

Bucharest  
November 6, 2008  
8.30 am  
7.30 am [CET], 6.30 am [GMT]

## Results<sup>1</sup> for Q3 and January – September 2008

- Solid operational result in a volatile environment with EBIT up 54% on 9m/07
- Strong overall performance; however, R&M result was burdened by the one-off impairment of the Arpechim bulk refinery
- Ongoing investments reflect commitment to improve efficiency of Petrom's operations
- Crude prices, refining margins and FX rates expected to remain volatile throughout remainder of 2008, with an overall annual positive effect compared to 2007

**Mariana Gheorghe, CEO of Petrom:** "In Q3/08 we have recorded good results once more, despite the weakening macroeconomic environment. We pursued our investment program aimed at improving the efficiency of the company, managed to maintain oil production at last year's level and steadily increased our oil product sales. Due to an impairment we had to make on the Arpechim refinery, operational profit and net income were lower than in Q3/07 and in Q2/08.

Thanks to its healthy balance sheet and strong operating cash flow, Petrom is in a good position to face the challenges of current market conditions. This allows us to pursue our restructuring and modernization process aimed at improving operational performance and ensuring the company's sustainable development through the diversification of energy resources. In addition, we have secured further financing via a 3-year revolving credit facility of EUR 375 mn, the largest credit facility that has been granted in Romania, and have also partly ensured Petrom's cash flow from the potential negative impact of falling oil prices through hedging instruments. The medium-term financing commitments from banks in the current environment are a confirmation of Petrom's sound fundamentals."

Q2/08	Q3/08	Q3/07	ΔQ3	Key performance indicators(ROn mn)	9m/08	9m/07	%	2007
838	643	691	-7%	EBIT	2,509	1,633	54%	1,965
1,300	1,660	968	71%	EBITDA	4,230	2,356	80%	3,111
687	626	661	-5%	Net income	2,290	1,548	48%	1,778
4,555	4,733	3,238	46%	Net turnover	13,007	8,672	50%	12,284
1,338	1,253	1,054	19%	Investments*	4,638	2,376	95%	3,820
34,120	33,656	27,510	22%	Employees at the end of period	33,656	27,510	22%	26,397

\*Investments include increases of Petrom share participations

<sup>1</sup> The financials are unaudited and prepared according to RAS; all the figures refer to Petrom SA unless otherwise stated



## Significant events July – September 2008

As of **July 1**, ANRE, the Romanian gas regulator, raised gas prices for households by an average of 12.5%, in response to the rise in the import gas price to USD 480/1,000 cubic meters in Q3/08. At the same time electricity prices were increased by 5.3% on average. The gas price for domestic producers remained unchanged.

At the beginning of **July** Petrom entered a contract with Uhde, part of the German group Thyssen Krupp, for the construction of a gasoline desulphurisation plant in Petrobrazi. The value of the contract is EUR 90 mn. The unit will produce gasoline with low sulphur content and will have an annual capacity of 700,000 t. The installation is scheduled to come on-stream in early 2009.

On **July 23**, Petrom presented its plans to promote projects in the field of renewable energy and energy efficiency. Following the OMV Future Energy Fund model, Petrom has formed a working group with the purpose of identifying such projects, potential partners, financing methods and supporting the implementation of these projects within the company. The initiative is part of the

broader Petrom strategy to make the transition from an oil and gas company to an energy player.

On **August 28**, Petrom and FORT (Federation of Road Transport Operators) signed a convention for the supply of fuel to federation members for a volume of over 2,000,000 liters per month. The major benefit of this convention for more than 4,000 transport operators, members of FORT, is the reduction in fuel cost per km achieved by combining the advantages offered by the collaboration with Petrom.

In today's environment within Petrom's refining business, the **Arpechim refinery** cannot generate the required rate of return due to high own energy consumption, unfavourable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and as a result no improvement in its profitability is anticipated in the mid term. To reflect these developments an impairment of RON 559 mn has been booked in Q3/08, which represents the total book value of the Arpechim bulk refinery.

## Outlook

Despite the unprecedented disturbance of recent weeks on the financial and oil markets, we are pursuing the restructuring and modernization program of Petrom. As an integrated oil and gas company with strong operating cash flow and a strategic partnership with OMV, Petrom has the financial ability to successfully overcome a period of a potentially weaker economic growth resulting from the current financial markets turmoil. Petrom is well positioned to cope with the challenges of the current market and the recently signed three year multi-currency revolving credit facility of EUR 375 mn further secures the company's financial flexibility. In addition, in order to reinforce our solid standing, we are in the process of screening and prioritizing our capital investment projects to maintain a strong balance sheet.

We expect the main market drivers (crude price, refining margins and the USD/EUR exchange rate) to remain highly volatile throughout Q4/08. In spite of the sharp drop in the oil price witnessed recently, we are confident that oil prices on a full year basis will be well above the level recorded in 2007 [Urals average price in 2007: USD 69/bbl; 9m/08: USD 108.08/bbl] and that the structural trends in the oil supply and demand will overcome the current price upheaval. We expect the average spread between Brent and Urals to be similar to the 2007 level, as the differential has been narrowing over the year. We expect refining margins below 2007 levels, mainly due to the high cost of own energy consumption. In Marketing,

we still expect a slightly better margin environment than in 2007.

