S.C. PETROM S.A.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2007

PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

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S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Notes	June 30, 2007	December 31, 2006
ASSETS			
Non-current assets			
Intangible assets	5	219,445,961	185,620,141
Property, plant and equipment	6	12,971,294,235	12,503,353,792
Investments in associates	7	84,767,903	79,059,055
Other financial assets	7	492,451,656	890,605,180
Other receivables and assets	9	1,242,716,882	1,272,167,839
Deferred tax assets	15	210,956,756	186,810,444
Total non-current assets		15,221,633,393	15,117,616,451
Current assets			
Inventories	8	1,996,081,554	1,705,591,642
Trade receivables	9	985,454,975	1,030,827,766
Other receivables and assets	9	484,164,282	336,569,036
Securities and investments	10	623,383,940	335,843,391
Cash and cash equivalents		2,201,583,146	3,918,642,801
Non-current assets held for sale	11	-	65,795,477
Total current assets		6,290,667,897	7,393,270,113
Total assets		21,512,301,290	22,510,886,564
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	12	18,983,366,226	18,983,366,226
Retained earnings		(4,276,970,661)	(4,032,379,894)
Other reserves		(252,078,810)	(152,801,406)
Total equity attributable to equity holders of the parent		14,454,316,755	14,798,184,926
Minority interests		112,659,444	120,243,983
Total equity		14,566,976,199	14,918,428,909
Non-current liabilities			
Pensions and similar liabilities	13	191,779,000	185,590,838
Decommissioning and restoration obligations	13	3,555,177,260	3,706,408,674
Other provisions	13	397,036,283	419,321,434
Other liabilities	14	30,527,000	30,538,257
Deferred tax liability	15	86,205,956	97,873,013
Total non-current liabilities		4,260,725,499	4,439,732,216

The notes on pages 7 to 36 form part of these financial statements.

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
AS OF JUNE 30, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Notes	June 30, 2007	December 31, 2006
Current liabilities			
Trade payables		685,846,880	799,722,882
Interest bearing debts	16	22,885,959	54,047,150
Provisions for taxes	13	87,117,954	2,677,850
Other provisions	13	1,158,208,075	1,287,949,563
Other liabilities	14	730,540,724	1,007,842,718
Liabilities associated with assets held for sale	11	-	485,276
Total current liabilities		2,684,599,592	3,152,725,439
Total equity and liabilities		21,512,301,290	22,510,886,564

PETROM S.A.
PETROM
Bucureşti România

Mrs. Mariana Gheorghe
Chief Executive Officer

Mr. Reinhard Pichler
Chief Financial Officer

Mr. Siegfried Ehn
Director Finance and Controlling Division

Apopa

Mrs. Alina Popa
Head of Financial Reporting and Group Consolidation

The notes on pages 7 to 36 form part of these financial statements.

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Notes	June 30, 2007
Revenue		7,111,149,539
Cost of sales		(4,863,858,107)
Gross profit		**2,247,291,432**
Other operating income	17	118,167,817
Selling expenses		(795,608,797)
Administrative expenses		(146,656,800)
Exploration expenses		(83,410,974)
Other operating expenses	18	(354,596,995)
Earnings before interest and taxes	19	**985,185,683**
Income from investments	20	16,990,998
Financial expenses	21	(89,147,621)
Net finance cost		**(72,156,623)**
Profit from ordinary activities		**913,029,060**
Taxes on income	22	(143,094,646)
Net income for the year		**769,934,414**
thereof attributable to own shareholders		**769,338,773**
thereof attributable to minority interests		595,641
Earnings per share	23	**0.0136**

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Chief Executive Officer

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Director Finance and Controlling Division

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Other reserves	Petrom shareholders	Minority interests	Shareholders' equity
Balance at January 1, 2007	18,983,366,226	(4,032,379,894)	(152,801,406)	14,798,184,926	120,243,983	14,918,428,909
Unrealized gains / (losses) on hedging of umbrella funds and available for sale financial assets						
Profit / (loss) for the year before taxes on income	-	-	17,936,434	**17,936,434**	-	**17,936,434**
Income taxes	-	-	(2,867,591)	**(2,867,591)**	-	**(2,867,591)**
Unrealized gains / (losses) on revaluation of hedges						
Profit / (loss) for the year before taxes on income	-	-	25,366,000	**25,366,000**	-	**25,366,000**
Income taxes	-	-	(4,058,000)	**(4,058,000)**	-	**(4,058,000)**
Exchange differences from translation of foreign operations	-	-	(135,654,247)	**(135,654,247)**	(8,178,557)	**(143,832,804)**
Net income for the year	-	769,338,773	-	**769,338,773**	595,641	**769,934,414**
Dividends distribution	-	(1,013,929,540)	-	**(1,013,929,540)**	-	**(1,013,929,540)**
Increase in minority interests	-	-	-	-	(1,623)	**(1,623)**
Balance at June 30, 2007	**18,983,366,226**	**(4,276,970,661)**	**(252,078,810)**	**14,454,316,755**	**112,659,444**	**14,566,976,199**

The notes on pages 7 to 36 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Share capital	Retained earnings	Other reserves	Petrom shareholders	Minority interests	Shareholders' equity
Balance at January 1, 2006	18,919,006,000	(5,359,035,480)	(88,125,587)	13,471,844,933	12,432,595	13,484,277,528
Unrealized gains / (losses) on hedging of umbrella funds and available for sale financial assets						
Profit / (loss) for the year before taxes on income	-	-	55,410,407	**55,410,407**	-	**55,410,407**
Income taxes	-	-	(8,863,573)	**(8,863,573)**	-	**(8,863,573)**
Unrealized gains / (losses) on revaluation of hedges						
Profit / (loss) for the year before taxes on income	-	-	(10,065,000)	**(10,065,000)**	-	**(10,065,000)**
Income taxes	-	-	1,611,000	**1,611,000**	-	**1,611,000**
Exchange differences from translation of foreign operations	-	-	(102,768,653)	**(102,768,653)**	(2,167,463)	**(104,936,116)**
Net income for the year	-	2,065,753,512	-	**2,065,753,512**	(1,133,842)	**2,064,619,670**
Increase in share capital	64,360,226	-	-	**64,360,226**	-	**64,360,226**
Dividends distribution	-	(739,097,926)	-	**(739,097,926)**	-	**(739,097,926)**
Changes in consolidated Group	-	-	-	-	103,890,548	**103,890,548**
Increase in minority interests	-	-	-	-	7,222,145	**7,222,145**
Balance at December 31, 2006	18,983,366,226	(4,032,379,894)	(152,801,406)	14,798,184,926	120,243,983	14,918,428,909

The notes on pages 7 to 36 form part of these financial statements.

