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## Petrom Group: solid results<sup>1</sup> for Q4 and January – December 2011 reflect improved operating performance underlined by continuous investments and a favorable price environment

- **Clean Q4/11 results up compared to Q4/10:** Petrom Group's clean CCS EBIT was 76% higher, supported by a favorable crude price environment and continuously high investments; clean CCS net income attributable to stockholders is up 65% to RON 1,282 mn
- **Sustained investments and operational efforts led to excellent operational performance:** stabilized production volumes in Romania; exploration efforts increasingly bear fruit; good progress with the power projects development as we marked our entry into the power business
- **Outlook for 2012:** E&P will focus on further stabilizing production volumes and the progress of exploration initiatives; increased focus on G&P with full commercial operation of the Brazi power plant now anticipated for H2/12; R&M will continue operational optimization and progress of the Petrobrazi modernization program

**Mariana Gheorghe, CEO of OMV Petrom S.A.:** "We look back at 2011 as a year of external challenges but strong financial results and outstanding operational performance. This was the result of high investment efforts, effective cost and operational management but also supportive crude prices. We managed to stabilize hydrocarbon production volumes in Romania and we are pleased by our positive exploration developments in Romania. We renewed exploration licenses and had successful results: potentially largest onshore gas discovery in recent years (exploration well Totea) and encouraging first data from deep offshore drilling early this year (joint venture with ExxonMobil). 2011 marked our entry into the power business, as we started commercial operations at the wind power park Dorobantu. We also successfully completed construction of the Brazi gas fired power plant; however, full commercial operation is now anticipated for H2/12. Despite the subdued retail market demand, 2011 was the first year after privatization with a positive clean CCS operational result in R&M, supported by improved underlying operational performance in refining. Our focus remains on efficiency and sound financial discipline to maintain our business sustainability and achieve our growth potential. We stay committed to remaining a pillar of stability and a solid contributor to the economic growth of Romania."

Q3/11	Q4/11	Q4/10	Δ%	Key performance indicators (in RON mn)	2011	2010	Δ%
1,338	1,182	974	21	EBIT	4,936	2,986	65
1,357	1,822	1,085	68	Clean EBIT	5,787	3,537	64
1,306	1,710	972	76	Clean CCS EBIT <sup>2</sup>	5,475	3,325	65
1,175	838	781	7	Net income attributable to stockholders <sup>3</sup>	3,757	2,201	71
1,148	1,282	779	65	Clean CCS net income attributable to stockholders <sup>2,3</sup>	4,206	2,457	71
0.0207	0.0148	0.0138	7	EPS (RON)	0.0663	0.0389	70
0.0203	0.0226	0.0138	64	Clean CCS EPS (RON) <sup>2</sup>	0.0743	0.0434	71
1,477	1,682	2,065	(19)	Cash flow from operations	6,442	4,630	39
-	-	-	n.a.	Dividend per share (RON)	n.a. <sup>4</sup>	0.0177	n.a.

<sup>1</sup> The financials are unaudited and represent Petrom Group's (herein after also referred to as "the Group") preliminary consolidated results prepared according to IFRS; all the figures refer to Petrom Group, unless otherwise stated; financials are expressed in RON mn 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

<sup>2</sup> Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from R&M

<sup>3</sup> After deducting net income attributable to non-controlling interests

<sup>4</sup> Proposal to the Annual General Meeting currently under consideration

## Significant events in Q4/11

On **October 1**, Petrom started commercial operations at the wind park Dorobantu. The wind park has an installed capacity of 45 MW and is located in Dobrogea, an area with a high wind potential.

On **November 2**, Petrom announced having started test exploitation of the 4539 Totea well. The initial production stood at around 3,200 boe/day, accounting for approx. 3% of Petrom's daily gas production. At this moment, the 4539 Totea well is the largest onshore gas and condensate well in Romania in terms of production volume.

On **November 16**, Petrom received a statement of objections from the Romanian Competition Council concerning an alleged breach of antitrust regulations with respect to the withdrawal of the retail product Eco Premium from the Romanian fuels market. Subsequently, Petrom and OMV Petrom Marketing SRL (100% subsidiary of Petrom) were informed by the Competition Council about the outcome of the

antitrust investigation, resulting in a fine of RON 366,530,965 on Petrom and an additional RON 137,288,031 on OMV Petrom Marketing SRL. Both companies strongly believe that the fines imposed are not justified and will challenge the Competition Council's decision in the courts.

On **November 23**, Petrom announced having contracted a multi-currency revolving credit facility amounting to EUR 930 mn with a tenor of three years and a possibility of prolongation for two more consecutive years. This loan replaces the credit facilities amounting to EUR 875 mn contracted in 2008 and 2009, which were due in 2012 and not utilized at the date of replacement. The credit will be used for general corporate purposes including financing the current investment program. The initial margin is set at 190 bps p.a. over the relevant reference rate.

## Outlook 2012

We expect the average oil price for 2012 to be above USD 100/bbl and the Brent-Urals spread to remain tight.

The performance of the Romanian economy will depend on both external economic conditions as well as on the successful implementation of the appropriate domestic economic policies. Although economic growth is forecast at 1.5% in 2012 there are significant downside risks to this projection. This year's parliamentary elections could raise political risk and this might have an undesired effect on the country's macroeconomic performance and reforms. The consolidation of public debt together with continuing efforts to reduce the public sector deficit and further advance structural reforms should remain government priorities for 2012.

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining a sound financial position, with CAPEX plans for 2012 being around EUR 1 bn. Furthermore, based on the strong preliminary results and financial position, we take into consideration the allocation of dividends for 2011. The Company's investment budget and dividend allocation are subject to further approval by the General Meeting of Shareholders, on April 27, 2012. To protect the company's cash flow in 2012 and support this year's investment program, Petrom entered into new oil price swaps in 2011, locking in a Brent price of approx. USD 101.0/bbl for a production volume of 30,000 bbl/d for 2012.

In **E&P**, our main objective is to further stabilize production volumes and unlock E&P potential, mainly through field redevelopment projects, production optimization and exploration. Moreover, our focus

will be on continued strict cost management and further streamlining the organization.

In Romania, optimization of oil and gas production will be achieved by applying the latest technologies as well as through partnerships with other operators in selected fields. We will further progress the redevelopment of our key oil fields, mainly focusing on water and steam injection. By setting up additional gas field redevelopment projects, we will continue to optimize the gas production systems and modernize facilities and equipment in selected major fields.

Concerning exploration, our aim is to unlock the deep onshore and deepwater offshore exploration potential. Together with ExxonMobil Exploration and Production Romania Limited, we will finalize drilling the first deep water exploration well in the Romanian sector of the Black Sea, located in the Neptun block.

Furthermore, in 2012 we pursue the appraisal of the Totea field, which might confirm the most important onshore gas discovery in Romania in the past six years.

In Kazakhstan, we focus our efforts on the Komsomolskoe field through artificial lift installation, water injection and drilling additional producer wells. Furthermore, we will pursue a field re-development plan in the TOC fields (Tasbulat, Turkmenoi, Aktas).

In **G&P**, we maintain an increased focus on the Brazi power plant where full commercial operation is now anticipated for the second half of 2012. The start-up of the gas-fired power plant in Brazi and the already active wind farm in Dorobantu will mark 2012 as Petrom's first operational year in the power business. Further to recent changes in gas legislation, the Brazi power plant must be supplied with "basket gas". As such, Petrom must partly import gas for the power plant rather than use its own natural gas production, imposing a substantial financial burden on the G&P

segment's profitability. As regards the liberalization of gas and electricity prices, we will closely follow the regulatory requirements as outlined by the IMF/EU and the Romanian Government, to be reflected in the implementation of the EU Third Energy Package (unbundling) in Romania.

In **R&M**, we will continue our efforts concerning stringent cost management and optimization of the underlying operational performance of the business. Refining margins, while expected to improve from the lows in 2011 due to capacity reductions, will remain under pressure. Marketing margins and volumes are

also anticipated to be challenged by the high crude prices and weak economic environment in our operating region.

At Petrobrazi, we aim to finalize the modernization of the crude vacuum distillation unit by mid-2012, thus improving refinery utilization and product yields and enabling the processing of 100% of Romanian crude production. A six-week planned shutdown is scheduled for the second quarter in order to commission the modernization project.

