

S.C. PETROM S.A.

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE SIX MONTHS PERIOD ENDED
JUNE 30, 2008**

**PREPARED IN ACCORDANCE WITH
INTERNATIONAL FINANCIAL REPORTING
STANDARDS**

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
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, 2008
(all amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
ASSETS			
Non-current assets			
Intangible assets*	5	1,618,842,184	702,483,376
Property, plant, equipment*	6	16,964,828,686	15,113,550,970
Investment in associates	7	42,991,117	40,536,390
Other financial assets	7	211,992,946	229,485,848
Other receivables and assets	9	1,883,049,564	1,770,734,988
Deferred tax asset	15	357,708,959	265,409,309
Total non-current assets		<u>21,079,413,456</u>	<u>18,122,200,881</u>
Current assets			
Inventories, net	8	2,571,876,779	2,289,936,846
Trade receivables, net	9	1,518,068,807	1,482,458,290
Other receivables and assets, net	9	495,237,547	451,209,917
Securities and investments	10	-	1,004,642,846
Cash and cash equivalents		745,850,784	1,340,611,643
Total current assets		<u>5,331,033,917</u>	<u>6,568,859,542</u>
Total assets		<u>26,410,447,373</u>	<u>24,691,060,423</u>
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	11	18,983,366,226	18,983,366,226
Retained earnings		(3,129,406,257)	(3,513,271,077)
Other reserves		86,550,386	80,884,746
Total equity attributable to equity holders of the parent		<u>15,940,510,355</u>	<u>15,550,979,895</u>
Minority interests		<u>133,746,827</u>	<u>137,311,923</u>
Total equity		<u>16,074,257,182</u>	<u>15,688,291,818</u>
Non-current liabilities			
Pensions and similar liabilities	12	269,469,000	190,438,000
Decommissioning and restoration obligations	12	4,578,537,837	4,306,728,251
Other provisions	12	728,918,825	753,181,350
Other liabilities	13	78,745,270	59,859,000
Deferred tax liability	14	91,840,791	105,963,860
Total non-current liabilities		<u>5,747,511,723</u>	<u>5,416,170,461</u>


*) Unproved mineral property and related assets have been reclassified from tangible to intangible assets. Figures for previous period have been adjusted accordingly.

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, 2008

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

	<u>Notes</u>	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Current liabilities			
Trade payables**		2,140,196,100	2,168,652,526
Interest bearing debts	15	25,935,674	23,301,983
Provisions for taxes	12	208,316,530	117,604,114
Other provisions**	12	704,797,250	483,213,291
Other liabilities**	13	<u>1,509,432,914</u>	<u>793,826,230</u>
Total current liabilities		<u>4,588,678,468</u>	<u>3,586,598,144</u>
Total equity and liabilities		<u>26,410,447,373</u>	<u>24,691,060,423</u>



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer

**) As at June 30, 2008 accruals have been reclassified from other provisions to trade payables and other liabilities. Figures for previous periods have been adjusted accordingly.

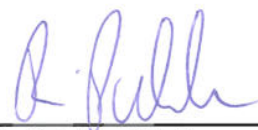
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S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

	<u>Notes</u>	<u>June 30,</u> <u>2008</u>	<u>June 30,</u> <u>2007</u>
Revenue		10,027,148,819	7,111,149,539
Cost of sales		<u>(6,367,045,948)</u>	<u>(4,863,858,107)</u>
Gross profit		<u>3,660,102,871</u>	<u>2,247,291,432</u>
Other operating income	16	209,237,023	118,167,817
Selling expenses		(728,257,249)	(795,608,797)
Administrative expenses		(95,326,403)	(146,656,800)
Exploration expenses		(192,637,339)	(83,410,974)
Other operating expenses	17	<u>(972,929,759)</u>	<u>(354,596,995)</u>
Earnings before interest and taxes	18	<u>1,880,189,144</u>	<u>985,185,683</u>
Income from investments	19	57,563,773	16,990,998
Financial expenses	20	<u>(163,658,113)</u>	<u>(89,147,621)</u>
Net finance cost		<u>(106,094,340)</u>	<u>(72,156,623)</u>
Profit from ordinary activities		<u>1,774,094,804</u>	<u>913,029,060</u>
Taxes on income	21	<u>(315,457,265)</u>	<u>(143,094,646)</u>
Net income for the period		<u>1,458,637,539</u>	<u>769,934,414</u>
thereof attributable to own shareholders		<u>1,465,767,290</u>	<u>769,338,773</u>
thereof attributable to minority interests		(7,129,751)	595,641
Earnings per share in RON	22	0.0259	0.0136



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Petrom shareholders</u>	<u>Minority interests</u>	<u>Shareholders' equity</u>
Balance at January 1, 2008	<u>18,983,366,226</u>	<u>(3,513,271,077)</u>	<u>80,884,746</u>	<u>15,550,979,895</u>	<u>137,311,923</u>	<u>15,688,291,818</u>
Fair value adjustment on available for sale financial assets						
Gross amount	-	-	(4,148,318)	(4,148,318)	-	(4,148,318)
Income taxes	-	-	663,731	663,731	-	663,731
Exchange differences from translation of foreign operations	-	-	9,150,227	9,150,227	3,628,325	12,778,552
Net income for the period	-	1,465,767,290	-	1,465,767,290	(7,129,751)	1,458,637,539
Dividends distribution	-	(1,081,902,470)	-	(1,081,902,470)	(63,670)	(1,081,966,140)
Balance at June 30, 2008	<u>18,983,366,226</u>	<u>(3,129,406,257)</u>	<u>86,550,386</u>	<u>15,940,510,355</u>	<u>133,746,827</u>	<u>16,074,257,182</u>