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

	Notes	June 30, 2007
Cash flow from operating activities		
Profit before taxation		**913,029,060**
Adjustments for:		
Interest expenses	21	14,616,183
Interest income	21	(160,950,672)
Net movement in provisions for:		
- Financial assets		(2,320,011)
- Inventories		(3,662,000)
- Receivables		16,283,388
- Pensions and similar liabilities		6,189,377
- Decommissioning and restoration obligations unwiding effect		80,147,345
- Other provisions for risk and charges		(145,536,152)
Income from investments in associates	20	(5,708,848)
Cash flow hedge recycled through income statement		15,288,351
Loss on disposals of fixed assets		33,758,351
Depreciation, amortization and impairment expense		590,896,395
Other non cash items		(10,384,307)
Cash generated from operating activities before working capital movements		**1,341,646,460**
Working capital movements		(458,319,714)
Interest received		160,950,672
Interest paid		(14,616,183)
Tax on profit paid		(83,434,053)
Net cash generated from operating activities		**946,227,182**
Cash flow from investment activities		
Purchase of tangible and intangible assets		(1,463,720,779)
Proceeds from sale of fixed assets		75,234,960
Proceeds from sale of financial assets		88,618,434
Acquisition of subsidiaries net of cash acquired		(15,048,685)
Proceeds from sale of Group companies less cash and cash equivalents		46,739,831
Net cash used from investment activities		**(1,268,176,239)**
Cash flow from financial activities		
Repayment of loans		(31,161,190)
Dividends paid		(1,363,949,408)
Net cash provided used for financial activities		**(1,395,110,598)**
Total cash flows		**(1,717,059,655)**
Cash and cash equivalents at the beginning of the year		**3,918,642,801**
Cash and cash equivalents at the end of the period		**2,201,583,146**

The notes on pages 7 to 36 form part of these financial statements.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

Petrom SA (239, Calea Dorobantilor, 010567 Bucharest, Romania), is an international oil and gas company with activities in Exploration and Production (E&P), Refining and Marketing, Gas and Chemicals segments.

Shareholders' structure as at June 30, 2007 was as follows:

	Percent
OMV Aktiengesellschaft	51.01%
The Authority for State Assets Recovery	30.86%
Property Fund SA	9.89%
European Bank for Reconstruction and Development	2.03%
Legal entities and physical persons	6.21%
Total	**100.00%**

These financial statements have been drawn up in compliance with International Financial Reporting Standards (IFRSs). The US GAAP industry standards (in particular SFAS 19 and SFAS 69) are applied in the preparation of the consolidated financial statements to the extent that these are compatible with existing IFRS and IAS.

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

Consolidated financial statements of Petrom Group are presented in RON ("Romanian Lei").

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates. The Group made significant adjustments to the balance sheet using best possible information and estimation available.

2. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of Petrom SA and its subsidiaries as at 30 June 2007, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, 30 June 2007, as the parent company.

The valuation of assets and liabilities from subsidiaries is based on fair values at acquisition dates. Goodwill arising on acquisition is recognized as an asset, being the excess of the initially measured cost of the business combination over the Group's interest in the net fair value of the identifiable assets and liabilities recognized. If the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized in profit and loss account. The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized. Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent write-backs to amortized cost.

2 CONSOLIDATION (CONTINUED)

a) Subsidiaries

Minority interests represent the portion of profit and loss and net assets not held by the Group and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent's shareholders' equity.

The number of consolidated companies is as follows:

	Full consolidation	Equity consolidation
As at January 1, 2007	**25**	**4**
Included for the first time	1	-
Disposed of	2	-
As at June 30, 2007	**24**	**4**
thereof, Romanian companies	7	4
thereof, Foreign companies	17	-

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

b) Associates

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

3. ACCOUNTING AND VALUATION PRINCIPLES

a) Exploration and appraisal costs

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

b) Development and production costs

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

c) Intangible assets and property, plant and equipment

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

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

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

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

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

Depreciation and amortization are disclosed in the consolidated income statement under production costs of sales.

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

3. ACCOUNTING AND VALUATION PRINCIPLES (CONTINUED)

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

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

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

d) Goodwill

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

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

e) Leases

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

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

f) Investments in associates

The Group's investment in its associate is accounted for under the equity method. An associate is an entity in which the Group has significant influence and which is neither a subsidiary.

3. ACCOUNTING AND VALUATION PRINCIPLES (CONTINUED)

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

g) Financial assets

Investments in associated, but not consolidated, companies and other investments for which there is no listed market price on an active market are carried at acquisition cost or at an appropriate lower value if there is impairment which is expected to be permanent. Associated companies are recognized at the proportionate share of equity. Interest-bearing loans are disclosed at nominal value, and interest-free loans, and loans at low rates of interest, at present value.

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

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

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

h) Interest on borrowings

Interest on borrowings incurred directly for the acquisition, construction or production of qualifying assets is capitalized until the assets are effectively ready for their intended use or for sale. In connection with international E&P activities, all interest incurred which is directly attributable to the purchase and subsequent development of a field is capitalized. All other costs of borrowing are expensed in the period in which they are incurred.

i) Government grants

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

3. ACCOUNTING AND VALUATION PRINCIPLES (CONTINUED)

j) Inventories

Inventories are registered at the lower of cost and net realizable value. Cost is determined by weighted average method for all types of stocks. Costs of production comprise directly attributable costs and fixed and variable indirect material and production overheads.

