

Bucharest
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Petrom Group results¹ for Q4 and January – December 2010 driven by favorable crude price environment and strong efficiency improvements in R&M

- ▶ **Favorable crude price environment more than offset weak downstream demand:** Average Urals price increased by 15% vs. Q4/09; hydrocarbon production relatively stable at 185,000 boe/d; total marketing sales volumes were down 7% in Q4/10 compared to Q4/09, while consolidated gas sales increased by 15% over the same period
- ▶ **2010 results reflect higher crude price and strong efficiency improvements in our R&M operations:** Petrom Group clean CCS EBIT was 78% higher compared to 2009; CAPEX increased by 15% over 2009 while EBITD was up 41% over the same period; based on 2010 strong preliminary results, dividend proposal is under consideration
- ▶ **Outlook for 2011:** We expect Romanian market to come out of recession, with gradual improvements in the second half of 2011; the focus in E&P is to largely offset natural decline and to unlock potential; in R&M we will pursue operational optimization and the Petrobrazi modernization; our increased focus in G&P is on the start of operations in the power business in H2/11

Mariana Gheorghe, CEO of OMV Petrom S.A.: "Within a favorable crude price environment, 2010 marked the achievement of a series of strategic projects and strong improvements in our operational performance. In E&P, we successfully started the Hurezani gas delivery system by mid-year, as well as production at new key wells whilst maintaining the reserve replacement rate in Romania above 70% for the third consecutive year. In R&M, the economic downturn affected our fuels sales and burdened our margins. Nonetheless, we managed to significantly improve the R&M clean result by more than RON 500 mn, due to structural improvements and optimized operations, with the Arpechim refinery remaining in economic shutdown for most of the period. In the G&P business, we made steady progress at our key power projects, the gas-fired power plant in Brazi and the Dorobantu wind farm, both on track to start commercial operations in H2/11. Based on the strong 2010 preliminary results and financial position, we consider making a dividend proposal to the AGM in April 2011."

Q3/10	Q4/10	Q4/09	Δ%	Key performance indicators (in RON mn)	2010	2009	Δ%
336	974	194	402	EBIT	2,986	1,620	84
789	1,085	757	43	Clean EBIT	3,537	2,315	53
760	972	586	66	Clean CCS EBIT ²	3,325	1,870	78
(100)	781	(129)	n.m.	Net income after minorities	2,201	860	156
226	779	200	290	Clean CCS net income after minorities ²	2,457	1,056	133
(0.0018)	0.0138	(0.0023)	n.m.	EPS (RON)	0.0389	0.0152	156
0.0040	0.0138	0.0035	290	Clean CCS EPS (RON) ²	0.0434	0.0186	133
352	2,065	1,242	66	Cash flow from operations	4,630	2,726	70
-	-	-	n.a.	Dividend per share (RON)	n.a. ³	-	n.a.

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 Proposal to the Annual General Meeting currently under consideration



Financial highlights

Fourth quarter 2010 (Q4/10)

In Q4/10, results were supported by the favorable oil price environment and higher sales. **The Urals crude price**, the reference oil price for Romania, was 15% higher in Q4/10 compared to the level recorded in Q4/09. The **Group reported EBIT** of RON 974 mn was, therefore, well above the level of Q4/09, mainly driven by higher sales combined with a positive effect from consolidation. **The net financial result** of RON (72) mn was better than Q4/09 level of RON (239) mn, as last year was burdened by the interest charges for tax review of Petrom and also due to higher FX gains in Q4/10. **Net income after minorities** was RON 781 mn. **Clean CCS EBIT** increased by 66% to RON 972 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 112 mn and inventory holding gains of RON 114 mn. **Clean CCS net income after minorities** was RON 779 mn, almost four times higher than Q4/09 result, as the latter was burdened by the provisions related to the tax review.

Despite the favorable crude price environment, **Exploration and Production (E&P)** clean EBIT was 4% lower compared to Q4/09 at RON 811 mn due to

higher operating costs in Kazakhstan and a negative impact from hedging. At 185,000 boe/day, the Group's oil and gas production was 1% lower compared to Q4/09 due to lower production in Romania.

In **Refining and Marketing (R&M)**, clean CCS EBIT was slightly below the Q4/09 level at RON (233) mn. Despite strong improvements driven by the optimization of supply in Refining and flexible operations at our refineries, the result was negatively impacted by write-offs of storage tanks and spare parts. The marketing business was affected by lower margins and sales.

In **Gas and Power (G&P)**, clean EBIT improved by RON 119 mn compared to Q4/09 to reach RON 192 mn, reflecting increased gas sales and a reversal of provisions for outstanding receivables amounting to RON 70 mn. At 1,662 mn cbm, consolidated gas sales volumes in Q4/10 were 15% higher compared to Q4/09, driven by high demand from the fertilizer industry.

January – December 2010

In 2010, results benefited from the favorable crude price environment and strict cost management measures. **The Urals crude price** was 28% higher compared to 2009. The **Group reported EBIT** of RON 2,986 mn was significantly above the 2009 level of RON 1,620 mn. **The net financial result** was RON (380) mn, and improved compared to the previous year (2009: RON (451) mn), mainly due to FX gains driven by the USD appreciation against RON that were partially compensated by higher interest charges. **Net income after minorities** improved significantly versus the previous year, amounting to RON 2,201 mn. **Clean CCS EBIT** increased to RON 3,325 mn. The clean CCS EBIT is stated after eliminating net special expenses of RON 551 mn (mainly related to the impairment recorded in Kazakhstan in Q3/10) and inventory holding gains of RON 212 mn. **Clean CCS net income after minorities** was RON 2,457 mn, up from RON 1,056 mn recorded in 2009.

In **E&P**, clean EBIT increased by 32% compared to 2009, to RON 3,544 mn, due to higher oil and condensate prices. At 184,000 boe/day, the Group's oil and gas production was 2% lower compared to 2009 due to lower production in Romania.

In **R&M**, clean CCS EBIT improved significantly compared to the previous year, from RON (675) mn in 2009 to RON (104) mn in 2010. The result was driven by flexible refining asset utilization with optimized operations at the Arpechim refinery ("stop-and-go" mode) coupled with increased utilization of our higher conversion refinery at Petrobrazi, which more than compensated for the lower marketing result. Furthermore, the adjustment in the internal transfer price regime between E&P and R&M, carried out at the beginning of 2010 in order to properly reflect the high integration value of Petrom's refineries, supported the result.

In **G&P**, clean EBIT of RON 172 mn increased by 8% compared to 2009, as in 2009 the result was affected by the losses recorded by Doljchim. At 4,917 mn cbm consolidated gas sales volumes increased by around 1.5% compared to 2009, mainly driven by a higher demand from the fertilizer industry and colder winter conditions.

Significant events in Q4/10

On **October 1**, the spin-off of OMV Petrom's marketing activities to OMV Petrom Marketing S.R.L. (a company fully owned by Petrom) became effective as approved in the EGMS of August 3, 2010.

On **October 18**, Petrom announced the signing of a 17-year production enhancement contract for nine onshore fields in the Arad area, with PetroSantander, a private Canadian company specialized in the operation and rehabilitation of mature fields. In the first five years, through specific operations, PetroSantander expects production to be enhanced by at least 50%, compared to the production trend.

On **November 9**, Petrom announced having finalized the construction of the Brazi fuel terminal, on the Petrobrazi refinery industrial platform, thus achieving the target for 2010 with regards to the modernization of the terminals' infrastructure. The Brazi fuel terminal has a total capacity (including additives) of 8,120 cbm and will ensure the supply for the central and eastern

part of Romania. The total investment value amounts to approximately EUR 29 mn.

On **November 24**, Petrom announced two changes in its Executive Board. Starting January 1, 2011, by the decision of Petrom's Supervisory Board, the Executive Board will have two new members: Daniel Turnheim, Chief Financial Officer and Hilmar Kroat-Reder, responsible for Gas and Power. The two new members of Petrom's Executive Board succeed Reinhard Pichler and Gerald Kappes respectively, who took over new responsibilities within OMV Group.

On **December 2**, Petrom inaugurated Petrom City, the headquarters that will host the company's central operations. Situated in the northern part of Bucharest, it will be used by around 2,500 employees from 7 headquarters of the company in Bucharest and Ploiesti. The employee relocation process started in Q4/10 and is estimated to be finalized in Q2/11.