The average USD/EUR exchange rate for 2008 is expected to weaken compared to the 2007 average level, despite the strengthening in Q3/08 and recent weeks. We expect a relatively stable RON/USD average exchange rate, and a weaker RON against the EUR compared to the 2007 average level. In the current environment we have seen a weakening of the RON compared to both the USD and EUR; however thanks to the intervention by the Romanian National Bank, the currency recovered short term. We expect further strong volatility.

At the end of October, Standard and Poor's, an international rating agency, downgraded Romania from the investment grade status. This view has not been shared, so far, by other international rating agencies. The implications of the S&P's decision for the Romanian economy are expected to be rather limited in the short term. However, the repayment of the Romanian private sector debt could become difficult if access to financing is limited. Petrom business could be potentially impacted to the extent that its large suppliers and clients might face difficulties in servicing their debt.

To protect Petrom's cash flow from the potential negative impact of falling oil prices, hedging instruments have been used to partly secure the cash earnings in the E&P segment for approximately 40% of planned oil production in 2009. To achieve this goal, put spreads were used,

securing a price floor of USD 80/bbl. Should oil prices drop below USD 65/bbl in 2009, the hedge would still pay out an additional USD 15/bbl to actual oil prices. The put spreads were financed via calls in order to avoid initial investment (zero cost structure), whereby Petrom will not be able to profit from oil prices above approximately USD 110/bbl in 2009 for the above stated volume. In terms of USD currency exposure, Petrom has relatively balanced USD-denominated inflows and outflows, which create a natural hedge. As such, and taking into account the liquidity of the Romanian market, it is unnecessary to make FX hedges. However, market as well as currency risks are constantly monitored.

**In Exploration and Production (E&P)** Romanian oil production volumes are expected to be at last year's level. The well modernization program is expected to be completed by the end of this year, while efforts to further enhance production efficiency are being pursued. We will also continue to maximize the production level in Romania through an intensive drilling combined with the re-development of up to five fields out of the 50 major fields.

The field development in Kazakhstan (Komsomolskoe oil field) will start producing at the end of this year or at the beginning of 2009. The development of the offshore discovery, Delta, will be delayed from Q4/08 to H2/09. Based on a better understanding of the geological formation and new drilling expertise, an extended production well will be drilled from an existing platform. This will result in lower CAPEX. A production rate of up to 2,800 bbl/d of oil is expected from this development. The development of the existing field, Runcu Mislea Bustenari, continues with drilling of a new oil well (additional production of 650 bbl/d at the end of 2009 expected).

One of the key objectives in 2008 is the successful integration of the recently acquired oil services business of Petromservice. Petrom is now in a position to directly

control the modernization process of this business in order to increase the quality and efficiency of the operations, support the reduction of production costs and increase production.

**In Refining and Marketing (R&M)** the restructuring and modernization programs continue. In Refining, the restructuring program focuses on energy efficiency and product yield improvements. We plan to complete the FEED (front end engineering and design) phase for all major investments in Petrobrazi by year-end and advance construction of the FCC (fluid catalytic cracking) gasoline post-treater project to meet the scheduled start-up in early 2009. In Marketing the low price elasticity of the commodity oil products and the generally lower price levels seen recently should support demand going forward. To date we have seen no significant impact on market demand as a result of recent events. The company will continue to pursue its efforts to improve the efficiency and the quality of the filling station network. As a consequence, we expect a further increase in sales with an annualized throughput per filling station of around 4 mn litres by the end of 2008 and a higher contribution from the non-oil business.

**In Gas and Power (G&P)** we expect a strengthening of the marketing and trading results for the end of the year, given the start of the winter season. Despite the volatility of the current environment and uncertainty related to the impact of potential changes in the fertilizer industry, we expect increased demand from the gas-fired power plants which are the major drivers of the strong growth in gas demand in Europe. Nevertheless, due to the regulated market price and the increasing import price for gas, margins are under pressure. We don't expect any further domestic gas price increases for the remaining quarter, in view of the upcoming elections. The start of the construction of the power plant in Romania at Brazi is scheduled for end 2008.

## Exploration and Production (E&P)

Q2/08	Q3/08	Q3/07	ΔQ3	in RON mn *	9m/08	9m/07	%	2007
992	1,332	748	78%	EBIT	3,418	2,076	65%	2,848
1,331	1,674	926	81%	EBITDA	4,272	2,543	68%	3,556
876	893	736	21%	Investments**	3,534	1,615	119%	2,465

\* As of January 2008, E&P financials include the results of the new business division Exploration and Production Services (EPS)

\*\* Investments include increases of Petrom share participations

Q2/08	Q3/08	Q3/07	ΔQ3	Key performance indicators	9m/08	9m/07	%	2007
17.18	17.15	17.52	-2%	Total production (mn boe)	51.89	52.77	-2%	70.27
188,752	186,399	190,000	-2%	Total production (boe/day)	189,396	193,000	-2%	193,000
1,130	1,138	1,141	0%	Crude and NGL production (kt)	3,402	3,403	0%	4,541
8.13	8.18	8.20	0%	Crude and NGL production (mn boe)	24.47	24.47	0%	32.66
1,384	1,371	1,425	-4%	Gas production (mn cm)	4,194	4,327	-3%	5,751
117.24	112.79	72.22	56%	Average Urals price in USD/bbl	108.07	63.96	69%	69.38
105.31	104.10	65.25	60%	Average realized crude price USD/bbl	98.14	57.98	69%	63.00
247.31	247.84	154.44	60%	Average realized crude price RON/bbl	234.89	142.32	65%	153.44
211.71	207.88	199.78	4%	Regulated gas price for domestic producers in USD/1,000 cm	205.64	179.59	15%	183.98
18.73	19.16	17.28	11%	Domestic production cost, USD/boe	18.31	16.41	12%	16.83
43.83	45.61	40.65	12%	Domestic production cost, RON/boe	43.83	40.28	9%	41.00