Appropriate provisions are made of any obsolete or slow moving stocks based on the appropriate management's assessments.

k) Receivables and other assets

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

l) Provisions

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

Decommissioning of oil and gas production assets describes the process of:
- plugging and abandoning wells,
- dismantlement of wellheads and production and transport facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

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

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

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

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

3. ACCOUNTING AND VALUATION PRINCIPLES (CONTINUED)

m) Liabilities

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

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

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

n) Taxes on income including deferred taxes

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

o) Revenue recognition

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

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
• the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
• the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
• the amount of revenue can be measured reliably;
• it is probable that the economic benefits associated with the transaction will flow to the entity; and
• the costs incurred or to be incurred in respect of the transaction can be measured reliably.

3. ACCOUNTING AND VALUATION PRINCIPLES (CONTINUED)

Rendering of services

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

Dividend and interest revenue

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

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

Rental income

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

p) Derivatives

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

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

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

That part of the change in fair value of derivative financial instruments that serves to hedge future cash flows is recognized directly in equity, and the other part is recognized immediately in the income statement.

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

4. FOREIGN CURRENCY TRANSLATION

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

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

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

The most important rates applied in translating currencies were as follows:

Exchange rates	**Six months period ended June 30, 2007**	**Average for the six months ended June 30, 2007**	**Year ended December 31, 2006**	**Average for the year ended December 31, 2006**
US dollar (USD)	2.3246	2.5079	2.5676	2.8104
Euro (EUR)	3.1340	3.3314	3.3817	3.5258
Moldavian Leu (MDL)	0.1905	0.1996	0.1983	0.2134
Russian Rouble (RUB)	0.0900	0.0961	0.0975	0.1034
Yugoslavian Dinar (YUM)	0.0397	0.0414	0.0428	0.0418
Bulgarian Leva (BGN)	1.6023	1.7033	1.7291	1.8027

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

5. INTANGIBLE ASSETS

	Concessions, licenses, rights
COST	
Balance as at January 1, 2007	**245,167,562**
Exchange differences	(1,765,847)
Changes in consolidated Group	-
Additions	65,378,731
Transfers to tangible assets (Note 6)	(1,302,673)
Disposals	(6,467,032)
Balance as at June 30, 2007	**301,010,741**
ACCUMULATED AMORTISATION AND IMPAIRMENT	
Balance as at January 1, 2007	**59,547,421**
Exchange differences	(870,472)
Changes in consolidated Group	-
Amortisation	24,324,782
Impairment	849,000
Transfers to tangible assets (Note 6)	(1,811,000)
Disposals	(321,951)
Write-ups	(153,000)
Balance as at June 30, 2007	**81,564,780**
CARRYING AMOUNT	
As at January 1, 2007	**185,620,141**
As at June 30, 2007	**219,445,961**

Intangible assets mainly include software purchased by the Group for its own internal use. Changes in consolidated Group represent acquisitions and disposals of subsidiaries during the year.

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

6. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, including buildings on third-party property	Unproved mineral properties and related assets	Proved mineral properties and related assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
COST								
Balance as at January 1, 2007	**2,128,974,969**	**310,409,924**	**8,891,013,557**	**1,128,416,613**	**458,886,690**	**1,684,260,718**	**161,334,162**	**14,763,296,633**
Exchange differences	(41,775,108)	(23,275,903)	(40,422,321)	(11,090,343)	(5,900,685)	(14,705,316)	(866,152)	**(138,035,828)**
Changes in consolidated Group	-	15,245,370	-	-	(378,090)	(168,930)	-	**14,698,350**
Additions	36,747,080	31,540	161,967,653	87,595,136	18,922,170	949,991,492	171,101,060	**1,426,356,131**
Transfers *	78,736,234	(54,444,722)	104,106,793	205,738,989	14,713,040	(287,925,281)	(59,622,380)	**1,302,673**
Disposals **	(100,779,137)	(35,269)	(208,500,000)	(15,458,437)	(6,365,408)	(13,716,000)	-	**(344,854,251)**
Balance as at June 30, 2007	**2,101,904,038**	**247,930,940**	**8,908,165,682**	**1,395,201,958**	**479,877,717**	**2,317,736,683**	**271,946,690**	**15,722,763,708**
ACCUMULATED DEPRECIATION AND IMPAIRMENT								
Balance as at January 1, 2007	**249,634,874**	**-**	**1,338,423,893**	**348,928,981**	**164,805,660**	**132,197,001**	**25,952,432**	**2,259,942,841**
Exchange differences	(4,456,966)	(67,173)	(7,035,031)	(4,241,496)	(2,682,731)	-	(7,979)	**(18,491,376)**
Changes in consolidated Group	-	-	-	-	(5,490)	-	-	**(5,490)**
Depreciation	45,227,864	1,058,253	310,148,364	114,056,075	32,231,057	-	-	**502,721,613**
Impairment	31,992,000	-	-	4,572,000	2,066,000	27,654,000	34,000	**66,318,000**
Transfers *	(999,815)	-	(4,873,000)	20,957,645	12,756,170	(26,030,000)	-	**1,811,000**
Disposals	(36,175,196)	-	(2,446,000)	(10,747,873)	(4,292,046)	(4,002,000)	-	**(57,663,115)**
Write-ups	(171,000)	-	-	(123,000)	(1,152,000)	(1,718,000)	-	**(3,164,000)**
Balance as at June 30, 2007	**285,051,761**	**991,080**	**1,634,218,226**	**473,402,332**	**203,726,620**	**128,101,001**	**25,978,453**	**2,751,469,473**
CARRYING AMOUNT								
Balance as at January 1, 2007	**1,879,340,095**	**310,409,924**	**7,552,589,664**	**779,487,632**	**294,081,030**	**1,552,063,717**	**135,381,730**	**12,503,353,792**
Balance as at June 30, 2007	**1,816,852,277**	**246,939,860**	**7,273,947,456**	**921,799,626**	**276,151,097**	**2,189,635,682**	**245,968,237**	**12,971,294,235**

*) – Net effect represents transfers to intangibles. See Note 5.