## At a glance

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
5,953	6,390	5,458	17	Sales <sup>1</sup>	22,614	18,616	21
1,344	1,461	720	103	EBIT E&P <sup>2</sup>	5,236	3,012	74
12	113	185	(39)	EBIT G&P	149	164	(9)
185	(376)	(123)	206	EBIT R&M	(187)	106	n.m.
(16)	(31)	(51)	(39)	EBIT Co&O	(79)	(135)	(42)
(187)	15	242	(94)	Consolidation	(183)	(161)	14
<b>1,338</b>	<b>1,182</b>	<b>974</b>	<b>21</b>	<b>EBIT Group</b>	<b>4,936</b>	<b>2,986</b>	<b>65</b>
1,364	1,547	811	91	Clean EBIT E&P <sup>2,3</sup>	5,432	3,544	53
12	114	192	(41)	Clean EBIT G&P <sup>3</sup>	150	172	(13)
133	61	(233)	n.m.	Clean CCS EBIT R&M <sup>3</sup>	152	(104)	n.m.
(16)	(28)	(41)	(31)	Clean EBIT Co&O <sup>3</sup>	(76)	(125)	(40)
(187)	15	242	(94)	Consolidation	(183)	(161)	14
<b>1,306</b>	<b>1,710</b>	<b>972</b>	<b>76</b>	<b>Clean CCS EBIT<sup>3</sup></b>	<b>5,475</b>	<b>3,325</b>	<b>65</b>
1,395	1,081	902	20	Income from ordinary activities	4,609	2,605	77
1,176	838	779	8	Net income	3,759	2,190	72
1,175	838	781	7	Net income attributable to stockholders <sup>4</sup>	3,757	2,201	71
1,148	1,282	779	65	Clean CCS net income attributable to stockholders <sup>3,4</sup>	4,206	2,457	71
0.0207	0.0148	0.0138	7	EPS (RON)	0.0663	0.0389	70
0.0203	0.0226	0.0138	64	Clean CCS EPS (RON) <sup>3</sup>	0.0743	0.0434	71
1,477	1,682	2,065	(19)	Cash flow from operations	6,442	4,630	39
0.0261	0.0297	0.0365	(19)	CFPS (RON)	0.1137	0.0817	39
2,160	1,955	2,299	(15)	Net debt	1,955	2,299	(15)
11	9	12	(23)	Gearing (%)	9	12	(23)
1,251	1,873	1,887	(1)	Capital expenditures	4,803	4,863	(1)
-	-	-	n.a.	Dividend per share	n.a. <sup>5</sup>	0.0177	n.a.
-	-	-	n.a.	ROFA (%)	18.8	12.5	50
-	-	-	n.a.	ROACE (%)	17.3	10.7	61
-	-	-	n.a.	ROE (%)	19.0	12.6	51
23,463	22,912	24,662	(7)	Petrom Group employees at the end of the period	22,912	24,662	(7)

<sup>1</sup> Sales excluding petroleum excise tax

<sup>2</sup> Excluding intersegmental profit elimination shown in the line "Consolidation"

<sup>3</sup> Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from R&M

<sup>4</sup> After deducting net income attributable to non-controlling interests

<sup>5</sup> Proposal to the Annual General Meeting currently under consideration

## Exploration and Production (E&P)

Q3/11	Q4/11	Q4/10	Δ%	In RON mn	2011	2010	Δ%
3,002	2,979	2,404	24	Segment sales	11,743	9,534	23
1,344	1,461	720	103	EBIT <sup>1</sup>	5,236	3,012	74
(19)	(87)	(91)	(5)	Special items	(195)	(532)	(63)
1,364	1,547	811	91	Clean EBIT <sup>1</sup>	5,432	3,544	53

Q3/11	Q4/11	Q4/10	Δ%	Key performance indicators	2011	2010	Δ%
16.93	17.08	16.99	1	Total hydrocarbon production (mn boe)	67.77	67.08	1
184,000	186,000	185,000	1	Total hydrocarbon production (boe/day) <sup>2</sup>	186,000	184,000	1
8.20	8.26	8.34	(1)	Crude oil and NGL production (mn bbl)	33.08	33.34	(1)
1.34	1.35	1.32	2	Natural gas production (bcm)	5.32	5.16	3
47.24	47.74	46.75	2	Natural gas production (bcf)	187.69	182.34	3
112.57	109.12	85.30	28	Average Urals price (USD/bbl)	109.60	78.29	40
94.32	93.02	69.80	33	Average Group realized crude price <sup>3</sup> (USD/bbl)	93.30	68.72	36
164.10	153.81	156.66	(2)	Average gas price for domestic producers in Romania (USD/1,000 cbm) <sup>4</sup>	162.29	155.44	4
81	145	164	(11)	Exploration expenditure (RON mn)	436	341	28
45	37	63	(41)	Exploration expenses (RON mn)	420	187	125
16.61	15.52	18.02	(14)	OPEX (USD/boe)	16.22	16.74	(3)

<sup>1</sup> Excluding intersegmental profit elimination

<sup>2</sup> Production figures in boe/day are rounded

<sup>3</sup> Realized price includes hedging result

<sup>4</sup> For detailed information see G&P section on page 6

### Fourth quarter (Q4/11)

- ▶ **Operating performance supported by the favorable crude price environment and strict cost management**
- ▶ **Group oil and gas production increased by 1% compared to Q4/10; stabilized production volumes in Romania over the same period**
- ▶ **Positive exploration developments: record time test exploitation of exploration well 4539 Totea and start of exploration drilling on the first deepwater exploration well in the Neptun block**
- ▶ **Reserve replacement rate in Romania maintained at 70% for the fourth consecutive year**

In Q4/11, results were mainly driven by a favorable crude price environment as the **average Urals crude price** reached USD 109.12/bbl, 28% above the Q4/10 level. The **average Group realized crude price** increased by 33% to USD 93.02/bbl, reflecting the lower loss from hedging.

**Clean EBIT** increased by 91% compared to Q4/10, to RON 1,547 mn, mainly driven by a significant increase in crude prices, lower production costs, a favorable FX effect due to stronger USD against RON and lower losses from hedging. The result from hedging had a negative impact on EBIT of RON (95) mn, but still below the negative result of RON (120) mn recorded in Q4/10. The fourth quarter reported **EBIT** of RON 1,461 mn also reflected net special charges of RON (87) related mainly to the impairment of obsolete materials.

**Exploration expenditure** decreased by 11% compared to Q4/10, amounting to RON 145 mn. Exploration expenses decreased by 41% compared to the same period of 2010, to RON 37 mn, due to a higher exploration success rate in 2011.

In October 2011, Petrom started test exploitation of the 4539 Totea well. Daily production amounted to around 430,000 cbm of gas and 58 tons of condensate accounting for approximately 3% of Petrom's daily gas production. At this moment, the 4539 Totea well is the largest onshore gas and condensate well in Romania in terms of production volume.

Together with our joint venture partner, ExxonMobil, we started exploration drilling on Domino-1, the first deepwater exploration well in the Neptun block with encouraging information. By February 3, 2012, the well indicated the presence of hydrocarbons (natural gas).

In Q4/11, the drilling program in Romania comprised 48 new wells, compared to 49 new wells in Q4/10. **Group production costs** in USD/boe decreased by 14% compared to Q4/10 mainly due to cost saving measures and positive FX effect (USD stronger against RON by 2%). Production costs in Romania decreased by 11% compared to Q4/10 level to reach USD 15.19/boe, mainly due to strict cost management and the stronger USD against RON. In the fourth



quarter, production costs in Romania expressed in RON terms decreased by 8%, to RON 49.17/boe from RON 53.70/boe in Q4/10.

**Group oil, gas and NGL production** in Q4/11 amounted to 17.08 mn boe, slightly above the Q4/10 level (16.99 mn boe), as a consequence of increased production in Kazakhstan. **Total oil, gas and NGL production in Romania** stood at 15.97 mn boe, the same level as in Q4/10. Domestic crude oil production was maintained at 7.33 mn bbl, broadly at the same level as Q4/10, on the back of successful drilling and workover campaigns. Domestic gas production reached 8.65 mn boe, slightly exceeding Q4/10 (8.57 mn boe), driven by the production from new wells, the workover program and additional production from the exploration well 4539 Totea. In Q4/11, **oil and gas production in Kazakhstan** increased by 12% compared to the same period of 2010, mainly due to higher gas production in the Tasbulat and Turkmenoi fields.

**Compared to Q3/11**, clean EBIT increased by 13% in Q4/11, mainly due to the stronger USD against RON

### January – December 2011

In 2011, results were driven by the favorable crude price environment as the **average Urals crude price** reached USD 109.60/bbl, 40% above 2010. The **average Group realized crude price** increased by only 36% to USD 93.30/bbl, reflecting the negative hedging result.

**Clean EBIT** went up 53% compared to 2010 to RON 5,432 mn, on the back of the increased oil price and lower production costs, which more than offset the negative effects from hedging and unfavorable FX effect due to the weaker USD against RON. The impact of hedging on EBIT amounted to RON (404) mn, compared to the negative level of RON (6) mn recorded in 2010. Reported **EBIT** in 2011 reached RON 5,236 mn and included special items totaling RON (195) mn, mainly related to impairment of the Kultuk exploration license in Kazakhstan (booked in Q2/11), the impairment of subsea equipment related to a previous review of the Delta offshore field development (booked in Q3/11) and impairment of obsolete materials in Q4/11.