### Third quarter 2008 (Q3/08)

- **Strong operating performance due to favourable oil price environment**
- **Well modernization program on track to be completed at year end, with 4,339 wells modernized by end of September 2008**
- **Intense drilling program and the ongoing modernization led to 21% higher investments compared to Q3/07**
- **Crude production successfully maintained; gas production levels down due to limitations in the gas transportation network and unplanned temporary shutdowns at some major customers in the fertilizer industry**

The **domestic realized crude price** increased by 60% to USD 104.10/bbl compared to Q3/07 due to higher international prices. In RON terms, the domestic realized crude price rose by 60% on the same period last year, due to the weakening of the RON against the USD.

**EBIT** increased in Q3/08 by 78% compared to Q3/07 despite relatively lower production volumes. EBIT also reflects the contribution to the Social Gas Fund and the higher exploration expenses.

**Group oil and gas production** fell by 1% to 17.73 mn boe compared to Q3/07 due to the decline in domestic gas production. **Group oil production** reached 8.67 mn boe, up 2% compared to Q3/07, as a result of higher oil production in Kazakhstan.

**Total oil and gas production in Romania** amounted to 17.15 mn boe in Q3/08, 2% lower than in Q3/07.

In Q3/08, **domestic crude oil production** amounted to 1.14 mn tons. Oil production was maintained at almost the same level as Q3/07 thanks to improved drilling performance and the well modernization program.

**Natural gas production** was 1,371 mn cbm, 4% lower than in Q3/07. Gas production continued to be affected by the poor condition of the transport network that hampered the access to the system, electricity supply interruptions and unplanned temporary shutdowns at some major customers in the fertilizer industry.

**Domestic production costs** of USD 19.16/boe were 11% higher compared to Q3/07 mainly driven by cost inflation, service-related costs and lower gas production. The

weakening of the RON by 1% against the USD also negatively impacted domestic production costs. When expressed in RON/boe, domestic production costs increased by 12% compared to Q3/07.

**E&P investments** in Romania rose by 21% compared to Q3/07, driven by increased drilling activity and well modernizations.

Petrom SA spent RON 179.37 mn on **exploration** in Q3/08 of which RON 146.37 mn was expensed, and RON 33 mn capitalized. 15 exploration wells were spud and 6 wells were finalized in Q3/08. Three wells were geologically successful: 540 Oprisenesti, 20 Valeni and 260 Colibasi are currently undergoing further testing. Two new seismic acquisition campaigns have been initiated in the new exploration blocks, Maramures and Giurgiu-Rosiori.

EBIT increased by 34% **compared to Q2/08**. The Q2/08 EBIT was negatively affected by litigation provisions. Total oil and gas production in Romania was largely unchanged in Q3/08. The slightly lower gas production was partly compensated by higher oil production compared to Q2/08. Domestic production costs in RON/boe rose by 4% in Q3/08 compared to Q2/08 (2% increase when expressed in USD) due to the depreciation of the USD in Q3/08 and higher service costs. E&P investments in Romania increased by 2% compared to Q2/08 mainly due to increased drilling activity and well modernizations.

### January – September 2008 (9m/08)

In 9m/08 the **domestic realized crude price** rose by 69% to USD 98.14/bbl compared to 9m/07 due to higher international prices. The domestic realized crude price in RON terms increased by only 65% over the same period last year, due to the strengthening of the RON against the USD in the respective period. The increase in regulated domestic gas prices for producers is not reflected in turnover as the price difference contributed to the Social Gas Fund.

**EBIT** increased by 65% compared to 9m/07 mainly as a result of higher oil prices.

**Group oil and gas production** decreased by 1% compared to 9m/07, to 53.44 mn boe as a consequence of the fall in domestic gas production. **Group oil production** was up by 1% compared to 9m/07, reaching 25.74 mn boe, due to the increase in oil production in Kazakhstan.

**The total oil and gas production of Petrom SA in Romania** amounted to 51.89 mn boe, 2% lower than in 9m/07.

The **crude oil production of Petrom SA in Romania** was 3.40 mn tons, at a similar level as in 9m/07. Stabilization of oil production was achieved through improved drilling performance, the modernization of wells and the application of new technologies related to well productivity.

**Natural gas production** reached 4,194 mn cbm, 3% lower than in 9m/07, for the reasons described above.

**Domestic production costs** of USD 18.31/boe were 12% higher compared to 9m/07, mainly driven by the 2% strengthening of the RON against the USD, cost inflation and external service costs. Expressed in RON/boe, domestic production costs increased by 9% compared to 9m/07.

**E&P investments** in Romania more than doubled compared to 9m/07, mainly as a result of the acquisition of the oil services business of Petromservice, but also due to increased drilling activity and well modernizations.

Petrom SA's **exploration costs** in 9m/08 amounted to RON 352.3 mn. RON 308.6 mn was expensed, of which RON 38.7 mn relating to wells for which drilling started in prior years. In addition, Petrom SA capitalized exploration costs in 9m/08 amounting to RON 82.4 mn.