**) – Disposals include decommissioning liability reassessment amounting to RON 185,792,000.

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

7. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER FINANCIAL ASSETS

Changes in investments and other financial assets during the year were as follows:

	Associated companies	Total associated companies	Investments	Available for sale securities	Loans	Total other financial assets
COST						
Balance as at January 1, 2007	**79,059,055**	**79,059,055**	**108,265,462**	**870,573,552**	**14,558,802**	**993,397,816**
Exchange differences	-	-	-	(24,314,552)	-	**(24,314,552)**
Changes in consolidated Group	-	-	-	-	-	-
Additions and increases in value	5,708,848	5,708,848	26,000	29,854,484	7,183,946	**37,064,430**
Disposals	-	-	-	(412,351,632) *	(871,781)	**(413,223,413)**
Balance as at June 30, 2007	**84,767,903**	**84,767,903**	**108,291,462**	**463,761,852**	**20,870,967**	**592,924,281**
WRITE DOWN ALLOWANCE						
Balance as at January 1, 2007	-	-	**88,233,834**	-	**14,558,802**	**102,792,636**
Exchange differences	-	-	-	-	-	-
Changes in consolidated Group	-	-	-	-	-	-
Impairment	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Write-ups	-	-	(1,448,230)	-	(871,781)	**(2,320,011)**
Balance as at June 30, 2007	-	-	**86,785,604**	-	**13,687,021**	**100,472,625**
CARRYING AMOUNT						
Balance as at January 1, 2007	**79,059,055**	**79,059,055**	**20,031,628**	**870,573,552**	-	**890,605,180**
Balance as at June 30, 2007	**84,767,903**	**84,767,903**	**21,505,858**	**463,761,852**	**7,183,946**	**492,451,656**

* In the disposals from Available for sales securities is included the amount of RON 356,424,417 representing a transfer of the umbrella securities owned by Raiffeisen umbrella fund into current assets as securities at fair value through profit or loss (Note 10).

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

7. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER FINANCIAL ASSETS (CONTINUED)

Associated companies

The Group has investments in the following associated companies: Congaz S.A. Constanta, Linde Gaz Brazi SRL, Petrom Aviation and Shell Gas Romania. The summarized balance sheet and income statement information for these companies are as follows:

	June 30, 2007	December 31, 2006
Current assets	116,699,823	104,787,380
Non-current assets	199,489,614	196,385,507
Liabilities	91,932,713	92,752,229
Net sales	116,673,937	472,727,366
Earnings before interest and tax	18,441,094	39,082,569
Net income for the year	15,761,380	32,139,192

Investments

The position Investments comprises all the investments in subsidiaries and associates that were not consolidated, as the Group does not have control or significant influence over their operations or they were considered immaterial for the Group.

Available for sale securities

The amount under the position Available-for-sale securities represents the investment in mutual funds and other financial instruments held through umbrella funds and also public bonds in amount of RON 206,384,000 issued by World Bank and acquired by Petrom in September 2006. The bonds bear an interest of 6.5% p.a. payable each semester and the maturity is September 2009.

8. INVENTORIES

	June 30, 2007	December 31, 2006
Crude oil	326,742,115	348,912,697
Other raw materials	559,967,793	485,950,279
Work in progress	225,013,000	231,806,000
Finished products	837,218,312	584,918,846
Advances paid for inventories	47,140,334	54,003,820
Total	**1,996,081,554**	**1,705,591,642**

9. RECEIVABLES AND ASSETS

Trade receivables are amounting RON 985,454,975 as at June 2007 and RON 1,030,827,766 as at December 2006. They are presented net of provisions, which are detailed in the movement below.

		Liquidity term	
	June 30, 2007	less than 1 year	over 1 year
Prepaid expenses and deferred charges	122,868,247	122,387,948	480,299
Rental and lease prepayments	24,988,714	24,988,714	-
Expenditure recoverable from State	1,196,085,719	-	1,196,085,719
Other receivables, net	382,938,484	336,787,620	46,150,864
Total	**1,726,881,164**	**484,164,282**	**1,242,716,882**

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

9. RECEIVABLES AND ASSETS (CONTINUED)

	December 31, 2006	Liquidity term less than 1 year	Liquidity term over 1 year
Prepaid expenses and deferred charges	34,624,853	34,180,064	444,789
Rental and lease prepayments	7,204,153	7,204,153	-
Expenditure recoverable from State	1,244,184,533	-	1,244,184,533
Other receivables, net	322,723,336	295,184,819	27,538,517
Total	1,608,736,875	336,569,036	1,272,167,839

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

	Trade receivables	Other receivables	Total
January 1, 2007	**242,588,132**	**411,370,265**	**653,958,397**
Additions / (releases)	(5,920,000)	24,782,062	**18,862,062**
Disposals	(1,133,000)	(1,445,674)	**(2,578,674)**
Exchange differences and changes in consolidated Group	-	(83,156)	**(83,156)**
June 30, 2007	**235,535,132**	**434,623,497**	**670,158,629**

Expenditure recoverable from State

As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the State as these pertain to E&P activities prior to privatization of the Company in 2004. Consequently, the Company has recorded decommissioning liabilities against receivable from the State.

10. SECURITIES HELD AND SHORT TERM ASSETS

	June 30, 2007	December 31, 2006
Opening balance	335,843,391	-
Transfers from available for sale financial assets	356,424,417	357,029,560
Movements during the period	(68,883,868)	(21,186,169)
Total	623,383,940	335,843,391

Included into securities at fair value through profit or loss are the securities owned by DBI umbrella fund and by Raiffeisen umbrella fund, the last one being transferred during 2007 from available for sale assets (Note 7).