**Exploration expenditure** increased by 28% compared to 2010, amounting to RON 436 mn, as a result of higher onshore activities and the spud of the first deep water exploration well, in partnership with ExxonMobil Exploration and Production Romania Limited in December 2011. In 2011, exploration expenses were RON 420 mn, more than double 2010 levels, due to the write-off of eight unsuccessful exploration wells in Romania and the impairment of the Kultuk exploration license in Kazakhstan.

In 2011, **Group production costs** in USD/boe decreased by 3% against 2010 to USD 16.22/boe. Main drivers were overall lower production costs in nominal terms due to cost savings and higher production volumes in Kazakhstan, partly counterbalanced by the unfavorable FX effect (USD weakened by 4% against the RON). Production costs in Romania expressed in USD terms decreased by 1%

as well as lower losses from hedging of RON (95) mn (RON (119) mn in Q3/11), partly counterbalanced by the lower oil price. Group production costs in USD/boe decreased by 7%, mainly due to the positive FX effect (USD stronger by 7% against RON). The Group's result was also helped by the higher production volumes in Romania and Kazakhstan, which fully compensated for the slightly higher production costs in nominal terms. Production costs in Romania decreased by 6% compared to the Q3/11 level to USD 15.19/boe, also driven by the favorable FX rate and higher production volumes. In Q4/11, domestic production costs in RON terms increased by 1%, to RON 49.17/boe, compared to the previous quarter (RON 48.84/boe). Group oil, gas and NGL production increased by 1% compared to Q3/11. In Romania, total oil, gas and NGL production was slightly higher than in Q3/11. In Q4/11, sales volumes decreased by 3% compared to Q3/11.

to USD 15.85/boe, triggered by strict cost management despite the unfavorable FX effect (stronger domestic currency). Domestic production costs in RON terms dropped by 5%, to RON 48.35/boe from RON 51.12/boe in 2010.

**Group oil, gas and NGL production** in 2011 totaled 67.77 mn boe, 1% higher compared to 2010. **Total oil, gas and NGL production in Romania** stabilized at 63.41 mn boe compared to previous year. Crude oil production was 29.31 mn bbl, 2% lower than in 2010, as the natural decline was not fully compensated by new wells drilled and the workover program. Gas production reached 34.1 mn boe, 2% higher compared to 2010. The increase was determined by successful workover activities and production start of key development wells like the offshore well G10, located at the Lebada East field and the exploration well 4539 Totea. **Oil and gas production in Kazakhstan** increased by 20% to 4.36 mn boe in 2011 from 3.62 mn boe in 2010, mainly due to increased gas production at the Tasbulat and Turkmenoi fields. In 2011, Group sales volumes increased by 1%, compared to 2010.

In 2011, 142 new development and exploration wells were drilled, similar to 2010.

Continuous revisions of mature fields and the achievement of the drilling program, combined with diversification of the recovery mechanisms applied in 2011, led to the reserve replacement rate in Romania being maintained at 70% for the fourth consecutive year. The Petrom Group reserve replacement rate increased to 70% in 2011 from 67% in 2010 due to reserves revisions in Romania and Kazakhstan.

At the end of 2011, the Group's total **proved oil and gas reserves** amounted to 812 mn boe (Romania: 786 mn boe), while the proved and probable oil and gas reserves amounted to 1,126 mn boe (Romania: 1,083 mn boe).

## Gas and Power (G&P)

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
653	1,184	1,081	10	Segment sales	3,627	3,065	18
12	113	185	(39)	EBIT	149	164	(9)
0	(1)	(7)	(80)	Special items	(1)	(8)	(82)
12	114	192	(41)	Clean EBIT	150	172	(13)

Q3/11	Q4/11	Q4/10	Δ%	Key performance indicators	2011	2010	Δ%
884	1,518	1,662	(9)	Consolidated gas sales (mn cbm)	5,055	4,917	3
164	154	157	(2)	Average gas price for domestic producers in Romania (USD/1,000 cbm)	162	155	4
495	495	495	0	Average gas price for domestic producers in Romania (RON/1,000 cbm)	495	495	0
473	481	376	28	Import gas price (USD/1,000 cbm) <sup>1</sup>	438	360	22

<sup>1</sup> 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 November 2011, hence the Q4/11 and 2011 figures are Petrom's estimates.

### Fourth quarter (Q4/11)

- **Consolidated gas sales volumes 9% lower than in Q4/10 due to warmer weather**
- **Despite margin improvement in Q4/11, EBIT was affected by ANRE order enforcing gas basket consumption to internal non-technological usage**
- **Entry into power business - Dorobantu wind park started commercial operations in October**
- **Completion of Brazi power plant construction according to plan; final tests interrupted due to external technical factors**

In Q4/11, natural gas consumption in Romania slightly increased by 2% as compared to the same period of the previous year, while Petrom's **consolidated gas sales** volumes decreased by 9%, due to lower sales to distribution companies, generated by warmer weather in Q4/11 than in Q4/10. This led to a reduction in domestic gas volumes extracted from storage compared to the previous year.

**Clean EBIT** generated by the G&P business in Q4/11 decreased compared to Q4/10. Despite overall improved margin in Q4/11, the ANRE order enforcing gas basket consumption to internal non-technological usage continued to negatively affect the gas business of Petrom due to the higher import prices and higher import quota for industrial sector. Moreover, Q4/10 G&P clean EBIT was positively influenced by a significant reversal of provisions for outstanding receivables in amount of RON 70 mn.

The domestic gas price recognized by ANRE remained unchanged at RON 495/1,000 cbm (or the equivalent USD 154/1,000 cbm). The actual import price, which was retrospectively published by ANRE for October-November 2011, averaged USD 481/1,000 cbm.

In Q4/11, the average **import quota** set by ANRE for the non-household sector stood at 31.5% (with a maximum of 39.5% in December), while in Q4/10 the import quota for the Romanian gas market averaged 20% (with a maximum of 23% in December).

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

In Q4/11, the construction of the power plant in Brazi was successfully completed according to plan, however, final tests were interrupted due to external technical factors. As a consequence, a cleaning operation on some of the power plant's ancillary equipment, the gas supply pipeline and the gas metering station was initiated and is currently in progress.

The **wind park Dorobantu** (45 MW) started commercial operation in October 2011, marking Petrom's entry into the power business. Petrom received 33,050 green certificates for the 20,848 MWh of power generated by Dorobantu, which were used to cover the regulated quota for the electricity consumption of Petrom Group.

**Compared to Q3/11**, clean EBIT significantly increased, reflecting the higher sales volumes. Petrom's consolidated sales volumes seasonally increased by 72%, while Romanian total consumption increased by 106% compared to Q3/11. The increase of Petrom gas sales was lower than the market due to lower sales to industrial customers.

## January – December 2011

In 2011, Petrom's **consolidated gas sales** increased by 3% compared to 2010, in line with the increase in total gas consumption in Romania, due to higher sales to industrial customers. This increase was supported by additional domestic gas volumes available for sale as a result of Petrom's higher gas production in Romania (+2%), lower injection of domestic volumes into storage and lower internal consumption due to the final shut-down of the Doljchim fertilizer plant and the Arpechim refinery.

At the end of December 2011, Petrom's total volume of natural gas in storage amounted to 406 mn cbm, compared to 275 mn cbm at the end of December 2010.

**Clean EBIT** generated by the G&P business decreased compared to 2010. The gas business was mainly affected by the increased cost of gas supply, due to the 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. Nevertheless, the negative result in Doljchim in 2011 was reduced, due to the ongoing closure process.

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 regulations have temporarily frozen the gas price for households until the end of March 2012, while implementing three consecutive increases in gas prices for non-households (10% in July 2011, 8% in October 2011 and an additional 5% starting January 2012) to accommodate a higher import quota than that applicable for the former gas basket and higher import gas prices. The price for the domestic component of the gas basket recognized by ANRE remained unchanged since February 2008 and has not been adjusted even to reflect the inflation since then.

## Refining and Marketing (R&M)

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
5,239	5,255	4,427	19	Segment sales	18,957	15,176	25
185	(376)	(123)	206	EBIT	(187)	106	n.m.
0	(550)	(3)	n.m.	Special items	(651)	(1)	n.m.
52	112	114	(2)	CCS effect: Inventory holding gains/(losses) <sup>1</sup>	312	212	48
133	61	(233)	n.m.	Clean CCS EBIT <sup>1</sup>	152	(104)	n.m.

Q3/11	Q4/11	Q4/10	Δ%	Key performance indicators	2011	2010	Δ%
(2.70)	(4.62)	0.69	n.m.	Indicator refining margin (USD/bbl) <sup>2</sup>	(2.40)	0.33	n.m.
0.84	1.00	1.05	(5)	Refining input (mn t) <sup>3</sup>	3.79	4.15	(9)
69	83	49	71	Utilization rate refineries (%) <sup>4</sup>	79	49	63
0.82	0.91	1.04	(12)	Refining output (mn t) <sup>5</sup>	3.58	3.78	(5)
1.42	1.37	1.51	(9)	Total refined product sales (mn t) <sup>6</sup>	5.23	5.47	(4)
1.14	1.10	1.08	2	thereof Marketing sales volumes (mn t) <sup>7</sup>	4.07	4.16	(2)
795	793	801	(1)	Marketing retail stations	793	801	(1)

<sup>1</sup> Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from R&M caused by increasing/decreasing crude oil prices

<sup>2</sup> 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.