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

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

	<u>Share capital</u>	<u>Retained earnings</u>	<u>Other reserves</u>	<u>Petrom shareholders</u>	<u>Minority interests</u>	<u>Shareholders' equity</u>
Balance at January 1, 2007	<u>18,983,366,226</u>	<u>(4,032,379,894)</u>	<u>(152,801,406)</u>	<u>14,798,184,926</u>	<u>120,243,983</u>	<u>14,918,428,909</u>
Unrealized gains / (losses) on hedging of umbrella funds and available for sale financial assets						
Profit / (loss) for the period 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 period 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 period	-	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	<u>18,983,366,226</u>	<u>(4,276,970,661)</u>	<u>(252,078,810)</u>	<u>14,454,316,755</u>	<u>112,659,444</u>	<u>14,566,976,199</u>

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

S.C. PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED CASH FLOW STATEMENT
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

	Notes	June 30, 2008	June 30, 2007
Cash flow from operating activities			
Profit before taxation		1,774,094,804	913,029,060
Adjustments for:			
Interest expenses	20	2,375,886	14,616,183
Interest income	20	(41,483,761)	(160,950,672)
Net movement in provisions for:			
- Financial assets		(657,340)	(2,320,011)
- Inventories		6,274,204	(3,662,000)
- Receivables		13,278,799	16,283,388
- Pensions and similar liabilities		5,245,052	6,189,377
- Decommissioning and restoration obligations		86,288,239	80,147,345
- Other provisions for risk and charges		187,784,807	(145,536,152)
Income from investments in associates	19	(2,454,727)	(5,708,848)
Gain on disposal of subsidiaries		(50,814,606)	-
Cash flow hedge recycled through income statement		-	15,288,351
(Gain)/ Loss on disposals of fixed assets		(51,630,833)	33,758,351
Loss on disposals of financial assets		6,187,928	-
Depreciation, amortization and impairment expense		867,269,301	590,896,395
Other non cash items		(63,670)	(10,384,307)
Cash generated from operating activities before working capital movements		2,801,694,083	1,341,646,460
Working capital movements		1,512,702	(458,319,714)
Interest received		43,324,265	160,950,672
Interest paid		(2,375,886)	(14,616,183)
Tax on profit paid		(330,154,419)	(83,434,053)
Net cash generated from operating activities		2,514,000,745	946,227,182
Cash flow from investment activities			
Purchase of tangible and intangible assets		(2,348,395,003)	(1,463,720,779)
Proceeds from sale of fixed assets		89,967,053	75,234,960
Proceeds from sale of financial assets		1,020,957,102	88,618,434
Acquisition of businesses net of cash acquired		(1,429,623,064)	(15,048,685)
Proceeds from sale of Group companies less cash and cash equivalents		50,276,687	46,739,831
Net cash used from investment activities		(2,616,817,225)	(1,268,176,239)
Cash flow from financial activities			
Net increase in/ (Repayment of) loans		11,028,637	(31,161,190)
Dividends paid		(502,973,016)	(1,363,949,408)
Net cash used for financial activities		(491,944,379)	(1,395,110,598)
Total cash flows		(594,760,859)	(1,717,059,655)
Cash and cash equivalents at the beginning of the year		1,340,611,643	3,918,642,801
Cash and cash equivalents at the end of the period		745,850,784	2,201,583,146

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

S.C. PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

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

Shareholders' structure as at June 30, 2008 was as follows:

	Percent
OMV Aktiengesellschaft	51.01%
The Authority for State Assets Recovery	20.64%
Property Fund S.A.	20.11%
European Bank for Reconstruction and Development	2.03%
Legal entities and individuals	<u>6.21%</u>
Total	<u>100.00%</u>

Statement of compliance

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 such as Petrom S.A. are required by Ministry of Finance Order 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS starting 2007.

Basis of preparation

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

Critical areas and use of management judgment

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses, as well as the amounts disclosed in the notes. Actual outcomes may differ from these estimates.

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

2. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of Petrom SA and its subsidiaries as at 30 June 2008, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, 30 June 2008, 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(all amounts are expressed in RON, unless otherwise specified)

2 CONSOLIDATION (continued)

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:

	<u>Full consolidation</u>	<u>Equity consolidation</u>
As at January 1, 2008	25	2
Included for the first time	-	-
Disposed of	3	-
As at June 30, 2008	22	2
thereof, Romanian companies	9	2
thereof, Foreign companies	13	-

The results of subsidiaries acquired or disposed off during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of 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 unproved mineral properties within intangible 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.

S.C. PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

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

Intangible assets	Useful life (years)
Goodwill	Unlimited
Software	3-5
Concessions, licenses and other intangible assets	4-20, or contract duration
Business-specific property, plant and equipment	
E&P Oil and gas core assets	Unit of production method
R&M Storage tanks	40
Refinery facilities	25
Pipeline systems	20
Filling 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.