A total of 21 wells were spud and 13 wells, finalized. Of the finalized wells, eight registered geological success and three were shut down for economic reasons. The remaining five are in production testing. A total of 2,782 km new 2D seismic was acquired in 9m/08.

## Turnaround program

The **well modernization program** has been successfully pursued. In 9m/08, a total of 2,227 wells were modernized, of which 802 in Q3/08. Overall, the project is ahead of schedule: 4,339 wells have been modernized since the start of the program in 2007. By the end of 2008 approximately 5,000 wells will have been modernized with a positive impact on production costs, production volumes and the operational safety. As a result of the well modernization program, the number of interventions per well should fall from 20 to 2 per year.

**Drilling activity** stepped up in 9m/08 leading to a total number of 200 development wells being drilled, of which 79 in Q3/08. Compared with 9m/07, the number of completed development wells increased by 75%.

The field redevelopment plans are progressing well and the **development of the Mamu gas field** is continuing. In September, drilling at the first high-producing horizontal well 4335, Mamu, (utilization of biggest onshore drilling installation in Romania: 500 t rig) started and surface preparation and access road has already been done. The well is expected to be tied into existing facilities and to deliver early production at the beginning of 2009. The well should produce 2,000 boe/d in Q1/09. After upgrading the gas treatment facilities, production should ramp up to 4,500 boe/d in H2/09.

The **development of the offshore discovery, Delta**, will be delayed from Q4/08 to H2/09. Based on a better

understanding of the geological formation and new drilling expertise, an extended production well will be drilled from an existing platform also resulting in lower CAPEX. A production rate of up to 2,800 bbl/d of oil is expected from this development. The **development of the existing commercial field, Runcu Mislea Bustenari**, is continuing with drilling of a new oil well, which will contribute production (initial flow rate) of approximately 650 bbl/d as of October 2009.

In order to improve the access to the gas transition network during periods of high pipeline pressure, the construction of a new **gas compressor station at Hurezani** is being pursued. We are currently in the procurement phase an important phase in the investment cycle as long lead items have to be secured because the market for compressors is very tight. The compressor should start operations in 2010.

**Acid tunnelling**, as a stimulation method has been applied for the first time in Romania in two field clusters: Videle Vadu Lat and Valcele Slatioarele, on 10 open-hole wells. After five months the result of the applied acid tunnelling technology registered positive effect only in field cluster Valcele Slatioarele (increased production by 24%). In the other field cluster the level of production remains the same. The possibility of extending the technique to other field clusters is currently under review.

## Exploration and Production Services (EPS)

The Exploration and Production Services (EPS) division was created, effective February 2008, in order to integrate the newly acquired oil services business of Petromservice into Petrom. EPS supports two strategic objectives of the E&P division, namely the stabilization of oil and gas production and the reduction of production costs; its results are consolidated within the E&P segment.

As a result of the integration of the service activities cost savings will be achieved through the implementation of a

leaner administrative structure and work process optimization.

In depth analyses of field operations have been completed and provide the basis for the turnaround program. Pilot implementation projects are currently ongoing and are showing further improvements in all operating divisions. The turnaround program should be completed by 2010.

## International E&P activities

**Oil and gas production in Kazakhstan** in Q3/08 amounted to 583 thousand boe, 15% higher than in Q2/08 and 38% higher than in Q3/07.

The development drilling of **Tasbulat Oil Corporation (TOC)** has been delayed due to the inability of the drilling contractor to fulfil the committed program and to achieve Petrom-OMV HSEQ and technical standards; a new drilling tender has been issued. The increase in

production levels was achieved after the successful implementation of a hydraulic fracturing campaign.

The upgrade of the central processing facilities and the water injection project are in the execution phase.

The **Komsomolskoe** field development is ongoing with several elements completed or in the process of being finalized. The first oil production through the permanent

facilities is expected at the end of 2008 or at the beginning of 2009, with an initial production of 5,000 bbl/d.

In **Russia**, one exploration well ("Alexandrovskaya-1") is being completed for testing, while another ("Lugovaya-1") is drilling ahead with encouraging hydrocarbon shows in the primary objective. Exploration well "Tatyaninskaya-

1" was plugged and abandoned as dry hole. The seismic acquisition program for 2008 is complete and data is being processed and analysed. License extensions are being filed for two exploration licenses that are scheduled to expire in late 2008.

## Refining and Marketing (R&M)

Q2/08	Q3/08	Q3/07	ΔQ3	in RON mn	9m/08	9m/07	%	2007
(74)	(710)	(126)	-	EBIT	(902)	(591)	-	(1,065)
(10)	(65)	(72)	-	EBITDA	(152)	(413)	-	(736)
238	250	187	34%	Investments	686	517	33%	1,004

Q2/08	Q3/08	Q3/07	ΔQ3	Key performance indicators	9m/08	9m/07	%	2007
1,505	1,605	1,621	-1%	Crude input (kt)	4,570	4,495	2%	5,917
408	526	418	26%	thereof imported crude (kt)	1,338	1,221	10%	1,570
76	80	80	0%	Utilization rate (%)	76	75	1%	74
1.12	0.01	2.00	-	Refining margin indicator (USD/bbl)	0.59	4.26	-86%	3.56
1,329	1,365	1,289	6%	Marketing sales (kt)	3,822	3,355	14%	4,707
417	384	416	-8%	thereof export (kt)	1,233	992	24%	1,476

### Third quarter 2008 (Q3/08)

- ▶ **Good operational performance of the refineries, capitalizing on the energy efficiency improvements made during the year and upgraded product yields**
- ▶ **Arpechim's net book value impaired by RON 559 mn due to expected low returns within the current economic environment**
- ▶ **Throughput per filling station improved due to the implementation of the full agency system and higher domestic demand**
- ▶ **Domestic marketing volumes increased by 12% compared to Q3/07, despite higher fuel prices**

**EBIT** of the R&M business significantly worsened compared to Q3/07, reflecting mainly the non-recurring impact of the impairment of the Arpechim refinery book value. During Q3/08, we further capitalized on the gains realized during the year from energy efficiency improvements and upgraded product yields; however, declining crude prices led to significant inventory losses whilst cost of own energy consumption remained high due to the still high absolute level of crude price compared to Q3/07.