<sup>3</sup> Figure includes crude and semi-finished products, in line with OMV Group reporting standard.

<sup>4</sup> As of Q1/11, the Arpechim refinery is no longer reflected in the calculation. Prior periods have not been restated.

<sup>5</sup> Represents Refining sales volumes excluding traded goods sourced externally by Refining.

<sup>6</sup> Includes all products sold by Petrom Group.

<sup>7</sup> Excludes export sales which are included in total refined product sales.

### Fourth quarter (Q4/11)

- ▶ **R&M result burdened by the provision booked for the fine imposed by the Competition Council**
- ▶ **Restructuring of the Arpechim business is in final stages**
- ▶ **Deteriorated refining margins due to lower product cracks in a high crude price environment**
- ▶ **Total marketing sales volumes increased by 2% against Q4/10 driven by higher commercial sales; Group retail sales decreased by 6%, due to still weak demand**

**Segment sales** increased by 19% compared to Q4/10 driven by higher price levels.

**Clean CCS EBIT** came in positive, against the negative result in Q4/10, due to improved operational performance and stringent cost management, which more than offset the overall lower margins and volumes in a tight market environment. In addition, net special charges of RON (550) mn and positive CCS effects of RON 112 mn led to RON (376) mn of reported EBIT. Net special charges recorded in Q4/11 mainly relate to the provision booked for the fine imposed as a result of an antitrust investigation regarding the withdrawal of the retail product Eco Premium by the Competition Council (totaling RON 504 mn) and the impairment of LPG related assets. The restructuring of the Arpechim business, including employees' restructuring process, is in its final stages with ongoing measures in order to enable its further utilization as a terminal of selected assets (mainly logistic facilities) within the R&M downstream

operations. With regards to the remaining assets, we continue to prepare for the permanent closure as approved by the Supervisory Board in March 2011 while, at the same time, pursuing discussions with the Ministry of Economy, Commerce and Business Environment regarding their expressed intention to take over the refinery related assets.

**The indicator refining margin** stood at USD (4.62)/ bbl in Q4/11 compared to USD 0.69 /bbl in Q4/10. Although middle distillates crack spreads were higher in Q4/11 compared to the similar period of last year, the overall refining margin level deteriorated due to the higher cost of crude as a result of increased crude oil prices and lower spreads for gasoline and LPG.

**The utilization rate** of the refinery Petrobrazi stood at 83%, slightly below the level in Q4/10 (86%). Following the Supervisory Board decision to permanently close the Arpechim refinery, the utilization rate reflects only the Petrobrazi refinery utilization, starting Q1/11. The overall utilization rate



during the same period last year stood at 49%, as the Arpechim refinery did not operate. The total quantity of **refining input** was 5% lower compared to Q4/10.

Total **refining output** in Q4/11 was 12% below that in Q4/10 whilst **total refined product sales** were 9% below, due to adverse market conditions.

**Total group marketing sales volumes** stood at 1,099 kt, 2% above Q4/10, as a result of higher commercial sales which fully offset the decrease in Group retail sales. Group retail sales represented 58% of total group marketing sales and decreased by 6% compared to Q4/10, slightly below the market, as demand was still subdued due to the continued weakness in purchasing power. Overall, Group

commercial sales volumes increased by 15% compared to Q4/10, driven by higher diesel, bitumen and heavy fuel oil sales. The total number of **retail stations** within the Group as of end of December 2011 decreased by 1% compared to Q4/10, mainly due to retail network optimization in the Republic of Moldova.

**Compared to Q3/11**, clean CCS EBIT decreased considerably despite stringent cost management, reflecting worse refining margins due to lower cracks for gasoline and lower marketing result. The marketing business was burdened by seasonally lower retail volumes and margins which could not be offset by the improved commercial result.

## January – December 2011

**Segment sales** increased by 25% due to higher price levels compared to 2010, despite lower quantities sold.

**Clean CCS EBIT** came in positive at RON 152 mn, better than the RON (104) mn in the previous year, as the improved cost and operational performance fully offset the lower refining margins triggered by increased crude oil prices. Net special charges totaled RON (651) mn, mainly relating to Arpechim closure costs, booked in Q1/11, the provision set up for the fine received from the Competition Council, and the impairment of LPG related assets in Q4/11.

The indicator **refining margin** was below the 2010 level as the higher gasoline and middle distillates cracks were more than offset by higher cost of crude driven by the significant increase in crude oil prices.

During 2011, a high **utilization rate** was maintained at the Petrobrazî refinery (79%). In contrast, the

Petrobrazî utilization rate during 2010 stood at 70% as the refinery was stopped for one month in Q2/10 in order to perform the planned cycle-end turnaround. During 2010, the overall utilization rate for both Petrobrazî and Arpechim stood at 49%, with Arpechim in use for approximately three months. Total **refining output** was down 5% compared to 2010.

Despite significant cost savings achieved in 2011, the clean **marketing** result was lower compared to 2010, as margins and volumes were negatively affected, mainly in the retail business, by the still weak economic environment with subdued demand.

## Financial highlights

### Group interim financial statements and notes (condensed, unaudited)

#### Legal principles and general accounting policies

The condensed consolidated financial statements for 2011 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, 2011 is presented in the Appendix 1 to the current report.

#### Changes in the consolidated Group

As of December 1, 2011, the activities of Aviation Petroleum S.R.L. were merged into Petrom Aviation S.A., both companies from Romania. Wind Power Park S.R.L. changed its name into OMV Petrom Wind Power S.R.L. as of November 7, 2011.

#### 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.

Q3/11	Q4/11	Q4/10	Δ%	NBR FX rates	2011	2010	Δ%
4.276	4.335	4.288	1	Average EUR/RON FX rate	4.238	4.211	1
3.096	3.216	3.155	2	Average USD/RON FX rate	3.048	3.180	(4)
4.322	4.320	4.285	1	Closing EUR/RON FX rate	4.320	4.285	1
3.163	3.339	3.205	4	Closing USD/RON FX rate	3.339	3.205	4

## Income statement (unaudited)

Q3/11	Q4/11	Q4/10	Consolidated statement of income in RON mn	2011	2010
5,952.54	6,390.03	5,457.57	Sales revenues	22,613.65	18,615.69
(160.53)	(133.60)	(118.59)	Direct selling expenses	(564.14)	(436.61)
(3,938.26)	(4,145.00)	(3,747.59)	Production costs of sales	(14,320.74)	(12,790.98)
<b>1,853.75</b>	<b>2,111.43</b>	<b>1,591.39</b>	<b>Gross profit</b>	<b>7,728.77</b>	<b>5,388.10</b>
106.73	123.47	163.87	Other operating income	432.51	513.85
(292.60)	(356.64)	(310.93)	Selling expenses	(1,160.71)	(1,218.63)
(64.62)	(55.72)	(56.76)	Administrative expenses	(237.36)	(231.17)
(44.60)	(37.00)	(62.69)	Exploration expenses	(420.25)	(186.59)
(220.37)	(603.85)	(351.15)	Other operating expenses	(1,407.20)	(1,280.05)
<b>1,338.29</b>	<b>1,181.69</b>	<b>973.73</b>	<b>Earnings before interest and taxes (EBIT)</b>	<b>4,935.76</b>	<b>2,985.51</b>
(0.02)	(1.71)	(0.73)	Income from associated companies	3.12	6.72
(60.34)	(158.52)	(113.46)	Net interest expense	(332.88)	(537.00)
117.16	59.53	41.98	Other financial income and expenses	2.59	150.09
<b>56.80</b>	<b>(100.70)</b>	<b>(72.21)</b>	<b>Net financial result</b>	<b>(327.17)</b>	<b>(380.19)</b>
<b>1,395.09</b>	<b>1,080.99</b>	<b>901.52</b>	<b>Profit from ordinary activities</b>	<b>4,608.59</b>	<b>2,605.32</b>
(218.65)	(243.08)	(122.66)	Taxes on income	(849.97)	(415.67)
<b>1,176.44</b>	<b>837.91</b>	<b>778.86</b>	<b>Net income for the period</b>	<b>3,758.62</b>	<b>2,189.65</b>
<b>1,175.28</b>	<b>837.96</b>	<b>780.65</b>	<b>thereof attributable to stockholders of the parent</b>	<b>3,756.75</b>	<b>2,201.22</b>
1.16	(0.05)	(1.79)	thereof attributable to non-controlling interests	1.87	(11.57)
<b>0.0207</b>	<b>0.0148</b>	<b>0.0138</b>	<b>Basic earnings per share in RON</b>	<b>0.0663</b>	<b>0.0389</b>