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

11. ASSETS AND LIABILITIES HELD FOR SALE

	June 30, 2007	December 31, 2006
Property, plant and equipment	-	58,431,600
Current assets and deferred taxes	-	7,363,877
Assets held for sale	**-**	**65,795,477**
Provisions	-	23,108
Liabilities	-	462,168
Liabilities associated with assets held for sale	**-**	**485,276**

Assets and liabilities held for sale in 2006 were owned by OZTYURK MUNAI subsidiary which has been assessed as highly probable disposal. During 2007 these assets were disposed.

12. SHAREHOLDERS' EQUITY

The share capital of Petrom SA consists of 56,644,108,335 fully paid shares with a total nominal value of RON 5,664,410,834. The balance until RON 18,983,366,226 represents inflation adjustment, as Romania was a hyperinflationary economy until January 2004.

On November 22, 2005, the Ordinary General Meeting of Shareholders decided to increase the share capital in 2006 with shares to be subscribed between January 9 – February 9, 2006, due to land ownerships obtained as per HG 834 / 1999, of RON 64,360,226.

The Company set up a cash flow hedge in January 2005 for EUR 410 million. The hedge has been designed to be used for investments in umbrella funds for EUR 300 million and investments in fixed assets to be acquired from foreign suppliers (EUR 110 million). EUR 91 million out of the remaining EUR 110 million have already been used for investments in property, plant and equipment in Marketing and E&P by the end of June 2007. Unrealized losses charged directly to equity in 2007 amount to RON 36,376,843.

Revenue reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves).

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

13. PROVISIONS

	Pensions and similar obligations	Taxes	Decommissioning and restoration	Other provisions	Total
January 1, 2007	**185,590,838**	**2,677,850**	**3,706,408,674**	**1,707,270,997**	**5,601,948,359**
Exchange differences	(1,215)	(28,274)	(873,585)	(6,483,275)	**(7,386,349)**
Changes in consolidated Group	-	-	-	(7,212)	**(7,212)**
Used	(539,623)	(84,193,658)	(289,232,000)	(867,634,202)	**(1,241,599,483)**
Allocations	6,729,000	168,662,036	138,874,171	722,098,050	**1,036,363,257**
June 30, 2007	**191,779,000**	**87,117,954**	**3,555,177,260**	**1,555,244,358**	**5,389,318,572**
thereof short-term	-	87,117,954	-	1,158,208,075	**1,245,326,029**
thereof long-term	191,779,000	-	3,555,177,260	397,036,283	**4,143,992,543**

Provisions for pensions and similar obligations

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

Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration and in capitalized decommissioning costs are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value.

Details on the Decommissioning and restoration obligations are as follows:

	June 30, 2007	December 31, 2006
Balance as at January 1, 2007	**3,706,408,674**	**3,627,778,126**
Exchange differences	(873,585)	(1,248,402)
New obligations	314,276	1,726,327
Change in consolidated Group	-	5,355,152
Revisions in estimates	(278,956,088)	(75,495,689)
Unwinding effect	138,894,533	163,261,676
Settlements current period	(10,610,550)	(14,968,516)
Balance as at June 30, 2007	**3,555,177,260**	**3,706,408,674**

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

13. PROVISIONS (CONTINUED)

Other provisions were as follows:

2007	Total	less than 1 year	over 1 year
Environmental costs	219,340,000	986,000	218,354,000
Other personnel provisions	401,787,002	401,787,002	-
Accruals for goods and services	642,339,106	642,339,106	-
Other	291,778,250	113,095,967	178,682,283
Total	**1,555,244,358**	**1,158,208,075**	**397,036,283**

2006	Total	less than 1 year	over 1 year
Environmental costs	219,602,000	1,571,000	218,031,000
Other personnel provisions	525,176,052	525,176,052	-
Accruals for goods and services	640,489,415	640,489,415	-
Other	322,003,530	120,713,096	201,290,434
Total	**1,707,270,997**	**1,287,949,563**	**419,321,434**

14. OTHER LIABILITIES

	June 30, 2007	less than 1 year	over 1 year
Deferred income	93,525,114	93,525,114	-
Tax liabilities	249,851,908	249,851,908	-
Social security	41,838,695	41,838,695	-
Other liabilities	375,852,007	345,325,007	30,527,000
Total	**761,067,724**	**730,540,724**	**30,527,000**

	December 31, 2006	less than 1 year	over 1 year
Deferred income	102,199,877	102,199,877	-
Tax liabilities	246,070,682	246,070,682	-
Social security	39,808,268	39,808,268	-
Other liabilities	650,302,148	619,763,891	30,538,257
Total	**1,038,380,975**	**1,007,842,718**	**30,538,257**

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

15. DEFERRED TAX

2007

	Deferred tax assets without allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Intangible assets	6,402	-	6,402	2,460,000
Property, plant and equipment	94,560	-	94,560	410,123,789
Financial assets	5,690,000	-	5,690,000	7,636,382
Inventories	19,077,880	4,811,200	14,266,680	30,290
Receivables and other assets	115,187,646	66,167,040	49,020,606	9,729,170
Untaxed reserves	-	-	-	85,546,000
Provisions for pensions and severance payments	30,684,640	-	30,684,640	-
Other provisions	519,486,644	2,737,280	516,749,364	-
Liabilities	4,072,482	-	4,072,482	16,156
Tax loss carried forward	19,707,853	-	19,707,853	-
Total	**714,008,107**	**73,715,520**	**640,292,587**	**515,541,787**
Netting (same tax jurisdictions/country)			(429,335,831)	(429,335,831)
Deffered tax, net			**210,956,756**	**86,205,956**