In today's environment within Petrom's refining business, the Arpechim refinery cannot generate the required rate of return due to high own energy consumption, unfavourable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and as a result no improvement in its profitability is anticipated in the mid-term. To reflect these developments an impairment of RON 559 mn has been booked in Q3/08, which represents the total book value of the Arpechim bulk refinery.

The total quantity of **crude processed** in Q3/08 amounted to 1,605 thousand tons, by 1% lower compared to Q3/07, of which imported crude oil represented 33%.

The **refining margin indicator**<sup>2</sup> dropped down to zero, as compared to USD 2.00/bbl in Q3/07, reflecting not only the weaker gasoline and heavy product spreads and a lower Brent-Urals spread but also the burden of high oil prices on the cost of own energy consumption. **Diesel cracks** are still higher than the comparable period of last year, standing at USD 258/t vs. USD 148/t in Q3/07. **Gasoline cracks** deteriorated, now having a value of USD 165/t, USD 0.5/t less than the level of Q3/07.

The **refinery utilization rate** increased 5% against the previous quarter, up to 80%, reflecting the higher product demand during the summer period.

The petrochemicals operations at Arpechim were affected by an unforeseen technical incident that occurred in mid-September; as a result of this, the Steam Cracker unit was taken out of service for repairs for the rest of the quarter. Consequently, the product deliveries (mainly ethylene and propylene) were stopped for mid-September until the unit

<sup>2</sup> The refining margin indicator is based on the international quotations for products [Augusta] and Urals crude and a standardized yield set typical for Petrom's refineries



resumed operations in October. This led to a decrease in **petrochemical and special product sales** by 14% compared to the Q3/07 level.

As of end of Q3/08, we are now in transition to 10ppm fuels in order to prepare for the introduction in January 2009 of the EUR V quality specification in Romania.

At the beginning of September, Petrobrazi refinery received the revised Environmental Integrated Permit. At the same time, we are still in discussions with the relevant authorities for Arpechim's permit, for which the authorities have not yet completed the administrative procedures.

**Total marketing sales** increased by 6% compared with Q3/07, driven by a 26% increase in retail sales compared to the same period of 2007. This was supported by marketing campaigns.

**White product sales** on the domestic market were 17% above Q3/07 level, driven by the higher demand, the upgrade of the filling station network and improved retail station management. **Domestic gasoline sales** were up by 12% compared to Q3/07, while **domestic diesel sales** increased by 22% compared to the same period of 2007. Sales of aviation fuels recorded a 2% increase over Q3/07.

**Retail sales** increased in comparison with Q3/07 by 26% to 538 mn litres (431 thousand tons equivalent), while **total commercial and export sales** (934 thousand tons) decreased by 1% due to lower demand for fuel oils on the domestic and external markets. **Commercial domestic sales** amounted to 550 thousand tons, representing an increase of 4% compared to Q3/07.

Exported quantities were 8% lower in Q3/08 compared to Q3/07, mainly due to a decrease of 33% of exported heavy fuel oil quantities, which could not be sold locally due to lower demand.

The average **throughput per filling station** is continuously improving, mainly as a result of the implementation of the **full agency system**. By the year end, we expect an

annualized throughput per filling station of around 4 mn litres.

**Petrom sold through its subsidiaries** 399 mn litres of fuel to retail customers in Q3/08, of which international sales represented 61%. Compared to Q3/07, retail subsidiaries sales were 12% higher.

The **non-oil business** also registered a significant increase. The total turnover increased to RON 138 mn, 45% higher compared to Q3/07, due to portfolio and purchase process optimization.

At the end of Q3/08, Petrom SA had 443 filling stations, while Petrom Group operated a total of 809 filling stations: 544 in Romania and 265 in the Republic of Moldova, Bulgaria and Serbia.

The focus in the rest of 2008 will remain the modernization of the existing filling station network: Four stations were opened in Q1/08, seven in Q2/08, six in Q3/08 and another 26 are under construction and will be finished until the end of the year.

**R&M investments** increased to RON 250 mn, up by 34% compared to Q3/07.

In Refining, the EUR 90 mn fluid catalytic cracking (FCC) gasoline post treater project, currently under construction in Petrobrazi refinery, is on schedule for commissioning in early 2009. This project will enable production of EUR V gasoline at the site.

In Marketing, the investments are mainly focused on reconstructing and modernizing the remaining, old-style Petrom filling stations and on the rebuilding of the main terminals within Integrated Logistics.

**Compared to Q2/08**, diesel cracks were USD 67/t lower in Q3/08, while the gasoline cracks were USD 30/t lower. Total marketing sales increased by 3% in comparison with Q2/08, business being seasonally weaker in the second quarter compared to the third quarter.