## Statement of comprehensive income (unaudited)

Q3/11	Q4/11	Q4/10	Δ %	Consolidated statement of comprehensive income in RON mn	2011	2010	Δ %
<b>1,176.44</b>	<b>837.91</b>	<b>778.86</b>	<b>8</b>	<b>Net income for the period</b>	<b>3,758.62</b>	<b>2,189.65</b>	<b>72</b>
(32.78)	(34.77)	(12.78)	172	Exchange differences from translation of foreign operations	(10.78)	(39.12)	(72)
232.21	(181.59)	66.75	n.m.	Unrealized gains/(losses) on hedges	(151.89)	215.00	n.m.
(37.15)	29.05	(10.68)	n.m.	Income tax relating to components of other comprehensive income	24.30	(34.40)	n.m.
<b>162.28</b>	<b>(187.31)</b>	<b>43.29</b>	<b>n.m.</b>	<b>Other comprehensive income for the period, net of tax</b>	<b>(138.37)</b>	<b>141.48</b>	<b>n.m.</b>
<b>1,338.72</b>	<b>650.60</b>	<b>822.15</b>	<b>(21)</b>	<b>Total comprehensive income for the period</b>	<b>3,620.25</b>	<b>2,331.13</b>	<b>55</b>
1,339.52	<b>652.14</b>	824.52	<b>(21)</b>	thereof attributable to stockholders of the parent	<b>3,619.42</b>	2,349.68	<b>54</b>
(0.80)	(1.54)	(2.37)	(35)	thereof attributable to non-controlling interests	0.83	(18.55)	n.m.

## Notes to the income statement

### Fourth quarter 2011 (Q4/11)

**Consolidated sales** in Q4/11 increased by 17% compared to Q4/10, amounting to RON 6,390 mn, mainly driven by the positive oil price environment. R&M represented 82% of total consolidated sales, G&P accounted for 16% 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 1,182 mn, 21% higher than the RON 974 mn result recorded in the same period last year, mainly driven by higher sales and lower restructuring provisions that compensated the significant negative effect generated by the RON 504 mn fine received from the Romanian Competition Council. **Clean CCS EBIT** of RON 1,710 mn is well above the RON 972 mn recorded in Q4/10. The clean CCS EBIT is stated after eliminating net special expenses of RON 640 mn and inventory holding gains of RON 112 mn.

The **net financial result** of RON (101) mn was below the net financial loss recorded in Q4/10 amounting to RON (72) mn, mainly due to higher interest charges mainly from receivables discounting.

The profit from ordinary activities amounted to RON 1,081 mn and the **corporate income tax** expense stood at RON 243 mn. **Current taxes** on the Group's income were RON 292 mn and **deferred tax** income amounted to RON 49 mn. The effective tax rate in Q4/11 was 22% (Q4/10: 14%). This increase was mainly driven by the

fine imposed by the Competition Council in Q4/11 which is not tax deductible.

**Net income attributable to stockholders** (i.e. net income attributable to **stockholders** of the parent) was RON 838 mn, above RON 781 mn in Q4/10. **Clean CCS net income attributable to stockholders** was RON 1,282 mn. **EPS** was RON 0.0148 in Q4/11, versus RON 0.0138 in Q4/10, while **clean CCS EPS** was RON 0.0226, compared to RON 0.0138 in Q4/10.

**Compared to Q3/11**, sales increased by 7%, mainly driven by seasonally higher gas sales volumes. EBIT amounted to RON 1,182 mn, 12% lower compared to Q3/11, being negatively influenced by the fine received from Competition Council. Clean CCS EBIT increased by 31%. The net financial loss of RON (101) mn was significantly below the gain recorded in Q3/11 (RON 57 mn), driven by negative FX effects and higher interest charges mainly related to receivables discounting. Further to the profit from ordinary activities, **corporate income tax** amounted to RON 243 mn (Q3/11: RON 219 mn). The **effective corporate tax rate** was 22% (Q3/11: 16%). **Net income attributable to stockholders** was RON 838 mn, lower than the Q3/11 value of RON 1,175 mn. At RON 1,282 mn, clean CCS net income attributable to stockholders also increased versus Q3/11 (RON 1,148 mn).

### January – December 2011

**Consolidated sales** for 2011 increased by 21% compared to 2010, to RON 22,614 mn, mainly driven by higher oil and fuel prices and increased gas sales volumes, partially offset by the negative impact from oil price hedges. R&M represented 83% of total consolidated sales, G&P accounted for 14% 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 4,936 mn, 65% higher than 2010, mainly driven by the favorable oil price environment, but reduced by higher exploration expenses and by higher expenses in R&M in relation with the fine received from the Competition Council.

**Clean CCS EBIT** increased to RON 5,475 mn. Clean CCS EBIT is stated after eliminating net special expenses of RON 852 mn and inventory holding gains of RON 312 mn.

The **net financial result** of RON (327) mn improved compared to 2010 (RON (380) mn). The financial result was positively influenced by lower interest costs and the lower unwinding effect for provisions, partially offset by the negative effect of lower FX gains in 2011

compared with 2010, mainly related to USD loans given by Petrom to its Kazakh subsidiaries.

As a consequence of the increase in profits from ordinary activities in 2011 to RON 4,609 mn, the **corporate tax charge** also recorded an increase. **Current taxes** on the Group's income were RON 910 mn and income from **deferred taxes** of RON 60 mn were recognized in 2011. The **effective corporate tax rate** increased to 18% (2010: 16%) as a result of higher non-deductible expenses such as the impairment of the Kultuk exploration license in Kazakhstan and the fine received from the Competition Council.

**Net income attributable to stockholders** (i.e. net income attributable to **stockholders** of the parent) was RON 3,757 mn, higher compared to 2010 (RON 2,201 mn). Minority interests were RON 2 mn compared to RON (12) mn in 2010. **Clean CCS net income attributable to stockholders** was RON 4,206 mn. **EPS** was RON 0.0663 in 2011 (2010: RON 0.0389) and **clean CCS EPS** was RON 0.0743 (2010: RON 0.0434).

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

Consolidated statement of financial position in RON mn	Dec 31, 2011	Dec 31, 2010
<b>Assets</b>		
Intangible assets	1,120.98	1,369.49
Property, plant and equipment	26,334.28	23,777.15
Investments in associated companies	40.91	40.65
Other financial assets	2,669.22	2,492.84
Other assets	48.90	45.23
Deferred tax assets	807.22	734.11
<b>Non-current assets <sup>1</sup></b>	<b>31,021.51</b>	<b>28,459.47</b>
Inventories	2,349.04	2,500.12
Trade receivables	1,825.72	1,397.98
Other financial assets	112.10	138.72
Other assets	349.79	603.08
Cash and cash equivalents	753.84	1,588.60
Non-current assets held for sale	76.44	77.29
<b>Current assets</b>	<b>5,466.93</b>	<b>6,305.79</b>
<b>Total assets</b>	<b>36,488.44</b>	<b>34,765.26</b>
<b>Equity and liabilities</b>		
Capital stock	18,983.37	18,983.37
Reserves	2,119.03	(497.79)
<b>Stockholders' equity</b>	<b>21,102.40</b>	<b>18,485.58</b>
Non-controlling interests	(25.79)	(26.54)
<b>Equity</b>	<b>21,076.61</b>	<b>18,459.04</b>
Provisions for pensions and similar obligations	195.23	297.16
Interest-bearing debts	2,173.30	3,465.51
Provisions for decommissioning and restoration obligations	5,897.65	5,917.85
Other provisions	860.09	842.32
Other financial liabilities	148.54	178.38
Deferred tax liabilities	12.27	26.70
<b>Non-current liabilities <sup>1</sup></b>	<b>9,287.08</b>	<b>10,727.92</b>
Trade payables	2,982.58	3,453.35
Interest-bearing debts	463.95	391.05
Current income tax payable	276.05	214.64
Other provisions and decommissioning	1,311.45	739.07
Other financial liabilities	479.16	302.10
Other liabilities	611.56	478.09
<b>Current liabilities</b>	<b>6,124.75</b>	<b>5,578.30</b>
<b>Total equity and liabilities</b>	<b>36,488.44</b>	<b>34,765.26</b>

<sup>1</sup> Starting with 2011, deferred tax assets and deferred tax liabilities are included in non-current assets and non-current liabilities; prior year figures have been adapted accordingly.



## Notes to the statement of the financial position as of December 31, 2011

**Capital expenditure** slightly decreased to RON 4,803 mn (2010: RON 4,863 mn) influenced by substantially lower CAPEX in G&P (since construction works at the Brazi power plant were in their final stage), compensated by higher CAPEX in E&P and R&M.

Investments in **E&P** activities (RON 3,254 mn) represented 68% of total CAPEX in 2011 and were focused on drilling development wells, workover activities and sub-surface operations, field re-development projects, production equipments, waste infrastructure, and equipment needed by E&P Services.