Outlook 2011

In 2011, we expect the key market drivers to remain volatile. We anticipate the oil price will trade broadly within a range of USD/bbl 80-100 and envisage a volatile FX environment. The market for refined products is forecast to recover somewhat throughout 2011, driven by improved demand for middle distillates. In Romania, we expect a relatively stable fuels market, in line with the development of the economy.

The Romanian economy is expected to come out of recession in 2011. Consumption growth should resume, albeit marginally, as real wage growth is expected to pick up. Consumer purchasing power should increase gradually throughout the year as inflation falls and economic recovery takes hold. Fiscal consolidation should continue in 2011 with public sector reform measures envisaged to take center stage. Political support for the continuation of economic reforms would be paramount for consolidating the macroeconomic stability and re-launching economic growth.

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 CAPEX plans for 2011 above EUR 1 bn. Furthermore, based on the strong 2010 preliminary results and financial position, we take into consideration the allocation of dividends for 2010. The Company's investment budget and dividend allocation are subject to further approval by the General Meeting of Shareholders, in April, 2011.

In order to protect the company's cash flow in 2011 and support this year's investment program, Petrom entered in January 2011 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.

At Petrom, we set as top priority to strive for high HSEQ standards including zero-fatalities and to continue reducing the LTI-rate.

In **E&P**, we will continue our efforts to largely offset the natural decline 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 further progressing the integrated field redevelopment projects of selected key fields with engineering and implementation of the most advanced projects. After the successful start-up of our Hurezani gas delivery system, we will continue our progress by launching a major initiative to optimize the gas production systems in the Southwestern region of Romania. The joint venture with ExxonMobil in the deep water Neptun Block will enter a phase when the decision will be made on deepwater drilling. 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. Nonetheless, in 2011 we aim to complete the integration of E&P Services with E&P. In Kazakhstan, we will continue to further develop the Komsomolskoe field where we expect increased production levels following the measures taken to address the start-up difficulties.

In **R&M**, given the current economic environment together with the medium-term industry outlook, we will continue to pursue flexible asset utilization and to drive incremental improvements from downstream modernization. No major shutdown is scheduled for our Petrobrazi refinery. Here, we aim to optimize utilization and to pursue the investment program, progressing with the modernization of the crude and vacuum distillation unit in order to begin operations in 2012. We do not expect to resume operations at our Arpechim refinery. In line with our strategic directions, we aim at finalizing the business solution for Arpechim in order to implement the divestment plans for the refinery by 2012 at the latest. We will continue to consolidate our position in the market by

further optimizing our retail filling station network and by becoming a comprehensive service provider. In the **G&P** business, our focus is on successfully commissioning the two power plants currently under construction, marking the operational entry in the power business. The wind power plant in Dorobantu and the combined cycle gas fired power plant at Brazi are both scheduled to begin commercial operation in the second half of 2011. As both projects will still only be in the start-up phase in 2011, we do not expect a material contribution from the Power business this year. On January 19, ANRE, MECMA and ANRM jointly issued an order enforcing the gas basket consumption to internal non-technological usage, that will also include our power project in Brazi. However, we do not expect it to have a material

impact on our Group results in 2011. In line with our business principles, we are observing this regulation. However, we have taken all legal steps in order to contest the legality of the Order, which contradicts the Romanian Gas Law, European legislation and EU Internal Market principles. At the end of 2010, the gas price for domestic producers in Romania stood at around 40% of the imported gas price. Considering the current public statements based on the discussions between the Romanian Government and IMF/ EU, a draft schedule to liberalize the Romanian gas market - likely to positively affect the domestic gas price - is expected to be agreed in 2011. We expect total gas consumption in Romania to slightly decrease in 2011, due to reduced demand from the fertilizer industry.

At a glance

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
4,815	5,458	4,223	29	Sales ¹	18,616	16,090	16
515	720	676	7	EBIT E&P ²	3,012	2,468	22
86	(123)	(367)	(67)	EBIT R&M	106	(618)	n.m.
(46)	185	(5)	n.m.	EBIT G&P	164	71	130
(21)	(51)	(45)	14	EBIT Co&O	(135)	(140)	(3)
(198)	242	(66)	n.m.	Consolidation	(161)	(161)	0
336	974	194	402	EBIT Group	2,986	1,620	84
956	811	844	(4)	Clean EBIT E&P ^{2,3}	3,544	2,685	32
70	(233)	(221)	6	Clean CCS EBIT R&M ³	(104)	(675)	(85)
(46)	192	73	163	Clean EBIT G&P ³	172	158	9
(21)	(41)	(44)	(8)	Clean EBIT Co&O ³	(125)	(139)	(10)
(198)	242	(66)	n.m.	Consolidation	(161)	(161)	0
760	972	586	66	Clean CCS EBIT³	3,325	1,870	78
(119)	902	(45)	n.m.	Income from ordinary activities	2,605	1,169	123
(116)	779	(131)	n.m.	Net income	2,190	833	163
(100)	781	(129)	n.m.	Net income after minorities	2,201	860	156
226	779	200	290	Clean CCS net income after minorities ³	2,457	1,056	133
(0.0018)	0.0138	(0.0023)	n.m.	EPS (RON)	0.0389	0.0152	156
0.0040	0.0138	0.0035	290	Clean CCS EPS (RON) ³	0.0434	0.0186	133
352	2,065	1,242	66	Cash flow from operations	4,630	2,726	70
0.0062	0.0365	0.0219	67	CFPS (RON)	0.0817	0.0481	70
3,376	2,299	2,614	(12)	Net debt	2,299	2,614	(12)
19	12	16	(25)	Gearing (%)	12	16	(25)
990	1,887	1,479	28	Capital expenditures	4,863	4,219	15
-	-	-	n.a.	Dividend per share	n.a. ⁴	-	n.a.
-	-	-	n.a.	ROFA (%)	12.5	7.5	66
-	-	-	n.a.	ROACE (%)	10.7	5.2	106
-	-	-	n.a.	ROE (%)	12.6	5.2	143
26,447	24,662	28,984	(15)	Petrom Group employees at the end of the period	24,662	28,984	(15)

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 Proposal to the Annual General Meeting currently under consideration

Exploration and Production (E&P)

Q3/10	Q4/10	Q4/09	Δ%	In RON mn	2010	2009	Δ%
2,479	2,404	2,292	5	Segment sales	9,534	8,249	16
515	720	676	7	EBIT ¹	3,012	2,468	22
(441)	(91)	(168)	(46)	Special items	(532)	(217)	145
956	811	844	(4)	Clean EBIT ¹	3,544	2,685	32

Q3/10	Q4/10	Q4/09	Δ%	Key performance indicators	2010	2009	Δ%
16.88	16.99	17.17	(1)	Total hydrocarbon production (mn boe)	67.08	68.29	(2)
183,000	185,000	187,000	(1)	Total hydrocarbon production (boe/day) ²	184,000	187,000	(2)
8.44	8.34	8.54	(2)	Crude oil and NGL production (mn bbl)	33.34	33.49	0
1.29	1.32	1.32	0	Natural gas production (bcm)	5.16	5.33	(3)
45.59	46.75	46.64	0	Natural gas production (bcf)	182.34	188.16	(3)
75.55	85.30	74.27	15	Average Urals price (USD/bbl)	78.29	61.18	28
68.48	69.80	68.43	2	Average Group realized crude price ³ (USD/bbl)	68.72	58.45	18
150.11	156.66	171.38	(9)	Average gas price for domestic producers in Romania (USD/1,000 cbm) ⁴	155.44	162.38	(4)
89	164	86	91	Exploration expenditure (RON mn)	341	219	56
61	63	54	17	Exploration expenses (RON mn)	187	275	(32)
15.41	18.02	15.93	13	OPEX (USD/boe) ⁵	16.74	15.06	11

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 9

⁵ Starting with 2010, the calculation of production cost per boe is based on net production available for sale (i.e. exclusive of own consumption/fuel production). In Q4/10, the impact of this change led to an increase of around USD 1.34/boe for Petrom E&P Group

Fourth quarter 2010 (Q4/10)

- ▶ Despite the higher oil price and favorable FX environment, Q4/10 clean EBIT slightly decreased compared to Q4/09 mainly due to the negative hedging effect and lower sales volumes
- ▶ The production start at new key wells (Mamu, Radinesti) and a successful offshore acid stimulation campaign supported the production increase compared to the previous quarter
- ▶ In Romania, the 2010 reserve replacement rate successfully increased to 72% from 70% in 2009
- ▶ We entered a second partnership aimed at enhancing production at nine fields in Western Romania

Segment sales increased by 5% compared to the same period of the previous year, supported by the favorable crude price environment and the stronger USD.