S.C. PETROM S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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(all amounts are expressed in RON, unless otherwise specified)

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

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.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

j) Inventories

Costs of production comprise directly attributable costs and fixed and variable indirect material and production overheads. Inventories are registered at the lower of cost and net realizable value. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and selling expenses. Appropriate provisions are made for any obsolete or slow moving stocks based on the management's assessments.

k) Receivables and other assets

With the exception of derivative financial instruments, which are recognized at fair value, and foreign currency items, which are translated at closing rates, receivables and other assets are carried at 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;
- cleaning of sludge pits;
- dismantlement of wellheads and production and transport facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

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.

Based on the privatization agreement of Petrom S.A., part of Petrom decommissioning and environmental cost will be reimbursed by the Romanian State. The portion of 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.

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.

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.

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

o) Revenue recognition

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

Sale of goods

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

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

Rendering of services

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

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

Dividend and interest revenue

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

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

Rental income

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

p) Geological quota

Until December 31, 2006, the parent company, Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

r) Derivatives

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

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3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

The fair value of derivative financial instruments reflects the estimated amounts that Group 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 S.A. 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, 2008	Average for the six months period ended June 30, 2008	Year ended December 31, 2007	Average for the year ended December 31, 2007
US dollar (USD)	2.3066	2.3996	2.4564	2.4361
Euro (EUR)	3.6475	3.6709	3.6102	3.3337
Moldavian Leu (MDL)	0.2345	0.2255	0.2161	0.2014
Russian Rouble (RUB)	0.0987	0.1003	0.1003	0.0952
Yugoslavian Dinar (YUM)	0.0462	0.0449	0.0456	0.0417
Bulgarian Leva (BGN)	1.8650	1.8769	1.8457	1.7044

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5. INTANGIBLE ASSETS

	Concessions, licenses, and other intangible assets	Unproved mineral properties and related assets*	Total
COST			
Balance as at January 1, 2008	461,827,948	600,357,357	1,062,185,305
Exchange differences	369,116	(4,914,213)	(4,545,097)
Additions	1,034,951,444	132,205,574	1,167,157,018
Transfers to tangible assets (Note 6)	3,149,679	(33,610,000)	(30,460,321)
Disposals	<u>(15,169,521)</u>	<u>(2,929,216)</u>	<u>(18,098,737)</u>
Balance as at June 30, 2008	<u>1,485,128,666</u>	<u>691,109,502</u>	<u>2,176,238,168</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2008	109,468,127	250,233,802	359,701,929
Exchange differences	190,748	(1,303,985)	(1,113,237)
Amortisation	90,910,351	967,795	91,878,146
Impairment	13,000	123,607,000	123,620,000
Transfers to tangible assets (Note 6)	(1,102)	2,627,000	2,625,898
Disposals	(15,139,752)	(2,389,000)	(17,528,752)
Write-ups	<u>-</u>	<u>(1,788,000)</u>	<u>(1,788,000)</u>
Balance as at June 30, 2008	<u>185,441,372</u>	<u>371,954,612</u>	<u>557,395,984</u>
CARRYING AMOUNT			
As at January 1, 2008	<u>352,359,821</u>	<u>350,123,555</u>	<u>702,483,376</u>
As at June 30, 2008	<u>1,299,687,294</u>	<u>319,154,890</u>	<u>1,618,842,184</u>

*) Unproved mineral property and related assets have been reclassified from tangible assets to intangible assets. Figures for previous period have been adjusted accordingly.

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6. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl.buildings on third- party property	Proved mineral properties and related assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
Balance as at January 1, 2008	2,477,293,729	11,676,586,830	1,486,390,695	512,501,603	1,816,055,145	430,685,956	18,399,513,958
Exchange differences	10,694,584	(37,284,636)	1,918,887	3,422,842	(19,642,110)	(3,837,060)	(44,727,493)
Additions**	119,145,545	1,300,656,184	158,855,740	82,668,663	627,889,166	263,328,781	2,552,544,079
Transfers*	207,658,631	(375,887,348)	777,901,887	71,763,332	(573,678,140)	(77,298,041)	30,460,321
Disposals	(51,351,399)	(32,345,996)	(39,167,094)	(11,037,754)	(14,753,000)	(237,363)	(148,892,606)
Balance as at June 30, 2008	2,763,441,090	12,531,725,034	2,385,900,115	659,318,686	1,835,871,061	612,642,273	20,788,898,259

ACCUMULATED DEPRECIATION AND IMPAIRMENT

Balance as at January 1, 2008	366,827,039	2,058,563,977	531,778,307	211,990,598	90,607,347	26,195,720	3,285,962,988
Exchange differences	1,261,960	(8,563,418)	800,126	1,001,257	(103,184)	9,643	(5,593,616)
Depreciation	57,446,459	373,525,360	127,286,872	47,601,464	-	-	605,860,155
Impairment	13,711,000	1,215,000	29,534,000	5,258,000	7,882,000	2,789,000	60,389,000
Transfers*	15,773,542	(326,064,000)	309,033,835	25,975,725	(27,342,000)	(3,000)	(2,625,898)
Disposals	(26,089,043)	(28,463,996)	(31,811,335)	(8,099,319)	(12,532,000)	(237,363)	(107,233,056)
Write-ups	(4,353,000)	(704,000)	(4,558,000)	(587,000)	(2,486,000)	(2,000)	(12,690,000)
Balance as at June 30, 2008	424,577,957	2,069,508,923	962,063,805	283,140,725	56,026,163	28,752,000	3,824,069,573

CARRYING AMOUNT

As at January 1, 2008	2,110,466,690	9,618,022,853	954,612,388	300,511,005	1,725,447,798	404,490,236	15,113,550,970
As at June 30, 2008	2,338,863,133	10,462,216,111	1,423,836,310	376,177,961	1,779,844,898	583,890,273	16,964,828,686

The value of fixed assets pledged for the bank loans contracted by the Group is RON 18.8 million (2007: RON 11 million) for assets held by the Moldova subsidiary.