Approximately 11% of investments were realized in **G&P** (RON 515 mn), split almost equally between the two power projects, the Brazi power plant and construction works for the Dorobantu wind park. The wind park Dorobantu started commercial operations on October 1, 2011 and the construction of the Brazi gas fired power plant was successfully completed. However, final tests were interrupted due to external technical factors and full commercial operation is now anticipated for H2/12.

**R&M** investments (RON 980 mn) accounted for 20% of the total in 2011. Investments were mainly related to the major project in Refining, namely Petrobrazi modernization (especially for the modernization of the crude and vacuum distillation unit, the coker installation as well as the projects for site infrastructure). In addition, investment funds were directed to legal and environmental compliance, as well as for the construction of the Isalnita terminal in Romania.

CAPEX for the Corporate & Other (**Co&O**) segment was RON 54 mn, mainly referring to investments directed to IT projects.

Compared to the end of 2010, **total assets** increased by RON 1,723 mn to RON 36,488 mn at the end of 2011. The change was mainly driven by the net increase of RON 2,309 mn in property, plant and equipment and intangible assets, as the investments exceeded depreciation and impairments. This increase was partially offset by the decrease in **cash and cash equivalents** by RON 835 mn, mainly caused by loan reimbursements and dividend payments during 2011.

**Equity** increased to RON 21,077 mn as of December 31, 2011 due to the higher net profit in 2011, only partially offset by the distribution of dividends for the 2010 financial year (RON 1,003 mn). The Group's **equity ratio**<sup>1</sup> increased to 58% at the end of December 2011, 9% above the level at the end of December 2010 (53%).

**Total interest bearing** debts decreased from RON 3,857 mn at the end of December 2010 to RON 2,637 mn as of December 31, 2011 due to loan reimbursements by OMV Petrom S.A. during 2011.

The Group's liabilities other than interest bearing debts increased by RON 325 mn, mainly resulting from increases in other provisions (mainly related to the provision booked in December 2011 for the fine received from the Romanian Competition Council) as well as in financial liabilities from the fair value of hedging contracts which were only partly offset by a decrease in trade payables.

Petrom Group's **net debt**<sup>2</sup> shows a decrease to RON 1,955 mn, compared to RON 2,299 mn at the end of 2010. As of December 31, 2011, the **gearing ratio**<sup>3</sup> decreased to 9.28%, from 12.45% in December 2010, positively influenced by the net profit recorded in 2011.

<sup>1</sup> Equity ratio is calculated as  $\text{Equity} / (\text{total assets}) \times 100$

<sup>2</sup> Net debt is calculated as  $\text{interest bearing debts including financial lease liability less cash and cash equivalents}$

<sup>3</sup> Gearing ratio is calculated as  $\text{Net debt} / (\text{equity}) \times 100$

## Cash flows (unaudited)

Q3/11	Q4/11	Q4/10	Summarized statement of cash flows (in RON mn)	2011	2010
1,395.09	1,080.99	901.52	Profit before taxation	4,608.59	2,605.32
(97.24)	373.62	(74.53)	Net change in provisions	200.07	(325.37)
3.68	1.97	3.59	Losses/(gains) on the disposal of non-current assets	(4.68)	(9.48)
660.92	733.74	711.29	Depreciation, amortization including write-ups	2,830.21	2,811.62
(115.06)	19.56	(26.49)	Other adjustments	203.86	(18.31)
<b>1,847.39</b>	<b>2,209.88</b>	<b>1,515.38</b>	<b>Sources of funds</b>	<b>7,838.05</b>	<b>5,063.78</b>
(179.81)	110.19	259.26	(Increase)/decrease in inventories	33.61	4.01
(143.94)	(462.94)	(303.97)	(Increase)/decrease in receivables	(432.42)	(523.01)
176.20	132.72	620.02	(Decrease)/increase in liabilities	(53.45)	559.36
(7.39)	(81.21)	(45.82)	Net interest received/(paid)	(99.70)	(108.72)
(215.51)	(226.31)	20.41	Tax on profit paid	(844.47)	(365.60)
<b>1,476.94</b>	<b>1,682.33</b>	<b>2,065.28</b>	<b>Net cash from operating activities</b>	<b>6,441.62</b>	<b>4,629.82</b>
(1,226.03)	(1,542.58)	(1,091.11)	Intangible assets and property, plant and equipment	(5,264.87)	(4,322.07)
9.34	74.17	28.14	Proceeds from sale of non-current assets	113.17	135.30
0.00	0.00	0.00	Investments, loans and other financial assets	0.00	(1.78)
0.00	0.00	0.00	Acquisition of subsidiaries and businesses net of cash acquired	0.00	(68.41)
59.25	-	(3.53)	Proceeds from sale of subsidiaries, net of cash disposed	59.25	(6.93)
<b>(1,157.44)</b>	<b>(1,468.41)</b>	<b>(1,066.50)</b>	<b>Net cash used in investing activities</b>	<b>(5,092.45)</b>	<b>(4,263.89)</b>
(5.24)	(213.62)	(403.98)	(Decrease)/increase in borrowings	(1,199.23)	832.43
(30.27)	(2.46)	(0.03)	Dividends paid	(993.32)	(0.28)
<b>(35.51)</b>	<b>(216.08)</b>	<b>(404.01)</b>	<b>Net cash from financing activities</b>	<b>(2,192.55)</b>	<b>832.15</b>
15.98	10.31	1.52	Effect of exchange rate changes on cash and cash equivalents	8.62	6.52
<b>299.97</b>	<b>8.15</b>	<b>596.29</b>	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(834.76)</b>	<b>1,204.60</b>
445.72	745.69	992.31	Cash and cash equivalents at beginning of period	1,588.60	384.00
<b>745.69</b>	<b>753.84</b>	<b>1,588.60</b>	<b>Cash and cash equivalents at end of period</b>	<b>753.84</b>	<b>1,588.60</b>

## Notes to the cash flows

In 2011, **free cash flow** (defined as net cash from operating activities less net cash used in investing activities) showed an inflow of funds of RON 1,349 mn (2010: RON 366 mn inflow). **Free cash flow less dividend payments** resulted in a cash inflow of RON 356 mn (2010: RON 366 mn inflow).

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 7,838 mn (2010: RON 5,064 mn); **net working capital**, interest and taxes generated a cash outflow of RON 1,396 mn (2010: RON 434 mn).

**Cash flow from investing activities** (outflow of RON 5,092 mn; 2010: RON 4,264 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 2,193 mn (2010: inflow of RON 832 mn), mainly coming from the decrease in loans in OMV Petrom S.A. and from payment of dividends at the amount of RON 993 mn. The net outflow reflects loan reimbursements which occurred during 2011, as OMV Petrom S.A. fully reimbursed the first and second club deal loans (due in 2012) and the tranches become due from loan agreements with the EBRD and Black Sea Trade and Development Bank. The repayments were larger than the new tranches withdrawn from EIB and the EBRD loans agreements. The first and second club deal loans were replaced by a EUR 930 mn multi-currency revolving credit facility concluded in November 2011 (see Significant Events, page 2).

## Condensed statement of changes in equity (unaudited)

in RON mn	Share capital	Revenue reserves	Other reserves <sup>1</sup>	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
<b>January 1, 2011</b>	<b>18,983.37</b>	<b>(555.42)</b>	<b>57.65</b>	<b>(0.02)</b>	<b>18,485.58</b>	<b>(26.54)</b>	<b>18,459.04</b>
Total comprehensive income for the period	-	3,756.75	(137.33)	-	3,619.42	0.83	3,620.25
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	-	-	-	-	-	-	-
<b>December 31, 2011</b>	<b>18,983.37</b>	<b>2,198.73</b>	<b>(79.68)</b>	<b>(0.02)</b>	<b>21,102.40</b>	<b>(25.79)</b>	<b>21,076.61</b>

in RON mn	Share capital	Revenue reserves	Other reserves <sup>1</sup>	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
<b>January 1, 2010</b>	<b>18,983.37</b>	<b>(2,756.64)</b>	<b>(47.20)</b>	<b>-</b>	<b>16,179.53</b>	<b>11.30</b>	<b>16,190.83</b>
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)
<b>December 31, 2010</b>	<b>18,983.37</b>	<b>(555.42)</b>	<b>57.65</b>	<b>(0.02)</b>	<b>18,485.58</b>	<b>(26.54)</b>	<b>18,459.04</b>

<sup>1</sup> 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 for the amount of RON 1,003 mn.

The payment of the dividends started on June 1, 2011. Dividend payments to minorities amounted to RON 482 mn in 2011.