The **Urals crude price** was 15% higher in Q4/10 compared to the level recorded in Q4/09. Further to a negative hedging result, the **average Group realized crude price** increased by only 2% to USD 69.80/bbl.

Despite the favorable crude price environment, **clean EBIT** was lower by 4% compared to Q4/09, due to the negative impact from hedging, lower sales volumes and higher costs associated with the ramp-up of production in Kazakhstan. **EBIT** increased by 7% compared to Q4/09 due to lower net special charges. The hedge contracts entered into Q2/09 for parts of the 2010 oil production had a negative impact of RON (120) mn on Q4/10 EBIT, in contrast to a positive impact in Q4/09 (i.e. RON 60 mn).

Exploration expenditures increased by 91% compared to Q4/09 as a result of higher activities.

In Q4/10, **group production costs** in USD/boe were 13% higher compared to Q4/09 due to the negative

effect of the new calculation method and slightly lower volumes, partly offset by the positive FX development (RON weakened by 9% against the USD). Starting in 2010, the calculation is based on net production available for sale, increasing the production costs by USD 1.34/boe in Q4/10. Production costs in Romania increased by 10% to USD 16.99/boe (Q4/09: USD 15.40/boe) due to new calculation method, lower production volumes as well as higher costs associated with intensified work over. In RON terms, domestic production costs increased from RON 44.60/boe in Q4/09 to RON 53.70/boe in Q4/10.

Group oil, gas and NGL production was 16.99 mn boe (185,000 boe/day), 1% lower compared to the same period of 2009, as a consequence of lower production in Romania. **Total oil, gas and NGL production in Romania** amounted to 16.00 mn boe, 3% lower compared to Q4/09. **Domestic crude oil production** was 7.43 mn bbl, 6% less than the level recorded in Q4/09, mainly due to the natural decline of production not fully compensated by new wells drilled and the workover program. **Domestic gas production**

achieved in Q4/10 was 8.57 mn boe, slightly higher compared to Q4/09. The gas production increase was driven by the start of production at new key wells (Mamu, Radinesti) and a successful offshore acid stimulation campaign. **Oil and gas production in Kazakhstan** increased by 38% to 0.99 mn boe in Q4/10, mainly due to the Komsomolskoe field being brought gradually on stream.

In Q4/10, the drilling program intensified in Romania, as 46 new wells were drilled, as compared to 39 wells drilled in Q4/09. In October 2010, Petrom concluded a 17-year production enhancement contract for nine onshore fields in the Arad area with PetroSantander, a private Canadian company specialized in the operation and rehabilitation of mature fields. According to this contract, PetroSantander will manage the respective fields and expects production to be enhanced by at least 50%, compared to the production trend, in the first five years.

January – December 2010

Segment sales increased by 16% compared to 2009, due to the improved price environment for crude oil in 2010 and the stronger USD.

The **Urals crude price** was 28% higher in 2010 compared to the level recorded in 2009. The **average Group's realized crude price** increased by 18% to USD 68.72/bbl, negatively affected by a lower hedging result.

Clean EBIT increased by 32% due to higher oil and NGL prices. **EBIT** was only 22% higher compared to 2009 due to the significant impairment of the Kazakhstan assets in Q3/10.

In 2010, **group production costs** were USD 16.74/boe, 11% higher compared to 2009. Higher costs resulted from increased maintenance costs in TOC fields and the change of the calculation method, excluding own consumption from the production quantity in 2010. In Romania, production costs were USD 16.05/boe, higher by 10% compared to 2009 as the new calculation method excluding own consumption and the negative impact of lower production volumes on unit costs more than offset positive FX effects (RON weakened against the USD).

Exploration expenditure increased by 56% compared to 2009, to RON 341 mn. Exploration expenses remain 32% below the previous year's level.

Group oil, gas and NGL production was 67.08 mn boe, 2% lower compared to 2009, as a result of lower production in Romania. **Total oil, gas and NGL production in Romania** amounted to 63.46 mn boe, 4% lower compared to 2009. **Crude oil production**

Compared to Q3/10, clean EBIT decreased by 15%, mainly due to the negative impact from hedging of RON (120) mn, in contrast to a positive impact in Q3/10 (i.e. RON 39 mn) and the unfavorable FX effect (weakening USD against RON). **Reported EBIT** was higher by 40%, as Q3/10 results were burdened by the impairment of the Kazakhstan assets. Group oil, gas and NGL production in Q4/10 increased by 1% due to higher production in Romania. Segment sales in Q4/10 were lower by 3% compared to the previous quarter. In Romania, total oil, gas and NGL production was 1% higher than in Q3/10. Crude oil and NGL production was around the same level as recorded in Q3/10 since the natural decline was offset by increased workover activities. Gas production increased by 2% due to the production start at new key wells (Mamu, Radinesti) and a successful offshore acid stimulation campaign.

was 29.97 mn bbl, 5% lower than the level recorded in 2009, as a consequence of adverse weather conditions, with heavy snow and flooding in the first part of the year, followed by a delay in drilling activities at the beginning of 2010. Lower drilling activities throughout 2009 also impacted the 2010 production. The natural production decline was steadily reduced in the second half of the year by concentrating on reservoir management initiatives, finalization of key wells, increased workovers and infill drilling. **Gas production** reached 33.48 mn boe, 3% lower than in 2009 due to the delay in completion of key gas wells (Mamu) coupled with the negative effect of lower drilling activities in 2009. **Oil and gas production in Kazakhstan** increased by 58% to 3.62 mn boe in 2010, due to the **Komsomolskoe** field being brought gradually on stream.

A total of 142 wells were finished drilling in 2010 (2009: 115 wells). Offshore, six new wells were successfully drilled, stimulated and completed using multi-stage hydraulic fracturing in Lebada East and the West Cretaceous reservoir.

As of December 31, 2010, Petrom Group's **total proved oil and gas reserves** amounted to 832 mn boe (Romania: 805 mn boe), while the proved and probable oil and gas reserves amounted to 1,172 mn boe (Romania: 1,120 mn boe). This has led to an increase of the reserve replacement rate in Romania by 2 percentage points compared to 2009, up to 72%, whilst the Group reserve replacement rate stood at 67% (2009: 73%) due to reserves revision in Kazakhstan.

Refining and Marketing (R&M)

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
4,149	4,427	3,271	35	Segment sales	15,176	12,701	19
86	(123)	(367)	(67)	EBIT	106	(618)	n.m.
(12)	(3)	(316)	(99)	Special items	(1)	(389)	n.m.
28	114	171	(33)	CCS effect: Inventory holding gains/losses ¹	212	445	(53)
70	(233)	(221)	6	Clean CCS EBIT ¹	(104)	(675)	(85)

Q3/10	Q4/10	Q4/09	Δ%	Key performance indicators	2010	2009	Δ%
(1.15)	0.69	(1.74)	n.m.	Indicator refining margin (USD/bbl) ²	0.33	0.02	n.m.
0.94	1.05	1.25	(16)	Refining input (mn t) ³	4.15	5.46	(24)
44	49	58	(16)	Utilization rate refineries (%) ⁴	49	65	(24)
0.86	1.04	1.05	(1)	Refining output (mn t) ⁵	3.78	4.99	(24)
1.42	1.51	1.45	4	Total refined product sales (mn t) ⁶	5.47	6.18	(11)
1.17	1.08	1.15	(7)	thereof Marketing sales volumes (mn t) ⁷	4.16	4.67	(11)
802	801	814	(2)	Marketing retail stations	801	814	(2)

¹Current 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 and thus offers a substantially higher transparency of the operating refinery performance

²The 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

³Figure includes crude and semi-finished products, in line with OMV Group reporting standard

⁴Figure represents cumulated utilization rate of both Petrobrazi and Arpechim refineries

⁵Represents Refining sales volumes excluding traded goods sourced externally by Refining

⁶Includes all products sold by Petrom Group. The figure also includes marginal petrochemical sales volumes for previous periods.

⁷As of Q1/10, the figure excludes export sales which are included in total refined product sales. Figures for previous periods have been restated

Fourth quarter 2010 (Q4/10)

- ▶ **Significant improvement in R&M clean CCS EBIT on a full year basis – up more than RON 500 mn, mainly due to downstream optimization with Arpechim in economic shut-down and despite the one-off costs burdening the Q4/10 result**
- ▶ **Weakening market conditions affected marketing business; total marketing sales decreased by 7% compared to Q4/09 due to low demand**

Segment sales increased by 35% over Q4/09 mainly due to higher price levels.