*) Transfers to intangible assets. See Note 5.

**) Additions include decommissioning liability reassessment amounting to RON 90,636,000.

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7. INVESTMENTS IN ASSOCIATED COMPANIES AND OTHER FINANCIAL ASSETS

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

	<u>Associated companies</u>	<u>Total associated companies</u>	<u>Investments</u>	<u>Available for sale securities</u>	<u>Loans</u>	<u>Total other financial assets</u>
COST						
Balance as at January 1, 2008	40,536,390	40,536,390	88,772,053	199,988,112	23,745,156	312,505,321
Additions and changes in value	2,454,727	2,454,727	-	(4,148,318)	-	(4,148,318)
Disposals	-	-	(16,727,788)	-	(8,394,946)	(25,122,734)
Balance as at June 30, 2008	42,991,117	42,991,117	72,044,265	195,839,794	15,350,210	283,234,269
WRITE DOWN ALLOWANCE						
Balance as at January 1, 2008	-	-	67,424,096	-	15,595,377	83,019,473
Impairment	-	-	-	-	-	-
Disposals	-	-	(11,120,810)	-	-	(11,120,810)
Write-ups	-	-	(410,587)	-	(246,753)	(657,340)
Balance as at June 30, 2008	-	-	55,892,699	-	15,348,624	71,241,323
CARRYING AMOUNT						
Balance as at January 1, 2008	40,536,390	40,536,390	21,347,957	199,988,112	8,149,779	229,485,848
Balance as at June 30, 2008	42,991,117	42,991,117	16,151,566	195,839,794	1,586	211,992,946

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

Associated companies

As at June 30, 2008 the Group has two associated companies: Congaz S.A. and Petrom Aviation. The summarized balance sheet and income statement information for these companies are as follows:

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Current assets	65,821,000	41,142,460
Non-current assets	145,254,505	131,751,719
Liabilities	73,371,000	46,019,661
	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Net sales	166,389,201	116,673,937
Earnings before interest and tax	18,458,084	18,441,094
Net income for the period	14,851,693	15,761,380

Investments

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

Available for sale securities

Amount under the position Available-for-sale securities are represented by the bonds 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. Bonds are carried at fair value through equity.

8. INVENTORIES

	<u>June 30, 2008</u>	<u>December 31, 2007</u>
Crude oil	591,827,094	402,958,385
Other raw materials	738,746,422	631,213,455
Work in progress	146,358,000	252,083,000
Finished products	1,041,913,812	935,427,237
Advances paid for inventories	<u>53,031,451</u>	<u>68,254,769</u>
Total	<u>2,571,876,779</u>	<u>2,289,936,846</u>

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9. RECEIVABLES AND ASSETS

Trade receivables are amounting RON 1,518,068,807 as at June 30, 2008 and RON 1,482,458,290 as at December 2007. They are presented net of provisions, which are detailed in the movement below.

	June 30, 2008	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	19,092,690	19,092,690	-
Rental and lease prepayments	59,068,322	58,594,154	474,168
Expenditure recoverable from State	1,813,365,854	-	1,813,365,854
Other receivables, net	486,760,245	417,550,703	69,209,542
Total	2,378,287,111	495,237,547	1,883,049,564

	December 31, 2007	Liquidity term	
		less than 1 year	over 1 year
Prepaid expenses and deferred charges	57,390,896	56,926,814	464,082
Rental and lease prepayments	19,806,647	19,806,647	-
Expenditure recoverable from State	1,707,751,023	-	1,707,751,023
Other receivables, net	436,996,339	374,476,456	62,519,883
Total	2,221,944,905	451,209,917	1,770,734,988

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. The Company also recorded receivable from the State related to environmental liabilities for sludge lagoons as these were existing in refineries prior to privatization of the Company.

10. SECURITIES HELD AND SHORT TERM ASSETS

	June 30, 2008	December 31, 2007
Opening balance	1,004,642,846	335,843,391
Transfers from available for sale financial assets	-	597,472,381
Movements during the period	(1,004,642,846)	71,327,074
Total	-	1,004,642,846

Included into securities at fair value through profit or loss are the securities owned by Umbrella funds.

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11. SHAREHOLDERS' EQUITY

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

Revenue reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves). Geological quota included in retained earnings is RON 5,062,836,164.

12. PROVISIONS

	Pensions and similar obligations	Taxes	Decommissioning and restoration	Other provisions	Total
January 1, 2008	190,438,000	118,434,114	4,306,728,251	1,235,564,641	5,851,165,006
Exchange differences	-	199,778	(708,666)	(2,312,140)	(2,821,028)
Used	(1,065,000)	(116,189,039)	(14,568,000)	(308,620,943)	(440,442,982)
Allocations	80,096,000	205,871,677	287,086,252	509,084,517	1,082,138,446
June 30, 2008	269,469,000	208,316,530	4,578,537,837	1,433,716,075	6,490,039,442
Thereof:					
short-term	-	208,316,530	-	704,797,250	913,113,780
long-term	269,469,000	-	4,578,537,837	728,918,825	5,576,925,662