## Segment reporting

### Intersegmental sales

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
2,830.72	2,872.17	2,338.30	23	Exploration and Production	11,172.10	8,861.74	26
91.90	133.83	77.42	73	Gas and Power	436.24	185.69	135
35.56	43.46	43.19	1	Refining and Marketing	161.96	126.31	28
101.65	272.33	110.01	148	Corporate and Other	576.91	485.70	19
<b>3,059.83</b>	<b>3,321.79</b>	<b>2,568.92</b>	<b>29</b>	<b>Total</b>	<b>12,347.21</b>	<b>9,659.44</b>	<b>28</b>

### Sales to external customers

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
171.39	106.99	65.46	63	Exploration and Production	571.34	672.66	(15)
560.97	1,049.72	1,003.15	5	Gas and Power	3,190.68	2,879.68	11
5,203.10	5,211.12	4,384.06	19	Refining and Marketing	18,795.16	15,050.18	25
17.08	22.20	4.91	352	Corporate and Other	56.47	13.17	329
<b>5,952.54</b>	<b>6,390.03</b>	<b>5,457.57</b>	<b>17</b>	<b>Total</b>	<b>22,613.65</b>	<b>18,615.69</b>	<b>21</b>

### Total sales

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
3,002.11	2,979.16	2,403.76	24	Exploration and Production	11,743.44	9,534.40	23
652.87	1,183.55	1,080.57	10	Gas and Power	3,626.92	3,065.37	18
5,238.66	5,254.58	4,427.25	19	Refining and Marketing	18,957.12	15,176.49	25
118.73	294.53	114.92	156	Corporate and Other	633.38	498.87	27
<b>9,012.37</b>	<b>9,711.82</b>	<b>8,026.50</b>	<b>21</b>	<b>Total</b>	<b>34,960.86</b>	<b>28,275.13</b>	<b>24</b>

### Segment and Group profit

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
1,344.45	1,460.84	720.24	103	EBIT Exploration and Production	5,236.32	3,012.12	74
12.20	112.60	184.63	(39)	EBIT Gas and Power	148.84	163.85	(9)
184.84	(376.13)	(122.72)	206	EBIT Refining and Marketing	(187.37)	106.30	n.m.
(15.92)	(30.86)	(50.58)	(39)	EBIT Corporate and Other	(78.98)	(135.48)	(42)
<b>1,525.57</b>	<b>1,166.46</b>	<b>731.57</b>	<b>59</b>	<b>EBIT segment total</b>	<b>5,118.82</b>	<b>3,146.79</b>	<b>63</b>
(187.28)	15.23	242.16	(94)	Consolidation: Elimination of intercompany profits	(183.06)	(161.28)	14
<b>1,338.29</b>	<b>1,181.69</b>	<b>973.73</b>	<b>21</b>	<b>Petrom Group EBIT</b>	<b>4,935.76</b>	<b>2,985.51</b>	<b>65</b>
<b>56.80</b>	<b>(100.70)</b>	<b>(72.21)</b>	<b>39</b>	<b>Net financial result</b>	<b>(327.17)</b>	<b>(380.19)</b>	<b>(14)</b>
<b>1,395.09</b>	<b>1,080.99</b>	<b>901.52</b>	<b>20</b>	<b>Petrom Group profit from ordinary activities</b>	<b>4,608.59</b>	<b>2,605.32</b>	<b>77</b>

## Assets<sup>1</sup>

in RON mn	Dec 31, 2011	Dec 31, 2010
Exploration and Production	18,716.01	17,604.91
Gas and Power	2,930.96	2,016.25
Refining and Marketing	5,079.04	4,657.06
Corporate and Other	729.25	868.42
<b>Total</b>	<b>27,455.26</b>	<b>25,146.64</b>

<sup>1</sup> 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

Starting **January 1, 2012**, Gerald Kappes was appointed as interim member of the Petrom Supervisory Board, following Werner Auli's waiver of the mandate, with effect until the next GMS. Gerald Kappes was member of the Petrom Executive Board, responsible for Gas and Power between 2008 and 2010. Currently he holds the position of Chief Technology Officer with OMV Group.

On **January 9, 2012** Petrom announced having started exploration drilling on Domino-1, the first deepwater exploration well in the Romanian sector of the Black Sea, together with ExxonMobil Exploration and

Production Romania Limited (EEPRL), an affiliate of Exxon Mobil Corporation. On **February 3, 2012**, Petrom announced having encountered natural gas in Domino-1. Still, it is too early in the data evaluation and exploration process to speculate on whether it will prove to be a commercial success or not.

On **January 17, 2012**, Petrom announced that although the construction of the Brazi power plant had been successfully completed by the end of 2011, final tests were interrupted due to external technical factors. Petrom undertakes all efforts to resume the final tests within the shortest possible timeframe.



## Further information

### EBIT breakdown

#### EBIT

Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
1,344	1,461	720	103	Exploration and Production <sup>1</sup>	5,236	3,012	74
12	113	185	(39)	Gas and Power	149	164	(9)
185	(376)	(123)	206	Refining and Marketing	(187)	106	n.m.
(16)	(31)	(51)	(39)	Corporate and Other	(79)	(135)	(42)
(187)	15	242	(94)	Consolidation	(183)	(161)	14
<b>1,338</b>	<b>1,182</b>	<b>974</b>	<b>21</b>	<b>Petrom Group reported EBIT</b>	<b>4,936</b>	<b>2,986</b>	<b>65</b>
<b>(19)</b>	<b>(640)</b>	<b>(112)</b>	<b>473</b>	<b>Special items<sup>2</sup></b>	<b>(852)</b>	<b>(551)</b>	<b>54</b>
(1)	(11)	(136)	(92)	thereof: Personnel and restructuring	(18)	(139)	(87)
(19)	(132)	10	n.m.	Unscheduled depreciation	(151)	(446)	(66)
0	0	7	n.a.	Asset disposal	0	16	n.a.
0	(504)	0	n.a.	Provision for Competition Council fine	(504)	0	n.a.
1	7	8	0	Other	(178)	18	n.m.
52	112	114	(2)	CCS effects <sup>3</sup> : Inventory holding gains/(losses)	312	212	47
<b>1,306</b>	<b>1,710</b>	<b>972</b>	<b>76</b>	<b>Petrom Group clean CCS EBIT</b>	<b>5,475</b>	<b>3,325</b>	<b>65</b>
1,364	1,547	811	91	thereof: Exploration and Production	5,432	3,544	53
12	114	192	(41)	Gas and Power	150	172	(13)
133	61	(233)	n.m.	Refining and Marketing	152	(104)	n.m.
(16)	(28)	(41)	(31)	Corporate and Other	(76)	(125)	(40)
(187)	15	242	(94)	Consolidation	(183)	(161)	14

<sup>1</sup> Excluding intersegmental profit elimination shown in the line "Consolidation"

<sup>2</sup> Special items are added back or deducted from EBIT; for more details please refer to each specific segment.

<sup>3</sup> Current cost of supply (CCS): Clean CCS EBIT eliminates special items and inventory holding gains/losses (CCS effects) resulting from R&M caused by increasing/decreasing crude oil prices

#### EBITD

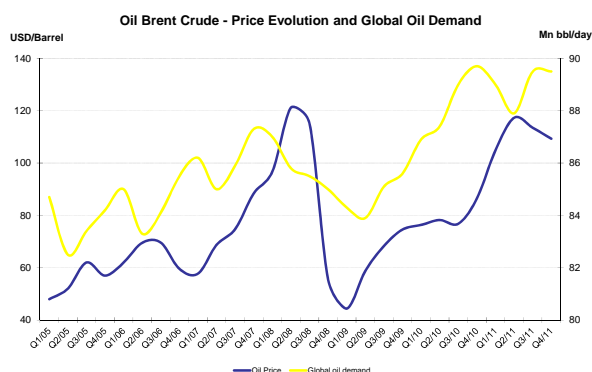
Q3/11	Q4/11	Q4/10	Δ%	in RON mn	2011	2010	Δ%
1,836	1,971	1,150	71	Exploration and Production <sup>1</sup>	7,378	5,103	45
15	122	187	(35)	Gas and Power	166	171	(3)
324	(190)	121	n.m.	Refining and Marketing	377	694	(46)
12	(3)	(19)	(83)	Corporate and Other	29	(9)	n.m.
(187)	15	242	(94)	Consolidation	(183)	(161)	14
<b>1,999</b>	<b>1,915</b>	<b>1,680</b>	<b>14</b>	<b>Petrom Group</b>	<b>7,766</b>	<b>5,797</b>	<b>34</b>

<sup>1</sup> Excluding intersegmental profit elimination shown in the line "Consolidation"

## Business environment

Global economic outlook remained bleak with the world economy experiencing a loss of growth momentum, notably in Q4/11. The ongoing adjustment in both private and public sector balance sheets in several major developed economies had a negative influence on demand. The sovereign debt crisis in the EU countries continued to cast a shadow over the ability of the EU economy to return to faster growth quickly. In 2011 global economic growth was weaker than initially forecast, growing by 3.8%. The euro area GDP was also sharply lower than expected, rising by only 1.6%.