Clean CCS EBIT was slightly below the Q4/09 level as strong improvements in R&M operations were offset by one-off costs related to tank storages and spare parts mainly at the site of the Arpechim refinery, with the divestment to be completed by 2012 at the latest. The adjustment in the internal transfer price regime between E&P and R&M, carried out at the beginning of 2010 in order to properly reflect the high integration value of Petrom's refineries, supported the result. In addition, net special charges of RON 3 mn and positive CCS effects of RON 114 mn due to increased crude prices led to a reported EBIT of RON (123) mn.

In **Refining**, we capitalized on optimizing asset utilization across the entire downstream chain, with flexible operations at our refineries, Arpechim being in economic shutdown during Q4/10, and optimized supply, as no crude imports were made.

The indicator refining margin improved in Q4/10 to USD 0.69/bbl compared to USD (1.74)/bbl in Q4/09. Although crack spreads were higher in Q4/10

compared to last year, the overall margin level remained low due to the higher cost of own crude consumption driven by the increased crude oil price.

During Q4/10, the **utilization rate** of our refineries was maintained at a low level (49%) reflecting the economic shutdown at the Arpechim refinery. The utilization rate of the Petrobrazi refinery was 86% in Q4/10 compared to 66% in Q4/09. The total quantity of **refining input** was 18% lower compared to Q4/09, as no crude imports were made.

Total **refining output** in Q4/10 was 1% lower than in Q4/09 whilst **total refined product sales** were 4% higher due to optimization of supply.

Total group marketing sales stood at 1,076 kt, down 7% compared to Q4/09, driven by the decrease of both retail and commercial sales volumes, due to the weakening demand in a generally unfavorable economic environment. Group retail sales represented 63% of total group marketing sales and decreased by 4% compared to Q4/09. The Group's **non-oil business turnover** increased by 7% compared to Q4/09 due to portfolio optimization. The total number of **retail stations** within the Group as of

December 31, 2010 declined by 2% compared to the end 2009 mainly due to retail network optimization in the Republic of Moldova.

Compared to Q3/10, R&M clean CCS EBIT was lower, mainly because of the write-offs of storage tanks and

January – December 2010

Segment sales increased by 19% due to higher crude oil and product prices.

Clean CCS EBIT improved significantly compared to the previous year, from RON (675) mn in 2009 to RON (104) mn in 2010, driven by strong operational improvements in refining, which more than compensated for the lower marketing result. Furthermore, the adjustment in the internal transfer price regime between E&P and R&M, carried out at the beginning of 2010 in order to properly reflect the high integration value of Petrom's refineries, supported the result.

The **refining result** improved considerably compared to 2009, due to the added benefit from flexible refining asset utilization and cost control efficiency, with the Arpechim refinery in economic shutdown for most of the period and increased utilization of our higher conversion refinery at Petrobrazi. In addition, the refining result further benefited from the sale of Arpechim's petrochemicals activities at the beginning of 2010.

spare parts, which impacted the refining result. The marketing result was lower than the previous quarter mainly due to lower seasonal sales and margins in the retail business.

Despite the increase versus last year's level, in 2010 the indicator **refining margin** remains very low, mainly as a result of increasing crude prices offsetting higher product spreads. Diesel and gasoline cracks remained fairly volatile throughout the year but average spreads for both were above last year's level.

On account of the changed operations mode in Refining, the overall **utilization rate** was maintained at 49%, mainly due to the Arpechim refinery being in economic shutdown for most of the period. However, the Petrobrazi utilization rate increased significantly towards the second half of the year, averaging 70%, three percentage points higher than last year. Total **refining output** was down 24% compared to 2009.

The **clean marketing result** was considerably lower than the 2009 level as margins and volumes, especially in the commercial sector, were negatively affected by the weak economic environment.

Gas and Power (G&P)

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
481	1,081	854	27	Segment sales	3,065	2,969	3
(46)	185	(5)	n.m.	EBIT	164	71	130
0	(7)	(78)	(91)	Special items	(8)	(87)	(91)
(46)	192	73	163	Clean EBIT	172	158	9

Q3/10	Q4/10	Q4/09	Δ%	Key performance indicators	2010	2009	Δ%
770	1,662	1,441	15	Consolidated gas sales (mn cbm)	4,917	4,846	1
150	157	171	(9)	Average gas price for domestic producers in Romania (USD/1,000 cbm)	155	162	(4)
495	495	495	0	Average gas price for domestic producers in Romania (RON/1,000 cbm) ¹	495	495	0
371	376	290	30	Import gas price (USD/1,000 cbm) ^{1,2}	360	353	2

¹In 2010, ANRE, the Romanian National Authority for Energy Regulation, ceased to publish the domestic and import prices taken into account for regulated end user/basket gas price calculation. Gas prices for domestic producers for 2010 in the table above are the latest published by ANRE.

²For 2010, the actual import gas prices published retrospectively by ANRE on a monthly basis are presented in the table. Import gas prices for 2009 have not been adjusted.

Fourth quarter 2010 (Q4/10)

- ▶ **Consolidated gas sales volumes up by 15% compared to Q4/09 due to higher demand from the fertilizer industry**
- ▶ **Improved EBIT compared to Q4/09 driven by increased gas sales volumes and partial reversal of provisions for outstanding receivables**
- ▶ **Brazi power plant on track to start commercial operations in H2/11**

In Q4/10, natural gas consumption in Romania increased by 2.5% as compared to the same period of the previous year.

Petrom's **consolidated gas sales** volumes in Q4/10 were 15% higher compared to Q4/09 driven by increased demand from the fertilizer industry, which to a large extent was satisfied by volumes extracted from underground storage. The highest demand from the fertilizer industry occurred in October. The facility granted to interruptible consumers¹ in mid-2009 allowing them to supply only cheap domestic gas expired at the end of October 2010.

Clean EBIT generated by the G&P business in Q4/10 was higher than in Q4/09 reflecting the increased gas sales and a reversal of provisions for outstanding receivables amounting to RON 70 mn. These provisions were booked in the previous quarters mainly for municipal companies delivering heat to local communities, which depend heavily on subsidies and grants from the local and state budget.

The domestic gas price charged by Petrom remained unchanged at RON 495/1,000 cbm (or equivalent USD 157/1,000 cbm). The actual import price, which was retrospectively published by ANRE was USD 376/1,000 cbm.

¹ *Interruptible consumers are those considered to contribute to securing the operation of the Gas National Transmission and Distribution Systems, by accepting reduction or even interruption in gas supply in order to protect supply to households*

In Q4/10, the average **import quota** set by ANRE for the Romanian gas market stood at 20% (with a maximum of 23% in December), while in Q4/09 the import quota averaged 15%.

In line with Petrom's decision to exit the **chemicals business** by the end of 2010, methanol production at Doljchim was stopped. As a result, although still negative, Doljchim results improved significantly as compared to Q4/09.

In Q4/10, the construction of the Brazi power plant progressed according to schedule. The steam turbine and generator were installed and civil works on the cooling tower area were finalized. On December 2, the gas turbine 1 main step-up transformer and auxiliary transformer were energized from the grid and the overhead line was accepted by Transelectrica.

The construction works on the Dorobantu wind power park are ongoing. The roads and crane hardstands works for turbine erection were finished and the civil works for soil improvements and foundations were started. Erection of the overhead line and civil works on the transformer station were finished.

Compared to Q3/10, clean EBIT improved, reflecting the reversal of provisions for outstanding receivables and the higher sales volumes. Petrom consolidated gas sales volumes seasonally increased by 116%, while Romanian total consumption increased by 106% compared to Q3/10.

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In 2010, Petrom's **consolidated gas sales volume** increased by around 1.5% compared to 2009, while the increase in total gas consumption in Romania was 4.9%, mainly driven by higher demand from the fertilizer industry and the colder winter. This development offsets the opposite trend experienced in 2009, when Petrom sales decreased at a much lower pace than Romanian total consumption, since the demand for domestically produced gas was less influenced by the market development.

At the end of December 2010, the volume of natural gas in storage owned by Petrom amounted to 275 mn cbm compared to 324 mn cbm at the end of December 2009.

Clean EBIT generated by the G&P business of Petrom Group increased as compared to 2009, when it was affected by losses recorded at Doljchim reflecting low demand and prices.

The domestic gas price charged by Petrom remained unchanged, at RON 495/1,000 cbm.