2006

	Deferred tax assets without allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Intangible assets	491,164	-	491,164	572,000
Property, plan and equipment	94,400	-	94,400	491,317,892
Financial assets	28,873,120	23,110,080	5,763,040	6,490,117
Inventories	11,189,872	-	11,189,872	38,708
Receivables and other assets	117,480,753	61,622,080	55,858,673	9,187,403
Untaxed reserves	-	-	-	91,761,335
Provisions for pensions and severance payments	29,696,331	-	29,696,331	-
Other provisions	560,425,441	-	560,425,441	-
Liabilities	13,529,588	-	13,529,588	11,872,935
Tax loss carried forwards	23,129,311	-	23,129,311	-
Total	**784,909,980**	**84,732,160**	**700,177,820**	**611,240,389**
Netting (same tax jurisdictions/country)			**(513,367,376)**	**(513,367,376)**
Deferred tax, net			**186,810,444**	**97,873,013**

As at June 2007, tax loss carry-forward amounted to RON 68,261,409 (December 2006: RON 89,376,555). Eligibility of losses for carry-forward expires as follows:

	2007	**2006**
2007	975,000	1,705,000
2008	975,000	1,705,000
2009	975,000	1,705,000
2010	975,000	1,705,000
2011	975,000	1,705,000
After 2011	-	12,450,691
Unlimited	63,386,409	68,400,864
Total	**68,261,409**	**89,376,555**

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

16. INTEREST BEARING DEBTS

2007	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities to banks	22,885,959	22,885,959	-
TOTAL	**22,885,959**	**22,885,959**	**-**

2006	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities to banks	54,047,150	54,047,150	-
TOTAL	**54,047,150**	**54,047,150**	**-**

As at June 30, 2007 and December 31, 2006, the Group had only short term loans from financial institutions:

	June 30, 2007	December 31, 2006
Petrom Moldova (BCR, BC Victoriabank)	22,323,552	15,480,416
OMV Bulgaria (CITIBANK Sofia, Unicredit Bulbank)	562,407	38,566,734
Total	**22,885,959**	**54,047,150**

Petrom Moldova

Lender	Banca Comerciala Romana Chisinau SA
Borrower	ICS Petrom Moldova SA
Value	Credit line of USD 3,050,000
Purpose	Oil products purchase
Maturity	August 12, 2008
Interest	10.50%
Repayments	Daily
Undrawn amounts	-
Security	Real estate

Petrom Moldova

Lender	BC Victoriabank SA (Republic of Moldova)
Borrower	ICS Petrom Moldova SA
Value	Credit line of USD 6,500,000
Purpose	Oil products purchase
Maturity	May 29, 2009
Interest	10.50%
Repayments	Daily
Undrawn amounts	USD 1,533,990
Security	Real estate

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

16. INTEREST BEARING DEBTS (CONTINUED)

OMV Bulgaria

Lender	CITIBANK Sofia
Borrower	OMV Bulgaria
Value	EUR 20,451,675
Purpose	Working capital
Maturity	July 15, 2008
Interest	4.88%
Repayments	Daily
Undrawn amounts	EUR 20,340,439
Security	Letter of comfort

OMV Bulgaria

Lender	Unicredit Bulbank, Sofia
Borrower	OMV Bulgaria
Value	EUR 16,872,632
Purpose	Working capital
Maturity	October 31, 2007
Interest	4.90%
Repayments	Daily
Undrawn amounts	EUR 16,804,289
Security	Letter of comfort

17. OTHER OPERATING INCOME

	June 30, 2007
Exchange gains from operating activities	77,665,615
Gains from disposal of fixed assets	532,584
Write-up tangible and intangible assets	3,317,000
Other operating income	36,652,618
Total	**118,167,817**

18. OTHER OPERATING EXPENSES

	June 30, 2007
Exchange losses from operating activities	67,750,093
Losses from disposal of fixed assets	34,290,935
Other operating expenses	252,555,967
Total	**354,596,995**

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

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

As at June 30, earnings before interest and tax under the total cost method were as follows:

	June 30, 2007
Revenues	7,111,149,539
Inventory changes	197,986,472
Own work accounted for in fixed assets	9,957,876
Other operating income	111,081,985
Costs of material	2,728,126,944
Costs of energy	223,621,284
Other costs of production	637,404,578
Cost of material and services	**3,589,152,806**
Wages and salaries	762,736,868
Other personnel expenses	37,998,770
Personnel expenses	**800,735,638**
Depreciation	527,046,395
Impairment	63,850,000
Depreciation and impairment	**590,896,395**
Transportation and postage expenses	290,223,118
Rental expenses	50,055,516
Advertising and protocol expenses	23,865,192
Insurance expenses	18,776,830
Travel expenses and daily allowances	36,386,845
Other operating expenses	1,044,897,849
Total other operating expenses	**1,464,205,350**
EARNINGS BEFORE INTEREST AND TAX	**985,185,683**

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

20. INCOME FROM INVESTMENTS

	June 30, 2007
Net income from associated companies	5,708,848
Net income from disposal of investments	9,813,150
Net income from write-ups of investments	1,469,000
Net income from associated companies and other investments	**16,990,998**

21. FINANCIAL INCOME AND EXPENSES

	June 30, 2007
Interest income	160,950,672
Income from securities	18,189,444
Exchange gains from financing activities	33,795,117
Income from disposal of financial assets (excluding investments)	293,646,253
Total income	**506,581,486**
Interest expenses	(14,616,183)
Losses from securities	(1,582,415)
Unwinding expenses for retirement benefits provision	(6,583,000)
Unwinding expenses for decommissioning provision	(90,036,455)
Unwinding expenses for other provisions	(2,595,201)
Exchange losses from financing activities	(165,139,197)
Expenses on disposal of financial assets (excluding investments)	(303,167,087)
Depreciation of financial assets and securities	(12,009,569)
Total expenses	**(595,729,107)**
Net financial expense	**(89,147,621)**