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, 2008	December 31, 2007
	Carrying value	Carrying value
Balance as at January 1, 2008	4,306,728,251	3,706,408,674
Exchange differences	(708,666)	(378,611)
New obligations	244,759	1,638,780
Revisions in estimates	150,079,913	337,717,405
Unwinding effect	136,761,580	277,573,200
Settlements current period	(14,568,000)	(16,231,197)
Balance as at June 30, 2008	4,578,537,837	4,306,728,251

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12. PROVISIONS (continued)

Other provisions were as follows:

2008	Total	less than 1 year	over 1 year
Environmental costs	392,081,331	287,000	391,794,331
Other personnel provisions	293,105,699	293,105,699	-
Other	748,529,045	411,404,551	337,124,494
Total	1,433,716,075	704,797,250	728,918,825

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

2007	Total	less than 1 year	over 1 year
Environmental costs	370,579,256	321,000	370,258,256
Other personnel provisions	386,450,748	386,450,748	-
Other	478,534,637	96,441,543	382,093,094
Total	1,235,564,641	483,213,291	752,351,350

13. OTHER LIABILITIES

	June 30, 2008	less than 1 year	over 1 year
Deferred income	159,117,494	159,117,494	-
Tax liabilities	379,068,508	379,068,508	-
Social security	43,289,703	43,289,703	-
Other liabilities	1,006,702,479	927,957,209	78,745,270
Total	1,588,178,184	1,509,432,914	78,745,270

	December 31, 2007	less than 1 year	over 1 year
Deferred income	173,900,694	173,900,694	-
Tax liabilities	291,416,439	291,416,439	-
Social security	27,852,695	27,852,695	-
Other liabilities	360,515,402	300,656,402	59,859,000
Total	853,685,230	793,826,230	59,859,000

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14. DEFERRED TAX

2008

	Deferred tax assets before allowances, gross	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	4,785,146	402,851	4,382,295	472,995,333
Financial assets	9,988,461	-	9,988,461	5,394,000
Inventories	21,154,096	573,760	20,580,336	-
Receivables and other assets	129,332,082	62,673,486	66,658,596	266,799
Untaxed reserves	-	-	-	78,707,970
Provisions for pensions and severance payments	31,309,440	-	31,309,440	-
Other provisions	640,240,281	250,880	639,989,401	11,472
Liabilities	10,126,749	-	10,126,749	2,015,784
Tax loss carried forward	42,224,248	-	42,224,248	-
TOTAL	889,160,503	63,900,977	825,259,526	559,391,358
Netting (same tax jurisdictions/country)			(467,550,567)	(467,550,567)
Deferred tax, net			357,708,959	91,840,791

2007

	Deferred tax assets without allowances, gross	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	7,521,606	2,078,005	5,443,601	493,888,990
Financial assets	4,704,666	16,826	4,687,840	4,594,000
Inventories	11,309,721	467,840	10,841,881	108,000
Receivables and other assets	125,417,633	64,311,096	61,106,536	14,584,750
Untaxed reserves	1,440	-	1,440	90,780,304
Provisions for pensions and severance payments	30,470,080	-	30,470,080	-
Other provisions	614,482,424	2,712,000	611,770,424	-
Liabilities	7,999,910	-	7,999,910	1,284,225
Tax loss carried forwards	32,364,006	-	32,364,006	-
Total	834,271,486	69,585,768	764,685,718	605,240,269
Netting (same tax jurisdictions/country)			(499,276,409)	(499,276,409)
Deferred tax, net			265,409,309	105,963,860

At June 30, 2008, tax loss carry-forward amounted to RON 212,919,064 (2007: RON 136,057,386). Eligibility of losses for carry-forward expires as follows:

	2008	2007
2008	-	-
2009	-	-
2010	29,411,504	22,655,377
2011	35,041,722	37,371,013
2012	39,702,645	10,206,556
After 2012	52,945,780	26,551,516
Unlimited	55,817,413	39,272,923
Total	212,919,064	136,057,386

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15. INTEREST BEARING DEBTS

2008	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities to banks	25,935,674	25,935,674	-
TOTAL	25,935,674	25,935,674	-

2007	Total	Less than 1 year	Over 1 year
Interest-bearing financial liabilities to banks	23,301,983	23,301,983	-
TOTAL	23,301,983	23,301,983	-

As at June 30, 2008 and December 31, 2007, the Group had only short term loans from financial institutions:

	June 30, 2008	December 31, 2007
ICS PETROM MOLDOVA SA (BCR, Victoriabank)	25,857,031	23,301,983
SC PETROM SA (Unicredit Tiriace Bank S.A.)	78,643	-
Total	25,935,674	23,301,983

As at June 30, 2008, OMV Bulgaria LTD did not use any of the loan facilities available for the Company.