## January – September 2008 (9m/08)

**EBIT** at the R&M business decreased compared to 9m/07, reflecting mainly the special charge for the impairment of the book value of the Arpechim bulk refinery in Q3/08. However, adjusting for this impairment, the result of the business shows significant underlying improvements despite the worse margin environment, driven mainly by: improved operations; a more profitable product yield; improvements in the marketing business - higher sales on both domestic and foreign markets, purchase process optimization, and reduced costs.

The total quantity of **crude processed** in 9m/08 amounted to 4,570 thousand tons, higher by 2% compared to 9m/07; imported crude oil represented 29% of the total quantity of crude processed in 9m/08 compared to 27% in 9m/07.

Within the current higher oil prices environment, the **refining margin indicator** dropped to a very low level of only USD 0.59/bbl, which is 3.67 USD/bbl lower than in 9m/07.

**Gasoline cracks** were USD 17/t below 9m/07 [9m/08: USD 170.81/t], while **diesel cracks** remained better compared to the previous year, with USD 265.75/t in 9m/08 versus USD 142.26/t in 9m/07. The refining utilization rate increased to 76% against 9m/07 when the Arpechim refinery was shut down for turnaround (April 2007). A positive effect came from optimizing the imports of expensive crude in the current margin environment.

**Petrochemical and special product sales** were 3% lower than in 9m/07.

**Total marketing sales** of 3,822 thousand tons increased by 14% in comparison with 9m/07.

**White product sales** on the domestic market were 15% above the 9m/07 level, driven by higher demand, the upgrade of the filling station network and also the improved retail station management. **Domestic gasoline sales** were up by 10% compared to 9m/07, while **domestic diesel sales** increased by 17% compared to the same period of 2007. Aviation fuel sales increased by 14% compared to 9m/07.

**Retail sales** increased in comparison with 9m/07 by 25% to 1,386 mn litres, while **commercial domestic sales** amounted to 1,479 thousand tons, slightly above the 9m/07 level, due to lower demand for fuel oils on the domestic market.

Exported quantities were 24% higher in 9m/08 compared to 9m/07, mainly due to exporting heavy fuel oil, which could not be sold locally.

**R&M investments** increased by 33% compared to 9m/07, driven by Refining investments in the FCC (fluid catalytic cracking), gasoline post-treater project in Petrobrazil and other projects within the modernization program.

Marketing investments decreased by 9% in 9m/08 compared with 9m/07. The decrease came mainly in Retail, where investments fell by 51% due to a lower number of filling stations reconstructed and modernized compared to the same period of 2007. In 9m/07, 23 filling stations were reconstructed and modernized and 4 new ones built, while in 9m/08 the total number of filling stations reconstructed and modernized was 17.

## Gas and Power (G&P)

Q2/08	Q3/08	Q3/07	ΔQ3	in RON mn	9m/08	9m/07	%	2007
(42)	57	(1)	-	EBIT*	85	80	6%	123
179	80	1	-	Investments*	297	4	-	32

As of January 1, 2008 Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, previous period's numbers have not been restated.

Q2/08	Q3/08	Q3/07	ΔQ3	Key performance indicators	9m/08	9m/07	%	2007
1,213	1,109	1,136	-2%	Consolidated gas sales*, mn cbm	3,904	4,046	-4%	5,546
1,127	1,023	1,062	-4%	thereof Gas sales Petrom SA, mn cbm	3,602	3,758	-4%	5,156
211.71	207.88	199.78	4%	Regulated gas price for domestic producers in USD/1,000 cbm	205.64	179.59	15%	183.98
495.00	495.00	470.00	5%	Regulated gas price for domestic producers in RON/1,000 cbm	492.21	440.83	12%	448.13
370	480	280	71%	Import gas price in USD/1,000 cbm	407	285	43%	293
129	124	198	-37%	Sales Doljchim (kt)	399	552	-28%	688

\*Consolidated gas sales include the sales of Petrom SA, Petrom Gas SRL and Petrom Distributie Gaze as well as internal transfers to other segments

### Third quarter 2008 (Q3/08)

- Lower gas sales volumes compared to Q2/08, due to limitations in the gas transportation network and unplanned temporary shutdowns at some major customers in the fertilizer industry
- Doljchim methanol plant resumed production after more than 7 weeks maintenance shutdown in Q2/08
- Main contracts for the combined cycle power plant Brazi signed

The **gas sales** of Petrom SA decreased by 2% compared to Q3/07, due to limitations in the gas transportation network and unplanned temporary shutdowns at some major customers in the fertilizer industry and larger quantities injected into storage, but also because demand from gas-fired power plants in the first two month of Q3/08 was lower than last year due to weather conditions. Power generation from the gas-fired power plants compensated for the lower hydropower generation, due to the dry weather recorded in Q3/07.

**EBIT** generated by the G&P business of Petrom SA cannot be directly compared to Gas EBIT in Q3/07 [RON (1) mn], as Doljchim results were consolidated only starting 2008. G&P EBIT in Q3/08 is lower than the consolidated result for Q3/07 [the aggregated result of Gas and Doljchim in Q3/07 was RON 70 mn] mainly because the Doljchim result in Q3/07 benefited from a release of provisions for the Doljchim plant amounting to RON 120 mn. However, the Gas EBIT was significantly improved compared to Q3/07 result [Q3/08: RON 48 mn], mainly driven by the slightly higher domestic gas prices. A positive effect also came from the decrease in depreciation (revaluation of the distribution network in September 2007) and lower personnel expenses as a result of the externalization of

the gas distribution activity in the newly established company - Petrom Distributie Gaze srl.