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

22. TAXES ON INCOME

	June 30, 2007
Taxes on income - current year	173,712,015
Deferred Tax	(30,617,369)
Total	**143,094,646**

The reconciliation of deferred taxes is as follows:

	June 30, 2007
Deferred taxes January 1	88,937,431
Deferred taxes June 30	124,750,800
Changes in deferred taxes	**35,813,369**
Deferred taxes on revaluation of securities and hedges charged directly to equity	2,200,990
Changes in consolidated Group, exchange differences and similar items	2,995,010
Deferred taxes per income statement	**30,617,369**

Reconciliation

Net profit before taxation	**913,029,060**
Applicable tax	16.46%
Profits tax based on applicable rate	150,317,935
Tax effect of permanent differences	(7,223,289)
Profits tax expense in Income Statement	143,094,646
Tax effect of other temporary differences	30,617,369
Profits tax to be paid for the year	**173,712,015**

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

23. EARNINGS PER SHARE

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

	June 30, 2007
Net profit for the shares attributable to own shareholders	769,338,773
Number of shares	56,644,108,335
Earnings per share	**0.0136**

24. BUSINESS OPERATIONS AND KEY MARKETS

Petrom is divided into four operating segments: Exploration and Production (E&P), Refining and Marketing, Gas and Chemicals. Group management, financing activities and certain service functions are concentrated in the Coporate segment, too.

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

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

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

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

E&P activities are mainly focused on Romania and Kazakhstan. In Romania, Petrom SA is the only crude oil producer and accounts for half of the Romanian gas production. In order to cope with the challenge of declining reserves, Petrom SA started to internationally diversify its E&P portfolio, by developing activities in Kazakhstan and Russia.
A new gas business unit was created in 2005 in Petrom SA, in order to have a dedicated organization to focus on gas sales and on the best use of the potential and opportunities resulting from the market liberalization.

Refining segment includes two of the most important Romanian refineries, Arpechim and Petrobrazi, which together account for 35% of Romanian crude processing capacity.

Marketing operates in Romania, Bulgaria, Serbia, Hungary and Moldova. Petrom SA is the main player on the Romanian fuels market, owing a retail network of 500 filling stations.

Chemicals segment operates the main fertilizer plant in Romania, Doljchim Craiova. The plant was integrated in Petrom's activity and uses as raw material the natural gas produced by the Petrom SA.

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

24. BUSINESS OPERATIONS AND KEY MARKETS (CONTINUED)

Petrom segment reporting is based on business segments:

	E&P	Refining & Marketing	Gas	Corporate & Other	Chemicals	Total	Consolidation	Consolidated total
Intersegment sales	3,205,692,575	1,132,171,000	265,525,000	215,522,000	19,993,000	**4,838,903,575**	(4,838,903,575)	-
Sales whith third parties	252,326,642	6,067,655,357	564,597,540	140,000	226,430,000	**7,111,149,539**	-	**7,111,149,539**
Total sales	**3,458,019,217**	**7,199,826,357**	**830,122,540**	**215,662,000**	**246,423,000**	**11,950,053,114**	**(4,838,903,575)**	**7,111,149,539**
EBIT	**1,284,261,300**	**(348,306,166)**	**103,735,000**	**(65,172,000)**	**2,199,000**	**976,717,134**	8,468,549	**985,185,683**
Investments in fixed assets	981,628,125	401,158,170	3,054,495	101,245,224	4,648,848	**1,491,734,862**	-	**1,491,734,862**
Investment in associated companies	29,082,910	55,684,993	-	-	-	**84,767,903**	-	**84,767,903**
Depreciation and amortization	361,899,465	134,985,930	4,749,000	25,401,000	11,000	**527,046,395**	-	**527,046,395**
Impairment losses	14,476,000	45,619,000	3,000	-	3,752,000	**63,850,000**	-	**63,850,000**
Result from associated companies	2,425,770	3,283,079	-	-	-	**5,708,849**	-	**5,708,849**

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

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

25. RELATED PARTIES

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

During 2007, the Group had the following transactions with related parties:

	Purchases	Payables
OMV-International Services GesmbH.,Wien	4,526,430	9,170,685
OMV GAS GmbH	498,306	166,426
OMV Hungaria GmbH	2,529,551	1,230,151
OMV Aktiengesellschaft	4,810,690	680,235
OMV Deutschland GmbH	762,781	-
OMV Exploration & Production GmbH	19,046,984	19,046,984
OMV Refining & Marketing AG	159,130,658	42,607,824
OMV Supply & Trading AG	800,930,971	98,333,117
OMV Solutions Gmbh	6,946,592	2,726,743
OMV Gas International GmbH, Wien	498,306	62,316
PETROM NADLAC SRL Nadlac	1,372,045	449,456
POLIFLEX ROMANIA SRL Brazi	2,787	11,382
LINDE GAZ BRAZI SRL Brazi	1,536,028	351,764
SHELL GAS ROMANIA	8,170	42,391
FONTEGAS - PECO SA Mehedinti	6,053	7,203
ACETILENA BRAZI SRL Brazi	37,291	7,214
BUTAN GAS ROMANIA SRL Bucuresti	19,356	1,999,983
Total	**1,002,662,999**	**176,893,874**