The regulated end-user gas price for households and captive industrial customers in Romania, which represents the price ceiling in the market, remained unchanged since July 1, 2009, when it decreased by 5%. This political decision is causing major losses to all suppliers since the increase of the import price and the stronger USD are not acknowledged by the regulating authority.

The negative result in Doljchim in 2010 was reduced by 72%, as the methanol plant was operated according to the company's integration needs.

In 2010, investments in the Power Division were directed to the construction of the Brazi power plant (RON 1,044 mn) and Dorobantu wind park (RON 61 mn).

Financial highlights

Group interim financial statements and notes (condensed, unaudited)

Legal principles and general accounting policies

The consolidated financial statements for 2010 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

The detailed structure of the consolidated companies in Petrom Group at December 31, 2010 is presented in the appendix 1 to the current report.

Changes in the consolidated Group

During Q2/10, Petrom acquired 99.99% shares of Wind Power Park S.R.L.

Starting Q3/10, Petrom Exploration & Production Limited, Douglas and Petromed Solutions S.R.L.,

Bucharest, are fully consolidated in E&P and Co&O, respectively.

In Q3/10, Petrom disposed off the Ring Oil Holding and Trading LTD Company and its subsidiaries (LLC Management Corsarneft, LLC Artamira, OJSC Chalykneft, OJSC Karneft, Oil Company Renata, LLC Neftepoisk and CJSC Saratovneftedobycha).

In Q4/10, activities of MP Petroleum Distributie S.R.L. and retail activities of OMV Petrom S.A. merged into OMV Petrom Marketing S.R.L.

Seasonality and cyclicity

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

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.

Q3/10	Q4/10	Q4/09	Δ%	NBR FX rates	2010	2009	Δ%
4.256	4.288	4.266	1	Average EUR/RON FX rate	4.211	4.238	(1)
3.302	3.155	2.887	9	Average USD/RON FX rate	3.180	3.047	4
4.272	4.285	4.228	1	Closing EUR/RON FX rate	4.285	4.228	1
3.142	3.205	2.936	9	Closing USD/RON FX rate	3.205	2.936	9

Income statement (unaudited)

Q3/10	Q4/10	Q4/09	Consolidated statement of income in RON mn	2010	2009
4,814.93	5,457.57	4,223.40	Sales revenues	18,615.69	16,089.73
(110.13)	(118.59)	(105.39)	Direct selling expenses	(436.61)	(364.02)
(3,700.22)	(3,747.59)	(3,081.93)	Production costs of sales	(12,790.98)	(11,256.27)
1,004.58	1,591.39	1,036.08	Gross profit	5,388.10	4,469.44
87.78	163.87	104.92	Other operating income	513.85	408.70
(325.54)	(310.93)	(347.25)	Selling expenses	(1,218.63)	(1,277.45)
(58.70)	(56.76)	(67.98)	Administrative expenses	(231.17)	(225.34)
(61.13)	(62.69)	(53.95)	Exploration expenses	(186.59)	(274.60)
(310.52)	(351.15)	(477.84)	Other operating expenses	(1,280.05)	(1,480.28)
336.47	973.73	193.98	Earnings before interest and taxes (EBIT)	2,985.51	1,620.47
(0.04)	(0.73)	(0.44)	Income from associated companies	6.72	6.07
(181.36)	(113.46)	(228.94)	Net interest expense	(537.00)	(416.01)
(273.75)	41.98	(9.61)	Other financial income and expenses	150.09	(41.11)
(455.15)	(72.21)	(238.99)	Net financial result	(380.19)	(451.05)
(118.68)	901.52	(45.01)	Profit from ordinary activities	2,605.32	1,169.42
3.02	(122.66)	(85.65)	Taxes on income	(415.67)	(336.14)
(115.66)	778.86	(130.66)	Net income for the period	2,189.65	833.28
(100.32)	780.65	(129.19)	thereof attributable to owners of the parent	2,201.22	860.24
(15.34)	(1.79)	(1.47)	thereof attributable to non-controlling interests	(11.57)	(26.96)
(0.0018)	0.0138	(0.0023)	Basic earnings per share in RON	0.0389	0.0152

Statement of comprehensive income (unaudited)

Q3/10	Q4/10	Q4/09	Δ %	Consolidated statement of comprehensive income in RON mn	2010	2009	Δ %
(115.66)	778.86	(130.66)	n.m.	Net income for the period	2,189.65	833.28	163
22.09	(12.78)	(8.18)	56	Exchange differences from translation of foreign operations	(39.12)	26.40	n.m.
0.00	0.00	(1.00)	n.m.	Unrealized gains/(losses) on available-for-sale financial assets	0.00	15.20	n.m.
(21.43)	66.75	(347.21)	n.m.	Unrealized gains/(losses) on hedges	215.00	(789.97)	n.m.
3.43	(10.68)	55.71	n.m.	Income tax relating to components of other comprehensive income	(34.40)	123.96	n.m.
4.09	43.29	(300.68)	n.m.	Other comprehensive income for the period, net of tax	141.48	(624.41)	n.m.
(111.57)	822.15	(431.34)	n.m.	Total comprehensive income for the period	2,331.13	208.87	n.m.
(99.18)	824.52	(428.66)	n.m.	thereof attributable to owners of the parent	2,349.68	232.29	n.m.
(12.39)	(2.37)	(2.68)	(12)	thereof attributable to non-controlling interests	(18.55)	(23.42)	(21)

Notes to the income statement

Fourth quarter 2010 (Q4/10)

Consolidated sales in Q4/10 increased by 29% compared to Q4/09 to RON 5,458 mn, mainly driven by the positive oil price environment. R&M represented 80% of total consolidated sales, G&P accounted for 18% and E&P for approximately 1% (sales in E&P being largely intra-group sales rather than third party sales).

The **Group's EBIT** amounted to RON 974 mn, significantly higher than the RON 194 mn result recorded in Q4/09, mainly driven by higher sales combined with a positive effect from consolidation. EBIT was also positively influenced by lower impairments and lower provisions for restructuring compared to Q4/09. **Clean CCS EBIT** stood at RON 972 mn, 66% higher than the RON 586 mn recorded in Q4/09. The Clean CCS EBIT is stated after eliminating net special expenses of RON 112 mn and inventory holding gains of RON 114 mn.

The **net financial result** of RON (72) mn improved compared to Q4/09 (RON (239) mn), as last year's financial result included a provision for interest charges relating to the tax review of Petrom. Furthermore, higher FX gains in Q4/10 had a positive contribution to the net financial result.

Further to the profit from ordinary activities amounting to RON 902 mn, the **corporate income tax** expense was at the amount of RON 123 mn. **Current taxes** on

the Group's income were RON 208 mn while **deferred tax** income amounted to RON 85 mn.

Net income after minorities (i.e. net income attributable to owners of the parent) was RON 781 mn, significantly above the RON (129) mn in Q4/09. **Clean CCS net income after minorities** was RON 779 mn. **EPS** after minorities was RON 0.0138 in Q4/10, versus RON (0.0023) in Q4/09, while **clean CCS EPS** was RON 0.0138, compared to RON 0.0035 in Q4/09.

Compared to Q3/10, sales increased by RON 643 mn reaching RON 5,458 mn, mainly driven by seasonally higher gas sales volumes and higher volumes sold in the R&M business, that compensated the negative hedge effect in E&P. EBIT was RON 974 mn, significantly higher than Q3/10 (RON 336 mn) which was burdened by the impairment of Kazakh assets following the technical assessment of the fields. The net financial result of RON (72) mn was significantly above the Q3/10 level (RON (455) mn), mainly as a result of FX gains made by Petrom in relation with the USD loans given to its Kazakh subsidiaries. As the USD is the functional and reporting currency of the Kazakh subsidiaries, FX effects resulting in Petrom are not compensated by a corresponding effect in Kazakhstan. Further to the profit from ordinary activities, **corporate income tax** amounted to RON 123 mn. **Net income after minorities** was significantly above the Q3/10 value of RON (100) mn.

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Consolidated sales for 2010 increased by 16% compared to 2009, to RON 18,616 mn, mainly driven by high crude and product prices. R&M represented 81% of total consolidated sales, G&P accounted for 15% and E&P for approximately 4% (sales in E&P being largely intra-group sales rather than third-party sales).

The **Group's EBIT** amounted to RON 2,986 mn, 84% higher than in 2009, mainly due to the positive price environment and stringent cost management, such as optimization of supply in Refining, but reduced by the impairment booked for Kazakh assets and by lower volumes sold by the R&M business. The increase in EBIT was also influenced by the lower provisions for restructuring and lower exploration expenses.