ISC PETROM MOLDOVA SA

Lender	Banca Comerciala Romana Chisinau SA
Borrower	ICS Petrom Moldova SA
Value	Credit line of USD 4,150,000
Purpose	Oil products purchase
Maturity	August 12, 2008
Interest	10.50%
Repayments	Daily
Undrawn amounts	-
Security	Real estate

ICS PETROM MOLDOVA SA

Lender	Banca Comerciala Romana Chisinau SA
Borrower	ICS Petrom Moldova SA
Value	Overdraft of MDL 5,000,000
Purpose	Payments to the Custom authority
Maturity	July 24, 2008
Interest	22.00%
Repayments	Daily
Undrawn amounts	MDL 400,000
Security	Assignment of receivables

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15. INTEREST BEARING DEBTS (continued)

ICS PETRO MOLDOVA SA

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	-
Security	Real estate

SC PETROM SA

Lender	Unicredit Tiriac Bank S.A.
Borrower	SC Petrom SA
Value	Overdraft of RON 180,000,000
Purpose	General expenses financing
Maturity	April 30, 2009
Interest	Overnight ROBOR + 0,50% p.a.
Repayments	Daily
Undrawn amounts	RON 179,921,357
Security	Not the case

SC PETROM SA

Lender	Bank Austria Creditanstalt AG
Borrower	SC Petrom SA
Value	Revolving facility of EUR 50,000,000
Purpose	General financing requirements
Maturity	May 21, 2009
Interest	EURIBOR + 1 month margin
Repayments	Monthly
Undrawn amounts	EUR 50,000,000
Security	Not the case

OMV BULGARIA LTD

Lender	CITIBANK Sofia
Borrower	OMV Bulgaria LTD
Value	EUR 29,907,015
Purpose	Working capital
Maturity	July 15, 2009
Interest	6.30%
Repayments	Daily
Undrawn amounts	EUR 29,907,015
Security	Letter of comfort

OMV BULGARIA LTD

Lender	Unicredit Bulbank, Sofia
Borrower	OMV Bulgaria LTD
Value	EUR 16,872,632
Purpose	Working capital
Maturity	October 31, 2008
Interest	6.30%
Repayments	Daily
Undrawn amounts	EUR 16,872,632
Security	Letter of comfort

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16. OTHER OPERATING INCOME

	June 30, 2008	June 30, 2007
Exchange gains from operating activities	73,949,169	77,665,615
Gains from disposal of fixed assets	65,941,000	532,584
Write-up tangible and intangible assets	14,478,000	3,317,000
Other operating income	<u>54,868,854</u>	<u>36,652,618</u>
Total	<u>209,237,023</u>	<u>118,167,817</u>

17. OTHER OPERATING EXPENSES

	June 30, 2008	June 30, 2007
Exchange losses from operating activities	60,010,553	67,750,093
Losses from the disposal of fixed assets	14,310,168	34,290,935
Other operating expenses	<u>898,609,038</u>	<u>252,555,967</u>
Total	<u>972,929,759</u>	<u>354,596,995</u>

Other operating expenses include an amount of RON 446,654,878 in 2008 representing litigation provision for legal cases with a number of former and current employees due to different interpretation of some clauses of Collective Bargaining Agreement for Easter and Christmas bonuses.

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

As at June 30, 2008 and June 30, 2007 earnings before interest and tax under the total cost method were as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Revenues	10,027,148,818	7,111,149,539
Inventory changes	58,948,984	197,986,472
Own work accounted for in fixed assets	60,716,096	9,957,876
Other operating income	194,758,168	111,081,985
Costs of material	3,878,577,450	2,728,126,944
Costs of energy	258,279,081	223,621,284
Other costs of production	<u>710,255,328</u>	<u>637,404,578</u>
Cost of material and services	<u>4,847,111,859</u>	<u>3,589,152,806</u>
Wages and salaries	873,713,342	762,736,868
Other personnel expenses	<u>44,821,048</u>	<u>37,998,770</u>
Personnel expenses	<u>918,534,390</u>	<u>800,735,638</u>
Depreciation	697,738,301	527,046,395
Impairment	<u>169,531,000</u>	<u>63,850,000</u>
Depreciation and impairment	<u>867,269,301</u>	<u>590,896,395</u>
Transportation and postage expenses	251,138,387	290,223,118
Rental expenses	70,567,530	50,055,516
Advertising and protocol expenses	40,794,062	23,865,192
Insurance expenses	23,912,466	18,776,830
Travel expenses and daily allowances	34,400,955	36,386,845
Other operating expenses	<u>1,407,653,972</u>	<u>1,044,897,849</u>
Total other operating expenses	<u>1,828,467,372</u>	<u>1,464,205,350</u>
EARNINGS BEFORE INTEREST AND TAX	<u>1,880,189,144</u>	<u>985,185,683</u>

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19. INCOME AND EXPENSES FROM INVESTMENTS

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Income from associated companies	4,018,301	5,708,848
Gains from disposal of investments	54,700,046	9,813,150
Gains from write-ups of investments	<u>409,000</u>	<u>1,469,000</u>
Total income	<u>59,127,347</u>	<u>16,990,998</u>
Expenses for associated companies	(1,563,574)	-
Expenses on disposal of investments	<u>-</u>	<u>-</u>
Total expenses	<u>(1,563,574)</u>	<u>-</u>
Net financial income from associated companies and investments	<u>57,563,773</u>	<u>16,990,998</u>

20. FINANCIAL INCOME AND EXPENSES

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Interest income from short term bank deposits	30,750,761	154,071,101
Interest income from available-for-sale financial instruments	6,726,000	6,652,350
Interest income from receivables	4,007,000	227,221
Gains from securities	11,859,414	18,189,444
Exchange gains from financing activities	21,325,087	33,795,117
Income from disposal of financial assets (excluding investments)	<u>-</u>	<u>293,646,253</u>
Total income	<u>74,668,262</u>	<u>506,581,486</u>
Interest expenses	(2,375,886)	(14,616,183)
Losses from securities	(20,399,191)	(1,582,415)
Unwinding expenses for retirement benefits provision	(6,311,000)	(6,583,000)
Unwinding expenses for decommissioning provision	(88,682,330)	(90,036,455)
Unwinding expenses for other provisions	(3,787,021)	(2,595,201)
Exchange losses from financing activities	(114,458,330)	(165,139,197)
Expenses on disposal of financial assets (excluding investments)	-	(303,167,087)
Depreciation of financial assets and securities	<u>(2,312,617)</u>	<u>(12,009,569)</u>
Total expenses	<u>(238,326,375)</u>	<u>(595,729,107)</u>
Net financial expense	<u>(163,658,113)</u>	<u>(89,147,621)</u>