In **gas supply, marketing and trading**, regulatory effects with increased import prices and stable regulated domestic producer prices, as well as a challenging market environment negatively impacted our results.

The **average regulated gas** price for Romanian producers was USD 207.88/1,000 cbm (RON 495.00/1,000 cbm), up by 4% compared to Q3/07 (5% in RON terms) and unchanged compared to Q2/08. The regulated end-user gas price for households and industrial customers in Romania increased by 12.5%, as of July 1, 2008.

Petrom injected 251 mn cbm into storage in Q3/08. The total volume of natural gas in storage at the end of September was 426 mn cbm, compared to 362 mn cbm at the end of Q3/07.

As natural gas distribution is not considered a core activity of Petrom SA, the strategic decision was taken to divest this activity to a qualified partner who will guarantee the continuation and future development of Petrom Distributie Gaze srl (PDG). The divestment process is expected to be finalized next year, depending on the market developments.

As compared to Q3/07, in Q3/08 **Doljchim** benefited from higher sales prices for all products. However, the result in Q3/08 of RON 11 mn was lower than in Q3/07 [RON 70 mn], due to the reversal in September 2007 of the environmental provision amounting to RON 120 mn. The volume of Doljchim sales decreased by 37%, compared with Q3/07, to 124 thousand tons (Q3/07: 198 thousand tones), because demand was significantly lower, both domestic and international.

Export sales represented around 50% of total sales. Doljchim's products were mainly exported to neighbouring countries such as Hungary, Bulgaria and Serbia, but also to markets like Slovakia, Austria, Italy, Spain, Turkey and Peru.

**Investments** in G&P were significantly higher than in Q3/07 mainly relating to the Petrobrazi Power plant. Power division investments in Q3/08 amounted to RON 80 mn, relating to the payments for the lump sum turn key

contract (LSTK) for the combined cycle power plant (CCPP) Brazi concluded with the General Electric–Metka consortium (the Consortium) and the advance payment in respect of the LSTK contract High Voltage (HV) Connection of CCPP Brazi to the National Transmission Grid concluded with Siemens.

**Compared to Q2/08**, the sales volumes were seasonally lower by 9%, in line with the natural gas consumption decline in Romania. The marginal increase in the regulated end consumer price and the slightly lower import quota mitigated to some extent the increased import price.

The **EBIT** recorded by G&P in Q3/08 was significantly higher as both Gas and Doljchim recorded improved results. Doljchim's Q2/08 result was affected by the revision of the litigation provision and by the major refurbishment in the methanol plant.

### January – September 2008 (9m/08)

The **gas sales** of Petrom SA decreased by 4% compared to 9m/07 when demand from power plants had been higher.

**EBIT** generated by the G&P business of Petrom SA was higher compared to the Gas EBIT recorded in 9m/07, mainly as a result of the externalization of the gas distribution activity in the newly established company - Petrom Distributie Gaze srl. The previous year's result had been negatively affected by the revaluation of the distribution network in September 2007.

The **average regulated gas** price for Romanian producers was USD 205.64/1,000 cbm (RON 492.21/1,000 cbm), up by 15% compared to 9m/07 (12% in RON terms).

The regulated end-user gas price for households and industrial customers in Romania increased by 12.5%, as of July 1<sup>st</sup>, 2008. However, this had no impact on the domestic gas price. In accordance with the agreement with the Romanian government in March 2008, Petrom

contributed RON 58 mn in 9m/08 to the newly established Social Gas Fund. The Social Fund was set up to make grants to alleviate the burden of gas price increases on low income Romanians households who rely on gas for domestic heating.

EBIT recorded by Doljchim in 9m/08 was negative (RON 33 mn) due to the increase of the provisions for litigation, asset write-offs and the turnaround of the methanol plant in Q2/08.

The volume of **Doljchim sales** decreased by 28% to 399 thousand tons. The decrease was mainly due to the major maintenance shutdowns undertaken at the fertilizer plants and the ammonia plant in January and February and the methanol plant in May to June.

Export sales represented around 43% of total sales.

The investments in Doljchim amounted to RON 35 mn while Power related investments stood at RON 261 mn.

## Status of Brazi power plant construction

The construction of Brazi power plant is advancing according to the schedule and within the budget approved last year. In Q3/08, the Power division made further steps in advancing the project and important milestones were reached:

- ▶ The urban certificate for the two substations – Plant and Brazi Vest – was issued
- ▶ The design freeze for the power plant was agreed
- ▶ The approval for the technical connection with Transelectrica was obtained
- ▶ The notice to proceed for the three main step-up transformers (MSUT) was released to the supplier

The following contracts were signed in 9m/08:

- ▶ Lump sum turn key (LSTK) contract for building Brazi power plant signed with a Consortium formed of General Electric and Metka
- ▶ Long Term Service Agreement (LTSA) for CCPP Brazi with General Electric International Inc.
- ▶ High voltage connection LSTK contract with Siemens for the evacuation of the energy generated by CCPP Brazi
- ▶ Contract with Itochu-Toshiba (Japan) for Brazi Vest substation extension
- ▶ Contract with ESBI (Ireland) for owner's engineering services

## Financial highlights 9m/08

### Profit and loss account

The Company's **net turnover** increased by 50% to RON 13,007 mn compared to 9m/07 mainly driven by higher fuel sales (both domestic and export sales).