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

25. RELATED PARTIES (CONTINUED)

	Sales	Receivables
OMV-International Services GesmbH.,Wien	11,224,091	3,281,324
OMV (Bulgaria) Offshore Exploration GmbH	16,785	1,802
OMV Aktiengesellschaft	67,739	29,572
OMV Refining & Marketing AG	394,383	314,423
PETROGAS	50,202	15,127
PETROM NADLAC SRL Nadlac	7,681,870	607,486
POLIFLEX ROMANIA SRL Brazi	858,869	156,128
PETROM AVIATION Otopeni-Ilfov	64,785,372	23,559,978
LINDE GAZ BRAZI SRL Brazi	1,270,790	243,318
SHELL GAS ROMANIA	25,697,331	3,559,627
ROBIPLAST CO SRL Bucuresti	226,819	607,956
BEYFIN GAZ SRL	135,315	35,000
FONTEGAS - PECO SA Mehedinti	-	80,632
ACETILENA BRAZI SRL Brazi	47,255	4,809
AIR TOTAL ROMANIA S.A.	29,256,269	8,630,143
BUTAN GAS ROMANIA SRL Bucuresti	20,968,345	3,132,102
LINZER AGRO TRADE S.r.l., Bukarest	18,674,490	766,979
OMV BH d.o.o.	36,845	(5,265)
AMI Agrolinz Melamine International GmbH	58,288,047	12,211,367
Petrol Ofisi A.S.	84,295,086	6,055,830
DOO PETROM YU	-	349,284
BRAZI OIL&ANGHELESCU PROD COM SRL	939	138,404
G.T.I.-OIL SA	-	226,295
MD INDIA	-	185,968
PRIMA PETROL SA	-	600,075
OMV Slovenija d.o.o.	131,738	48,538
Total	**324,108,580**	**64,836,902**

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

26. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP

Company Name	Share interest percentage	Consolidation treatment*
Subsidiaries (>50%)		
Dbi Fund	100.00%	FC
Raiffeisen Fund	100.00%	FC
Oppenheim Fund	100.00%	FC
TASBULAT OIL CORPORATION LLP.	100.00%	FC
PETROGAS	100.00%	NC
SC MP PETROLEUM DISTRIBUTIE	99.99%	FC
SC Aviation Petroleum	99.99%	FC
PETROM GAS SRL Bucuresti	99.99%	FC
Rafiserv Petrobrazi	99.94%	FC
OMV Bulgaria	99.90%	FC
OMV Romania	99.90%	FC
OMV Yugoslavia	99.90%	FC
Petrom Distributie Gaze	99.99%	NC
Rafiserv Arpechim	99.78%	FC
PETROM NADLAC SRL Nadlac	98.51%	NC
POLIFLEX ROMANIA SRL Brazi	96.84%	NC
KOM MUNAI	95.00%	FC
RING OIL	74.90%	FC
Claire Nafta Ltd.	74.90%	FC
LLC Managent Company CorSarNeft	74.90%	FC
LLC Artamira	74.90%	FC
OJSC Chalykneft	74.90%	FC
OJSC Karneft	74.90%	FC
SOK Renata LLC	74.90%	FC
LLC Neftepoisk	74.90%	FC
CJSC Saratovneftedobycha	74.90%	FC
PETROM MOLDOVA	65.00%	FC
Associated companies (20-50%)		
LINDE GAZ BRAZI SRL Brazi	49.00%	EM
SOC ROMANA DE PETROL	49.00%	NAE
PETROM AVIATION Otopeni-Ilfov	48.50%	EM
ROBIPLAST CO SRL Bucuresti	45.00%	NAE
SHELL GAS ROMANIA	44.47%	EM
BEYFIN GAZ SRL	40.00%	NAE
FRANCIZA PITESTI	40.00%	NAE
BRAZI OIL & ANGELESCU PROD COM SRL Brazi	37.70%	NAE
FONTEGAS - PECO SA Mehedinti	37.40%	NAE
CONGAZ SA Constanta	28.59%	EM
DEEM ALGOCAR SA Buzias	27.92%	NAE
ACETILENA BRAZI SRL Brazi	21.28%	NAE
BURSA MARITIMA SI DE MARFURI CONSTANTA	20.09%	NAE
TRANSGAS SERVICES SRL Bucuresti	20.00%	NAE
Other financial investments (<20%)		
GTI OIL CO	13.00%	NC
PRIMA PETROL	11.98%	NC
AIR TOTAL ROMANIA SA	6.41%	NC
BUTAN GAS ROMANIA SRL Bucuresti	6.07%	NC
BURSA DE MARFURI OLTENIA Craiova	2.63%	NC
TELESCAUN TIHUTA	1.68%	NC
AGRIBAC SA Bacau	0.79%	NC
BENZ OIL	0.48%	NC
CREDIT BANK	0.22%	NC
INSTITUTUL ROMAN PENTRU ASIGURARI	0.10%	NC
Oficiul Patronal Judetian Mures	0.01%	NC
ROMEXTERRA LEASING	0.01%	NC
MD INDIA	0.00%	NC

26. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP (CONTINUED)

* Consolidation treatment:

FC Full consolidation
EM Accounted for at equity (Associated company)
NAE Other investment, recognized at acquisition cost:
(associated companies, of relatively little importance to the assets and earnings of the consolidated financial statements).
NC Non – consolidated subsidiary
(shell or distribution companies, of relative insignificance individually and collectively to the consolidated financial statements)

Most of the subsidiaries which are not consolidated either have low volumes of business or are distribution companies; the total sales, net income/losses and equity of such companies represent less than 2% of the consolidated totals.

27. FAIR VALUE OF FINANCIAL ASSETS

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

The book values of accounts receivable and other assets and cash in hand, checks and cash at bank are reasonable estimates of their fair values, as the assets in question generally have maturities of less than 1 year.

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

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

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

28. COMMITMENTS AND CONTINGENCIES

Litigations

The Group is making provisions against litigations that is likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect the Group's financial position. The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate: provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on consolidated results in the next three years.

29. FINANCIAL RISK MANAGEMENT

Credit risk

Credit risks are assessed and monitored at Group level using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, customers are assigned maximum permitted exposures in terms of amounts and maturities and the creditworthiness assessments are reviewed at least annually.

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

The Group believes that it does not require any further collateral or security to support the financial instruments due to the quality of the financial institutions dealt with.

Foreign exchange and inflation risk

Because the Group operates in many countries and currencies, industry specific activities and the corresponding exchange risks are being analysed. The US Dollar represents the greatest risk exposure in the form of movement of the US dollar against the Euro and Romanian leu. Other currencies have only limited impact on cash flow and EBIT.