According to the IEA, in 2011 **world oil demand** rose by 0.8% to 89.0 mn bbl/d compared to 2010. However, worsening global economic conditions in Q4/11 pushed global oil demand on a declining trend in the last quarter of the year. The poor performance of the EU economy together with mild weather conditions in the Northern hemisphere led to a reduction in global oil demand of 0.3% in Q4/11 compared to Q4/10. Oil demand in the non-OECD countries rose by 1.3 mn bbl/d, or 3.1%, in 2011 as demand in OECD countries fell by 0.6 mn bbl/d or 1.2%.



In 2011, **global oil supply** rose by 1 mn bbl/d year on year, to 88.5 mn bbl/d. Total OECD oil supply remained unchanged at 2010 levels at 18.9 mn bbl/d. Meanwhile, OPEC oil supply rose to 35.8 mn bbl/d year on year, thereof NGLs supply of 5.8 mn bbl/d.

In 2011, the average **Brent price** was USD 111.26/bbl, 40% higher compared to 2010. Oil prices continued to stay elevated but uncertainties over the strength of global economy in Q4/11 inverted the growth trend recorded over the last quarters. In 2011, the average **Urals price** was USD 109.60/bbl, 40% higher compared to 2010.

Preliminary data indicate that in 2011 **Romania's** economic growth beat initial forecasts, advancing by around 2.5%. The performance of the agriculture sector was particularly robust making an important contribution to total 2011 GDP growth. The industry

sector continued its strong recovery, increasing at an annual rate of 6.1% in 2011. All industry subsectors performed well, manufacturing increased by 6.2%, mining and quarrying went up by 4.8% while the output of the energy sector rose by 6.3%. The construction sector, one of the main drivers of economic growth in the pre-crisis period, showed some signs of revival. In 2011, construction output rose by 1.1% yoy. However, the increase was largely driven by investments in the non-residential sector. A combination of factors such as a high level of household indebtedness, uncertainty over future income as well as high borrowing costs continued to maintain the downward pressure on residential sector's demand for construction, which fell by 3.3%. The latest data indicate that domestic households' consumption has shown some signs of revival. But this has proved to be uneven across various spending categories. While overall household consumption rose marginally in Q3/11 to its highest level in the latest two and a half years, retail sales displayed a weak performance. In 2011, these fell at an annual rate of 3.3%. Meanwhile, labor market conditions continued to ease slightly. At the end of 2011, the unemployment rate fell to 7%, down from a peak of 7.7% reached in September. The number of total economy employees stood at 4.2 mn at the end of 2011, an increase of 2.5% compared to the same period a year ago.

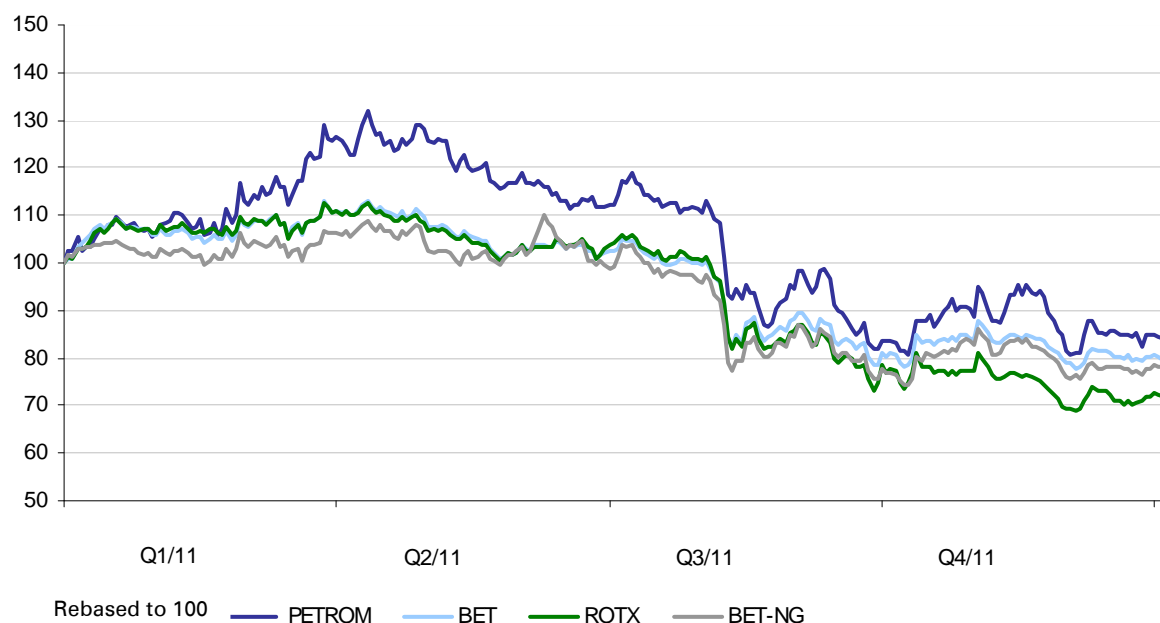
Annual **consumer price inflation (CPI)** fell much faster than expected, pushing inflation down to 3.13% at the end of 2011, a historical low over the last two decades. The effects of both seasonal factors, such as vegetable prices, and low demand put downward pressure on CPI prices. However, the producer price inflation continued to remain elevated, falling down to 7% at the end of December 2011. The National Bank of Romania (NBR) embarked on a cautious cycle of monetary loosening, cutting its benchmark interest rate by 25 basis points to 6.0% at the end of 2011. The improved inflation outlook has provided the NBR more scope for reducing real interest rates, thus improving the economy's revival prospects.

Over the last three years, the annual average RON/EUR exchange rate was relatively stable. It fell by a meager 0.6% in 2011 compared to 2010, after it previously rose by 0.7% a year before. The annual average RON/USD exchange rate however, was more volatile and showed an opposite trend. In 2011, the RON rose against the USD by 4.2%.

Q3/11	Q4/11	Q4/10	Δ%	European Central Bank average FX-rates	2011	2010	Δ%
4.259	4.337	4.289	1	Average EUR/RON FX-rate	4.239	4.212	1
3.017	3.218	3.160	2	Average USD/RON FX-rate	3.050	3.185	(4)
1.413	1.348	1.358	(1)	Average EUR/USD FX-rate	1.392	1.326	5

## Stock watch

### Evolution of Petrom share price, BET, ROTX and BET-NG indices



In Q4/11, investors had to deal with a volatile environment, triggered by the potential credit downgrades in Europe as well as region funding woes. The local capital market reflected the unpredictable global environment, and investors' risk aversion. Nevertheless, by the end of the year, the local stock exchange slightly recovered and closed the quarter with a marginal 0.2% increase against end of September 2011 (BET index, reference for the BSE).

The Petrom share price closed the year at RON 0.2900, 2% above the closing price at the end of the third quarter, in line with the BET-NG index, the energy and utilities sector index. Petrom share price reached its quarterly minimum quotation of RON 0.2727/share on October 4 and rebounded to a quarterly maximum of RON 0.3250/share on November 11.

ISIN: ROSNPPACNOR9	Market capitalization, December 30 <sup>1</sup>	RON 16.43 bn
Bucharest Stock Exchange: SNP	Market capitalization, December 30	EUR 3.8 bn
Reuters: ROSNP.BX	Closing price, December 30 (RON/share)	0.2900
Bloomberg: SNP RO	Year's high, April 8 (RON/share)	0.4500
	Year's low, October 4 (RON/share)	0.2727
	Number of shares	56,644,108,335

<sup>1</sup> the last day of trading on BSE

## 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
Co&O	Corporate and Other
CAPEX	Capital expenditure
CCS	Current cost of supply
CFPS	Cash Flow Per Share
CPI	Consumer Price Index
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
IT	Information Technology
kt	thousand tons
mn	million
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 December 31, 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%	Petrom Aviation S.A. <sup>2</sup> (Romania)	99.99%
Kom Munai LLP (Kazakhstan)	95.00%	Petrom LPG S.A. (Romania)	99.99%
Petrom Exploration & Production Ltd.	50.00%	ICS Petrom Moldova S.A. (Moldova)	100.00%
		OMV Bulgaria OOD (Bulgaria)	99.90%
GAS & POWER		OMV Srbija DOO (Serbia)	99.90%
OMV Petrom Gas S.R.L.	99.99%	CORPORATE & OTHER	
Petrom Distributie Gaze S.R.L.	99.99%		
OMV Petrom Wind Power S.R.L. <sup>1</sup>	99.99%	Petromed Solutions S.R.L.	99.99%

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

<sup>1</sup> Formerly named Wind Power Park S.R.L. (name changed as of November 7, 2011)

<sup>2</sup> The activities of Aviation Petroleum S.R.L. were merged into Petrom Aviation S.A. as of December 1, 2011

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### Next release:

The next results announcement for January - March 2012 will be released on May 9, 2012, presenting Petrom Group consolidated results prepared according to IFRS.