.R.L.	99.99%

Associated company, accounted for at equity	
Congaz S.A. (Romania)	28.59%

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Next release:

The next results announcement for Q3 and January – September 2011 will be released on November 9, 2011, presenting Petrom Group consolidated results prepared according to IFRS.