Clean CCS EBIT increased to RON 3,325 mn. The Clean CCS EBIT is stated after eliminating net special expenses of RON 551 mn and inventory holding gains of RON 212 mn.

The **net financial result** of RON (380) mn improved by RON 71 mn compared to previous year's level (2009: RON (451) mn). The financial result was positively influenced by FX gains driven by the USD appreciation against RON partially compensated by higher unwinding effect for provisions.

As a result of the increase in profits from ordinary activities in 2010 to RON 2,605 mn, the **corporate tax charge** also recorded an increase. **Current taxes** on the Group's income were RON 502 mn while income from **deferred taxes** amounted to RON 86 mn. The **effective corporate tax rate** was 16%, compared to 29% in 2009. The decrease in effective tax rate was mainly due to the provisions related to the tax review recorded in Q4/09, the disposal of Russia operations and the impairment of Kazakhst assets where the tax rate is above the Group's effective tax rate level.

Net income after minorities (i.e. net income attributable to owners of the parent) was RON 2,201 significantly higher than the RON 860 mn of 2009. Minority interests were RON (12) mn compared to RON (27) mn in 2009. **Clean CCS net income after minorities** was RON 2,457 mn. **EPS** after minorities was RON 0.0389 in 2010, versus RON 0.0152 in 2009, while **clean CCS EPS** was RON 0.0434 compared to RON 0.0186 in 2009.

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

Consolidated statement of financial position in RON mn	Dec 31, 2010	Dec 31, 2009
Assets		
Intangible assets	1,369.49	1,360.06
Property, plant and equipment	23,777.15	21,430.58
Investments in associated companies	40.65	36.22
Other financial assets	2,492.84	2,298.20
Other assets	45.23	102.53
Non-current assets	27,725.36	25,227.59
Deferred tax assets	734.11	712.60
Inventories	2,500.12	2,582.69
Trade receivables	1,397.98	1,047.74
Other financial assets	138.72	227.11
Other assets	603.08	284.58
Cash and cash equivalents	1,588.60	384.00
Non-current assets held for sale	77.29	60.33
Current assets	6,305.79	4,586.45
Total assets	34,765.26	30,526.64
Equity and liabilities		
Capital stock	18,983.37	18,983.37
Reserves	(497.79)	(2,803.84)
Stockholders' equity	18,485.58	16,179.53
Non-controlling interests	(26.54)	11.30
Equity	18,459.04	16,190.83
Provisions for pensions and similar obligations	297.16	283.07
Interest-bearing debts	3,465.51	2,810.45
Provisions for decommissioning and restoration obligations	5,917.85	5,564.28
Other provisions	842.32	786.43
Other financial liabilities	178.38	122.48
Non-current liabilities	10,701.22	9,566.71
Deferred tax liabilities	26.70	62.14
Trade payables	3,453.35	2,295.41
Interest-bearing debts	391.05	187.52
Provisions for income taxes	214.64	111.01
Other provisions	739.07	928.19
Other financial liabilities	302.10	657.06
Other liabilities	478.09	527.77
Current liabilities	5,578.30	4,706.96
Total equity and liabilities	34,765.26	30,526.64

Notes to the statement of the financial position as of December 31, 2010

Capital expenditure increased to RON 4,863 mn (2009: RON 4,219 mn), with substantially increased investments in G&P and slightly lower CAPEX in E&P and Co&O.

Investments in E&P (RON 2,774 mn) represented 57% of the total figure for 2010 and were focused on development wells, workover activities and sub-surface operations. Approximately 25% of investments were realized in **G&P** (RON 1,211 mn), mainly comprising the investments related to the Brazi power plant, including the connection pipeline to the National Gas Transportation System, and construction works for the Dorobantu wind park. **R&M** investments accounted for 16% of the total investments of 2010 (RON 758 mn). In Refining, investments were mainly related to the rehabilitation of storage tanks for oil products, crude unit modernization, the cycle end turnaround in Petrobrazi and the Brazi terminal. Small investments in the Marketing division accounted for signage, rebranding and the modernization of filling station complementary equipment at various sites. CAPEX for the Corporate & Other (**Co&O**) segment was RON 120 mn. This refers mainly to finalization works at "Petrom City" in Bucharest, the company's new headquarters inaugurated in December 2010, and also other small investments that were realized for IT projects.

Compared to year-end 2009, **total assets** increased by RON 4,239 mn to RON 34,765 mn. The change was mainly driven by the net increase in property, plant and equipment by RON 2,347 mn, and also by

the increase in cash and cash equivalents by RON 1,205 mn.

Equity amounted to RON 18,459 mn as of December 31, 2010 and increased by 14% compared to the end of 2009 (RON 16,191 mn), as a result of the net profit generated in the current year. The Group's **equity ratio**¹ stood at 53.1% at December 2010, almost at the same level as at the end of 2009 (53.0%).

Short and long-term interest bearing debts increased from RON 2,998 mn in December 2009 to RON 3,857 mn as of December 31, 2010 due to additional amounts drawn from the EBRD (European Bank for Reconstruction and Development), EIB (European Investment Bank), BSTDB (Black Sea Trade Development Bank) and second club deal loans (credit facility obtained in December 2009), while the existing loan from OMV AG (EUR 150 mn) and overdrafts from Raiffeisen Bank and Intesa Sanpaolo Bank were repaid. In addition, partial reimbursements were made for the first club deal loan agreement (credit facility obtained in October 2008).

Considering that new liabilities contracted for financing needs were compensated by the increase in cash and cash equivalents, Petrom Group's **net debt**² shows a slight decrease to RON 2,299 mn, compared to RON 2,614 mn at the end of 2009. Consequently, as of December 31, 2010, the **gearing ratio**³ decreased to 12.4%, from 16.2% in December 2009.

¹ Equity ratio is calculated as $Equity / (total\ assets) \times 100$

² Net debt is calculated as interest bearing debts including financial lease liability less cash and cash equivalents

³ Gearing ratio is calculated as $Net\ debt / (equity) \times 100$

Cash flows (unaudited)

Q3/10	Q4/10	Q4/09	Summarized statement of cash flows (in RON mn)	2010	2009
(118.68)	901.52	(45.01)	Profit before taxation	2,605.32	1,169.42
(41.88)	(74.53)	283.89	Net change in provisions	(325.37)	(221.25)
4.67	3.59	(9.28)	Losses / (gains) on the disposal of non – current assets	(9.48)	(72.26)
1,032.70	711.29	885.44	Depreciation, amortization including write-ups	2,811.62	2,466.27
250.82	(26.49)	677.91	Other adjustments	(18.31)	377.62
1,127.63	1,515.38	1,792.95	Sources of funds	5,063.78	3,719.80
(244.34)	259.26	(22.87)	(Increase)/decrease in inventories	4.01	128.99
(429.96)	(303.97)	(654.26)	(Increase)/decrease in receivables	(523.01)	(147.55)
27.65	620.02	281.56	(Decrease)/increase in liabilities	559.36	(652.48)
27.60	(45.82)	(35.58)	Net interest received / (paid)	(108.72)	(28.69)
(157.06)	20.41	(119.74)	Tax on profit paid	(365.60)	(293.91)
351.52	2,065.28	1,242.06	Net cash from operating activities	4,629.82	2,726.16
(992.14)	(1,091.11)	(1,478.70)	Intangible assets and property, plant and equipment	(4,322.07)	(4,402.65)
8.29	28.14	23.51	Proceeds from sale of non-current assets	135.30	141.46
0.00	0.00	4.89	Investments, loans and other financial assets	(1.78)	198.65
(2.87)	0.00	(8.68)	Acquisition of subsidiaries and businesses net of cash acquired	(68.41)	(8.68)
(3.40)	(3.53)	0.00	Proceeds from sale of subsidiaries, net of cash disposed	(6.93)	0.00
(990.12)	(1,066.50)	(1,458.98)	Net cash used in investing activities	(4,263.89)	(4,071.22)
705.94	(403.98)	(494.80)	(Decrease) / increase in borrowings	832.43	1,163.78
(0.04)	(0.03)	(0.11)	Dividends paid	(0.28)	(14.68)
705.90	(404.01)	(494.91)	Net cash from financing activities	832.15	1,149.10
(10.21)	1.52	2.58	Effect of exchange rate changes on cash and cash equivalents	6.52	7.46
57.09	596.29	(709.25)	Net (decrease)/increase in cash and cash equivalents	1,204.60	(188.50)
935.22	992.31	1,093.25	Cash and cash equivalents at beginning of period	384.00	572.50
992.31	1,588.60	384.00	Cash and cash equivalents at end of period	1,588.60	384.00

Notes to the cash flows

In 2010, **free cash flow** (defined as net cash from operating activities less net cash used in investing activities) showed an inflow of funds of RON 366 mn (2009 outflow of RON 1,345 mn). No dividends were distributed for the financial year 2009 (same as 2008), in accordance with the Group's strategy of preserving resources for financing in the context of the challenging environment. **Free cash flow less dividend payments** resulted in a cash inflow of RON 366 mn (2009: outflow of RON 1,360 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 5,064 mn (2009: RON 3,720 mn); **net working capital**, interest and taxes generated a cash outflow of RON 434 mn (2009 outflow of RON 994 mn).