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21. TAXES ON INCOME

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Current tax	420,667,057	173,712,015
Deferred Tax	<u>(105,209,792)</u>	<u>(30,617,369)</u>
Total	<u>315,457,265</u>	<u>143,094,646</u>

The reconciliation of deferred taxes is as follows:

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Deferred taxes January 1	159,445,449	88,937,431
Deferred taxes June 30	<u>265,868,168</u>	<u>124,750,800</u>
Changes in deferred taxes	<u>106,422,719</u>	<u>35,813,369</u>
Deferred taxes on revaluation of hedges charged directly to equity	663,731	2,200,990
Exchange differences and similar items	<u>549,196</u>	<u>2,995,010</u>
Deferred taxes per income statement	<u>105,209,792</u>	<u>30,617,369</u>

Reconciliation

Net profit before taxation	1,774,094,804	913,029,060
Applicable tax	18.80%	16.46%
Profits tax based on applicable rate	333,603,771	150,284,583
Tax effect of permanent differences	(18,146,506)	(7,189,937)
Profits tax expense in Income Statement	<u>315,457,265</u>	<u>143,094,646</u>
Tax effect of other temporary differences	<u>105,209,792</u>	<u>30,617,369</u>
Profits tax to be paid for the year	<u>420,667,057</u>	<u>173,712,015</u>

22. EARNINGS PER SHARE

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

	<u>June 30, 2008</u>	<u>June 30, 2007</u>
Net profit for the shares attributable to own shareholders	1,465,767,290	769,338,773
Number of shares	<u>56,644,108,335</u>	<u>56,644,108,335</u>
Earnings per share	<u>0.0259</u>	<u>0.0136</u>

23. BUSINESS OPERATIONS AND KEY MARKETS

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

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 S.A. 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 S.A. started to internationally diversify its E&P portfolio, by developing activities in Kazakhstan and Russia.

Gas business unit was created in 2005 in Petrom S.A., 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 S.A. is the main player on the Romanian fuels market.

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 S.A..

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23. BUSINESS OPERATIONS AND KEY MARKETS (continued)

Petrom segment reporting is based on business segments:

	E&P	Refining & Marketing	Chemicals, Gas & Power	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	4,575,666,000	73,327,000	181,900,497	214,703,122	5,045,596,619	(5,045,596,619)	-
Sales with third parties	370,539,713	8,126,447,106	1,529,904,000	258,000	10,027,148,819	-	10,027,148,819
Total sales	4,946,205,713	8,199,774,106	1,711,804,497	214,961,122	15,072,745,438	(5,045,596,619)	10,027,148,819
EBIT	2,036,749,055	(111,401,723)	10,829,000	(56,076,000)	1,880,100,332	88,812	1,880,189,144
Investments in tangible & intangible assets	2,835,574,373	484,115,160	217,412,186	91,963,378	3,629,065,097	-	3,629,065,097
Investment in associated companies	-	8,816,855	34,174,262	-	42,991,117	-	42,991,117
Depreciation and amortization	497,864,098	158,521,203	1,803,000	39,550,000	697,738,301	-	697,738,301
Impairment losses	124,552,000	9,004,000	35,973,000	2,000	169,531,000	-	169,531,000
Result from associated companies	-	(1,563,574)	4,018,301	-	2,454,727	-	2,454,727

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.

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24. 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 2008, the Group had the following transactions with related parties:

	Purchases	Payables
OMV-International Services GesmbH.,Wien	66,384,338	14,578,290
OMV (Bulgaria) Offshore Exploration GmbH	21,414	5,012
OMV GAS GmbH	402,950	66,984
OMV Hungaria GmbH	174,953	53,265
OMV Aktiengesellschaft	2,002,668	329,255
OMV Deutschland GmbH	54,549	24,638
OMV Refining & Marketing AG	209,985,002	49,606,647
OMV Supply & Trading AG	1,681,014,690	206,947,031
OMV Solutions GmbH (OMV Service Netzwerk GesmbH)	8,286,617	2,944,458
OMV Gas International GmbH, Wien	277,064	91,403
OMV Croatia d.o.o., Zagreb	199,693	-
OMV Austria Exploration & Production AG	109,683	109,683
OMV Exploration & Production GmbH	9,184,963	1,787,230
Petrom Nadlac Srl Nadlac	42,686	-
Petrom Aviation Otopeni-Ilfov	4,923,742	-
Congaz Sa Constanta	35,082	-
Mol Hungarien Oil and Gas PLC	32,590	-
Poliflex Romania Srl Brazi	-	6,128
Fontegas-Peco SA Mehedinti	-	7,203
Butan Gas Romania Srl SRL Bucuresti	22,074	-
Petrol Ofisi A.S.	3,853,671	1,025,539
Petrom Exploration and Production Ltd	11,974,335	2,822,804
Petromed Solutions	3,168,217	3,770,178
Total	2,002,150,981	284,175,748

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24. RELATED PARTIES (continued)

	<u>Sales</u>	<u>Receivables</u>
OMV-International Services GesmbH.,Wien	26,505,296	8,289,813
OMV Aktiengesellschaft	28,118	695
OMV Exploration & Production Ltd.	18,494	1,708
OMV Refining & Marketing AG	7,015,805	634,997
OMV Slovensko s.r.o (OMV Slowakei Gmbh)	222,538	36,037
OMV Croatia d.o.o., Zagreb	150,530	28,709
OMV Exploration & Production GmbH	112,883	-
OMV Solutions Gmbh (OMV Service Netzwerk GesmbH)	33,099	33,111
Petrom Nadlac Srl Nadlac	-	374,129
Poliflex Romania Srl Brazi	1,223,167	211,095
Beyfin Gaz Srl	6,769	-
Credit Bank	44	-
Petrom Aviation Otopeni-Ilfov	101,314,603	39,538,927
Transgas Services Srl Bucuresti	-	1,035
AMI Agrolinz Melamine International GmbH	151,688,482	26,637,324
Petrol Ofisi A.S.	15,031	-
Air Total Romania SA	59,082,890	14,842,228
Butan Gas Romania Srl Bucuresti	7,488,233	-
Linzer Agro Trade S.r.l., Bukarest	19,059,821	2,972,119
Petromed Solutions	231,131	281,823
OMV BH d.o.o.	266,564	50,258
Total	374,463,498	93,934,008

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25. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP

Company Name	Share interest percentage	Consolidation treatment*
Subsidiaries (>50%)		
TASBULAT OIL CORPORATION LLP	100.00%	FC
PETROM EXPLORATION & PRODUCTION LIMITED	100.00%	NC
PETROM GAS SRL	100.00%	FC
PETROMED SOLUTION SRL	99.99%	NC
M.P. PETROLEUM DISTRIBUTIE SRL	99.99%	FC
AVIATION PETROLEUM SRL	99.99%	FC
PETROM DISTRIBUTIE GAZE SRL	99.99%	FC
PETROM LPG SA	99.99%	FC
RAFISERV PETROBRAZI SA	99.94%	FC
OMV BULGARIA LTD	99.90%	FC
OMV ROMANIA MINERALOEL SRL	99.90%	FC
OMV SRBIJA DOO	99.90%	FC
RAFISERV ARPECHIM SA	99.78%	FC
PETROM NADLAC SRL	98.51%	NC
POLIFLEX SRL	96.84%	NC
KOM MUNAI LLP	95.00%	FC
PETROCHEMICALS ARGES SRL	95.00%	NC
TRANS GAS SERVICES SRL	80.00%	NC
RING OIL HOLDING & TRADING LTD	74.90%	FC
LLC MANAGEMENT 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
ICS PETROM MOLDOVA SA	65.00%	FC
Associated companies (20-50%)		
SOCIETATEA ROMANA DE PETROL SA	49.00%	NAE
SOCIETATEA COMERCIALA PETROM AVIATION SA	48.50%	EM
ROBIPLAST COMPANY SRL	45.00%	NAE
BEYFIN GAZ SRL	40.00%	NAE
FRANCIZA PITESTI SRL	40.00%	NAE
BRAZI OIL & ANGHELESCU PROD COM SRL	37.70%	NAE
FONTEGAS PECO MEHEDINTI SA	37.40%	NAE
CONGAZ SA	28.59%	EM
D.E.E.M. ALGOCAR SA	27.92%	NAE
BURSA MARITIMA SI DE MARFURI SA	20.09%	NAE
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	20.00%	NAE
Other financial investments (<20%)		
GTI OIL CO SA	13.00%	NC
PRIMA PETROL SRL	11.98%	NC
AIR TOTAL ROMANIA SA	6.41%	NC
BURSA DE MARFURI OLTENIA CRAIOVA	2.63%	NC
TELESCAUN TIHUTA SA	1.68%	NC
AGRIBAC SA	0.79%	NC
BENZ OIL SA	0.48%	NC
CREDIT BANK	0.22%	NC
INSTITUTUL ROMAN PENTRU ASIGURARI	0.10%	NC
OFICIUL PATRONAL JUDETEAN MURES	0.01%	NC
MD INDIA	0.00%	NC

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25. 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.

26. 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 one year.

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

27. 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.

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28. RISK MANAGEMENT

Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders. The capital structure of the Group consists of debt, which includes the short-term borrowings disclosed in Note 16, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in the "Consolidated Statement of Changes in Equity".

Significant accounting policies

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

Financial risk management objectives

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

The Group seeks to minimize the effects of these risks. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The Corporate Treasury function reports twice per year to the Group's risk management committee, that monitors risks and policies implemented to mitigate risk exposures.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

Interest rate risk management

To facilitate management of interest rate risk, Group's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities. However, the interest risk of the Group is very low due to reduced level of interest bearing liabilities held by the Group.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The main counterparty 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 on a regular basis. The procedures are governed by guidelines.

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

S.C. PETROM S.A. AND SUBSIDIARIES
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FOR THE SIX MONTHS PERIOD ENDED JUNE 30, 2008
(all amounts are expressed in RON, unless otherwise specified)

28. RISK MANAGEMENT (continued)

Liquidity risk management

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout the Group are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This is then compared with current money and financial investments and their budgeted maturities, and the available liquidity reserves. This analysis provides the basis for financing decisions and capital commitments.