Cash flow from investing activities (outflow of RON 4,264 mn; 2009: outflow of RON 4,071 mn) mainly includes payments for investments in intangible assets and property, plant and equipment.

Cash flow from financing activities reflected an inflow of funds amounting to RON 832 mn (2009: RON 1,149 mn), mainly coming from the increase in loans in OMV Petrom S.A. The net inflow reflects the fact that during 2010, OMV Petrom S.A. drew down the second club deal loan (RON 350 mn) and an additional EUR 405 mn to finance the power plant construction from Brazi and various environmental projects, whilst it repaid the existing loan to OMV AG (EUR 150 mn), the overdrafts to Raiffeisen and Intesa Bank, and partially reimbursed the amounts drawn from the first club deal.

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, 2010	18,983.37	(2,756.64)	(47.20)	-	16,179.53	11.30	16,190.83
Total comprehensive income for the period	-	2,201.22	148.46	-	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 non-controlling interests	-	-	(43.61)	-	(43.61)	(19.24)	(62.85)
December 31, 2010	18,983.37	(555.42)	57.65	(0.02)	18,485.58	(26.54)	18,459.04

in RON mn	Share capital	Revenue reserves	Other reserves ¹	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
January 1, 2009	18,983.37	(3,616.88)	578.39	-	15,944.88	44.87	15,989.75
Total comprehensive income for the period	-	860.24	(627.95)	-	232.29	(23.42)	208.87
Dividends distribution	-	-	-	-	-	(0.07)	(0.07)
Purchase of own shares	-	-	-	-	-	-	-
Change in non-controlling interests	-	-	2.36	-	2.36	(10.08)	(7.72)
December 31, 2009	18,983.37	(2,756.64)	(47.20)	-	16,179.53	11.30	16,190.83

¹ Other reserves contain mainly exchange differences from the translation of foreign operations and unrealized gains and losses from hedges and available-for-sale financial assets.

Dividends

On April 29, 2010, the Annual General Meeting approved the proposal not to distribute dividends for the 2009 financial year. The decision was consistent with our conservative financing structure

in the far more challenging market environment we faced and to ensure the necessary funds to sustain the sizeable investment needs of the company.

Segment reporting

Intersegmental sales

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
2,252.30	2,338.30	2,123.82	10	Exploration and Production	8,861.74	7,551.45	17
27.57	43.19	19.63	120	Refining and Marketing	126.31	81.30	55
16.82	77.42	51.44	51	Gas and Power	185.69	199.63	(7)
163.69	110.01	127.90	(14)	Corporate and Other	485.70	469.65	3
2,460.38	2,568.92	2,322.79	11	Total	9,659.44	8,302.03	16

Sales to external customers

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
227.05	65.46	168.45	(61)	Exploration and Production	672.66	697.67	(4)
4,121.86	4,384.06	3,251.36	35	Refining and Marketing	15,050.18	12,619.55	19
464.37	1,003.15	802.35	25	Gas and Power	2,879.68	2,768.87	4
1.65	4.91	1.24	296	Corporate and Other	13.17	3.64	262
4,814.93	5,457.57	4,223.40	29	Total	18,615.69	16,089.73	16

Total sales

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
2,479.35	2,403.76	2,292.27	5	Exploration and Production	9,534.40	8,249.12	16
4,149.43	4,427.25	3,270.99	35	Refining and Marketing	15,176.49	12,700.85	19
481.19	1,080.57	853.79	27	Gas and Power	3,065.37	2,968.50	3
165.34	114.92	129.14	(11)	Corporate and Other	498.87	473.29	5
7,275.31	8,026.50	6,546.19	23	Total	28,275.13	24,391.76	16

Segment and Group profit

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
514.94	720.24	675.95	7	EBIT Exploration and Production	3,012.12	2,467.73	22
86.49	(122.72)	(366.62)	(67)	EBIT Refining and Marketing	106.30	(618.27)	n.m.
(45.74)	184.63	(4.74)	n.m.	EBIT Gas and Power	163.85	71.37	130
(21.25)	(50.58)	(44.66)	13	EBIT Corporate and Other	(135.48)	(139.71)	(3)
534.44	731.57	259.93	181	EBIT segment total	3,146.79	1,781.12	77
(197.97)	242.16	(65.95)	n.m.	Consolidation: Elimination of intercompany profits	(161.28)	(160.65)	0
336.47	973.73	193.98	402	Petrom Group EBIT	2,985.51	1,620.47	84
(455.15)	(72.21)	(238.99)	(70)	Net financial result	(380.19)	(451.05)	(16)
(118.68)	901.52	(45.01)	n.m.	Petrom Group profit from ordinary activities	2,605.32	1,169.42	123

Assets¹

in RON mn	Dec 31, 2010	Dec 31, 2009
Exploration and Production	17,604.91	16,686.04
Refining and Marketing	4,657.06	4,506.95
Gas and Power	2,016.25	764.11
Corporate and Other	868.42	833.54
Total	25,146.64	22,790.64

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 **January 7**, Petrom announced the completion of the securities distribution to the persons entitled to receive free of charge shares issued by S.C. OMV Petrom S.A. in the shares buyback program approved at the Extraordinary General Shareholders Meeting of

December 16, 2008. The number of securities distributed was 6,133,500 securities out of total purchased of 6,195,500.

Further information

EBIT breakdown

EBIT

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
515	720	676	7	Exploration and Production ¹	3,012	2,468	22
86	(123)	(367)	(67)	Refining and Marketing	106	(618)	n.m.
(46)	185	(5)	n.m.	Gas and Power	164	71	130
(21)	(51)	(45)	13	Corporate and Other	(135)	(140)	(3)
(198)	242	(66)	n.m.	Consolidation	(161)	(161)	0
336	974	194	402	Petrom Group reported EBIT	2,986	1,620	84
(452)	(112)	(563)	(80)	Special items	(551)	(695)	(21)
(2)	(136)	(212)	(36)	thereof: Personnel and restructuring	(139)	(212)	(35)
(451)	10	(282)	n.m.	Unscheduled depreciation	(446)	(301)	48
0	7	4	72	Asset disposal	16	16	0
0	0	0	n.a.	Provision for litigation	0	0	n.a.
0	8	(73)	n.m.	Other	18	(198)	n.m.
28	114	171	(33)	CCS effects ² : Inventory holding gains /(losses)	212	445	(53)
760	972	586	66	Petrom Group clean CCS EBIT	3,325	1,870	78
956	811	844	(4)	thereof: Exploration and Production	3,544	2,685	32
70	(233)	(221)	6	Refining and Marketing	(104)	(675)	(85)
(46)	192	73	163	Gas and Power	172	158	9
(21)	(41)	(44)	(8)	Corporate and Other	(125)	(139)	(10)
(198)	242	(66)	n.m.	Consolidation	(161)	(161)	0

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

² 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 and thus offers a substantially higher transparency of the operating refinery performance

EBITD

Q3/10	Q4/10	Q4/09	Δ%	in RON mn	2010	2009	Δ%
1,387	1,150	1,105	4	Exploration and Production ¹	5,103	4,082	25
213	121	56	116	Refining and Marketing	694	117	n.m.
(44)	187	(3)	n.m.	Gas and Power	171	83	106
10	(19)	(12)	61	Corporate and Other	(9)	(12)	(25)
(198)	242	(66)	n.m.	Consolidation	(161)	(161)	0
1,368	1,680	1,080	56	Petrom Group	5,797	4,109	41

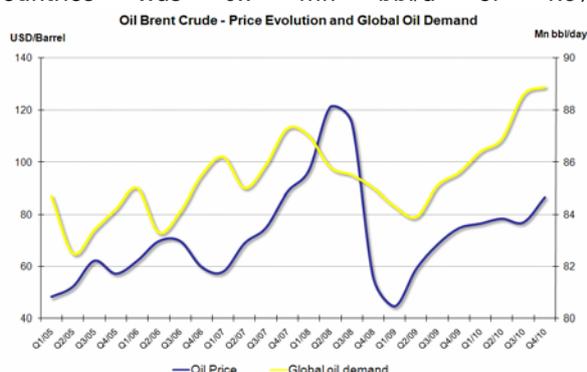
¹ Excluding intersegmental profit elimination shown in the line "Consolidation"

Business environment

The world economy rebounded in 2010 and the recovery became increasingly self-sustained. Global trade rose at an annualized rate of 16% while manufacturing output remained strong. Emerging economies continued to power ahead the world economy with developed economies steadily improving their economic performance. Preliminary data showed the US economy growing at an annual rate of 2.9% in 2010. This was faster than the 1.7% growth rate recorded in the EU-27.

However, the recovery in the EU continued to be uneven. Member states with competitive export sectors gained most from the global upswing while those with large non-tradable sectors were among the weakest performers.

According to the IEA preliminary data, **world oil demand** rose in 2010 by 3.2% compared to 2009. This was the second highest rate of growth over the last three decades. Global demand reached 87.7 mn bbl/d in 2010, up from 85.0 mn bbl/d in 2009, driven largely by an acceleration of economic recovery in the second half of the year. Non-OECD demand was up by 2 mn bbl/d or over 5%, while growth in the OECD countries was 0.7 mn bbl/d or 1.5%.



Global oil output rose by 2.5% to 87.3 mn bbl/d as global inventories shrunk by 0.4 mn bbl/d, following their accumulation over the last two years. OPEC boosted its daily production output to 29.2 mn bbl of crude and 5.3 mn bbl of NGLs. The overall gain of 1 mn bbl/d pushed up the OPEC's market share to around 40% of the total.

In 2010, the average Brent price was USD 79.5/bbl, 29% higher compared to 2009. After hovering between USD 76-78/bbl during the first three quarters of 2010 the Brent price rose to USD 86.5/bbl in the last quarter (with a year's high of USD 94/bbl in the last week of December), driven by buoyant demand. The average Urals price in 2010 was USD 78.3/bbl, 28% higher compared to 2009.

The Romanian economy remained mired in recession in 2010, after falling by 7.1% in 2009. Preliminary data from the Institute of National Statistics showed GDP falling by 1.2% in 2010, lower than the initial authorities' forecast of -1.9%. The economy appears to have grown marginally in the fourth quarter with

the base effect playing an important role. However, the overall effects of domestic restrictive budgetary and monetary policies did outweigh the positive effects of the marginal increase in foreign demand. Credit availability continued to be scarce and uncertainty about future income remained elevated. The five percentage points rise in VAT and the reduction in public sector wages in July dented any hopes of a potential revival in domestic consumption in the third quarter.

However, the economy has been showing signs of stabilizing over the last quarter of 2010 and indicators point towards an imminent resumption of growth. The level of domestic economic activity, although still low, increased towards the end of 2010. **Industrial production** continued to exhibit a positive performance throughout 2010. Manufacturing activity accounted largely for the increased output in the industrial sector, which is expected to rise by 4% in 2010. Export demand for industrial products remained buoyant in spite of the weakening effects of fiscal stimuli throughout Europe.

Fiscal policy was notably restrictive in 2010. Public sector reforms were initiated in earnest towards the end of 2010 when the authorities took highly important structural measures including pension and public sector wage reform as well as the education law. Lower government expenditures and higher revenues generated mainly through the VAT rise brought the budget deficit to 6.5% of GDP in 2010, from 7.4% in 2009. However, public sector arrears remained an unresolved issue in 2010.

Public debt continued to rise in 2010, reaching 36% of GDP, up from 30% of GDP in 2009.

Annual **CPI inflation** rose to 8% at the end of 2010, largely reflecting the price increases due to the VAT rise. Demand-side inflationary pressure remained weak throughout 2010 as consumers' purchasing power was subdued. Real wage growth was negative by a large margin in the second half of the year as nominal wage growth failed to match the increase in inflation. Mild supply-side inflationary pressure emerged at the end of 2010, as global commodity prices embarked on an upward trend. The monetary policy stance of the Romanian authorities continued to remain loose in 2010. Over the year, the Monetary Policy Council reduced the NBR benchmark **interest rate** by a cumulative 175 basis points, from 8% to 6.25%.

In 2010, the RON marginally rose against the EUR but fell against the USD. Exchange rate volatility continued to diminish in 2010, with annual changes of the RON/EUR average monthly rates ranging between -4.6% and 1.6%. Reduced uncertainty in foreign exchange markets and macroeconomic stabilization reduced the variation in the exchange rate.

Q3/10	Q4/10	Q4/09	Δ%	European Central Bank average FX-rates	2010	2009	Δ%
4.255	4.289	4.268	0	Average EUR/RON FX-rate	4.212	4.240	(1)
3.298	3.160	2.888	9	Average USD/RON FX-rate	3.185	3.048	4
1.291	1.358	1.478	(8)	Average EUR/USD FX-rate	1.326	1.395	(5)

Stock watch

Evolution of Petrom share price, BET, ROTX and BET-NG indices (January – December 2010)



In Q4/10, Petrom's share price had a stable performance compared to the previous quarter, overall in line with the local capital market's overall performance. After reaching its quarterly maximum of RON 0.3400 on November 5, the Petrom share price decreased to record its quarterly low of RON 0.3220 on November 26. The share price closed the year at RON 0.3350 on December 30, a marginal decrease of 1.5% in comparison with the closing price at the end of Q3/10 (RON 0.3400/share on September 30). In the same time frame, BET, the reference index for the BSE market, decreased by 1.3%, while BET-NG, the energy and utilities sector index, increased by 0.7%.

ISIN: ROSNPPACNOR9	Market capitalization, December 30 ¹	RON 18.9 bn
Bucharest Stock Exchange: SNP	Market capitalization, December 30	EUR 4.4 bn
Reuters: SNPP.BX	Closing price, December 30 (RON/share)	0.3350
Bloomberg: SNP RO	Year's high, April 9 (RON/share)	0.3660
	Year's low, January 4 (RON/share)	0.2520
	Number of shares	56,644,108,335

¹ December 30, was the last day of trading on BSE

Abbreviations and definitions

AGM	Annual General Meeting
ANRE	Romanian Energy Regulatory Authority
ANRM	National Agency for Mineral Resources
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
Co&O	Corporate and Other
CAPEX	Capital expenditure
CCPP	Combined-cycle power plant
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
E&P	Exploration and Production
EPS	Earnings per share
EUR	Euro
FX	Foreign Exchange
G&P	Gas and Power
GDP	Gross Domestic Product
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, Commerce and Business Environment
mn	million
LTI	Lost Time 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
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
Transelectrica	The Romanian Transmission and System Operator which plays a key role in the Romanian electricity market.
TOC	Tasbulat Oil Corporation
VAT	Value Added Tax
USD	United States dollar

Appendix 1

Consolidated companies in Petrom Group at December 31, 2010

Parent company			
OMV Petrom S.A.			
Subsidiaries			
EXPLORATION & PRODUCTION		REFINING & MARKETING	
Tasbulat Oil Corporation LLP (Kazakhstan)	100.00%	ICS Petrom Moldova S.A. (Republic of Moldova)	100.00%
Korned LLP (Kazakhstan)	100.00%	Petrom LPG S.A. (Romania)	99.99%
Kom Munai LLP (Kazakhstan)	95.00%	OMV Petrom Marketing S.R.L. (Romania) ¹	100.00%
Petrom Exploration & Production Ltd.	50.00%	OMV Bulgaria OOD (Bulgaria)	99.90%
		OMV Srbija DOO (Serbia)	99.90%
GAS & POWER		Aviation Petroleum S.R.L. (Romania)	100.00%
OMV Petrom Gas S.R.L. ²	99.99%	Petrom Aviation S.A. (Romania)	100.00%
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%

¹ Formerly named OMV Romania Mineraloel S.R.L. (name changed as of March 17, 2010)

² Formerly named Petrom Gas S.R.L. (name changed as of March 1, 2010)

Associated company, accounted for at equity

Congaz S.A. (Romania)	28.59%
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Next release:

The next results announcement for January - March 2011 will be released on May 11, 2011, presenting Petrom Group consolidated results prepared according to IFRS.