**Other operating revenues** increased to RON 219 mn due to a higher level of own work capitalized in E&P and sales of assets in both Marketing and E&P.

**Operating expenses** increased by 51% compared to 9m/07, to RON 10,959 mn, mainly due to the increase in raw materials costs caused by higher crude oil prices and higher staff costs, as well as the impact of the integration of the oil business service acquired from Petromservice as of February 2008. Operating expenses also increased due to adjustments on the value of tangible and intangible assets related to higher investments and impairment booked for the Arpechim bulk refinery. Litigation provisions for risks and charges increased as since the end of 2007, Petrom has been involved in litigation initiated by a number of former and current employees based on differing interpretations of some of the clauses of the Petrom Collective Bargaining Agreement for Easter and Christmas bonuses. After careful consideration and based on the outcome of court decisions received, Petrom has provided in its accounts an additional amount of RON 447 mn in Q2/08 to cover this potential risk.

**EBIT** amounted to RON 2,509 mn, 54% above the RON 1,632 mn result in 9m/07.

The most significant contribution to this higher result came from the **E&P** segment, whose EBIT increased by 65%, from RON 2,076 mn to RON 3,418 mn, mainly driven by the favourable crude price development. This positive impact was partly offset by the contribution to the social fund, based on the protocol signed in March 2008 by Petrom with the Ministry of Economy and Finance. In this protocol it was agreed that Petrom will contribute voluntarily to the Gas Social Fund. The contribution was established at RON 80 mn, payable in 11 equal monthly instalments of RON 7.27 mn. By the end of September, this contribution amounted to RON 58 mn, which was fully funded by E&P.

EBIT of **R&M** this year reflects improvements as a result of process optimization, reduced costs and higher

deliveries to both domestic and foreign markets. Other positive developments in Refining were generated by a more profitable product yield and by inventory effects. Despite these improvements, however, the result of R&M in 9m/08 was lower compared to 9m/07 because of the impairment recorded in Arpechim. In today's environment within Petrom's refining business, the Arpechim refinery cannot generate the required rate of return due to the high own energy consumption, unfavourable product yields and high fixed costs. The investment focus will be to ensure health, safety, security and environment (HSE) compliance and as a result no improvement in its profitability is anticipated in the mid-term. To reflect these developments an impairment of RON 559 mn has been booked in Q3/08, which represents the total book value of the Arpechim bulk refinery as of September 30, 2008. This was the major factor behind the decrease of the EBIT in R&M by RON 311 mn, from RON (591) mn in 9m/07 to (902) mn RON in 9m/08.

In the **G&P** segment, EBIT was RON 85 mn, lower than the result recorded in 9m/07 of RON 148 mn [aggregate results of Gas and Chemicals in 9m/07] mainly because 2007 benefited from the reversal of Doljchim environmental provision in amount of RON 120 mn. As of 2008, Doljchim is reported under this segment.

The Company's **financial result** improved to RON 338 mn from RON 166 mn in 9m/07, mainly due to the gains from the disposal of financial investments and revenues from dividends received.

**The corporate tax charge** increased in 9m/08 by RON 306 mn to RON 556 mn, due to the increase in the operating result.

**Net profit** increased by 48% compared with 9m/07 as a direct consequence of the higher operating result, partially offset by higher corporate taxes.

As a result of Petrom's business activities, a significant tax contribution was generated for the state budget amounting to RON 4,918 mn, 54% higher than in 9m/07. Income tax (RON 550 mn), excise duties (RON 2,421 mn), royalties (RON 548 mn) and VAT payable (RON 578 mn) accounted for around 83% of the total tax contribution in 9m/08.

## Balance sheet

**Total assets** amounted to RON 23 bn as at September 30, 2008, up by 10% compared to the end of 2007 [RON 21 bn], mainly as a result of the increase in tangible and intangible assets and inventories, offset by a decrease in financial investments following the disposal of umbrella funds, a decrease in accounts receivables and a lower net cash and bank position. The higher cash outflows for capital expenditures, loans granted to subsidiaries and dividends payments to the State and minority shareholders led to a lower net cash position at September 30, 2008.

**Non current assets** increased by 13% to RON 18 bn, mainly driven by significant investments related to E&P: the acquisition of the oil business services of Petromservice, the development and modernization of wells, surface facilities and production equipments partially offset by a decrease in financial assets mainly from the disposal of the umbrella funds.

Inventories increased compared with the previous year because of higher costs and higher market prices. The

increase in inventories more than offset the fall in other rest of current assets such as receivables, pre-payments and cash position. As a consequence, **total current assets** rose by 2% to RON 4,889 mn compared to the end of 2007 [2007: RON 4,786 mn].

Even though turnover increased in 9m/08, receivables as at September 30, 2008 were lower as a result of a better cash-in policy.

**Total liabilities** increased by 13% to RON 9,030 mn as at September 30, 2008, mainly due to an increase in dividends due and provisions.

**Shareholders' equity** amounted to RON 14,320 mn as at September 30, 2008, up by 9% from the end of 2007, as a result of the net profit of RON 2,290 mn generated in 9m/08 offset by a combination of the dividends of RON 1,082 mn distributed in 2008 based on the decision of General Shareholders' Meeting and the reversal of the fair value related to the umbrella funds sold in Q1/08 amounting to RON 74 mn.

## Capital expenditures

Q2/08	Q3/08	Q3/07	ΔQ3	in RON mn	9m/08	9m/07	%	2007
876	893	736	21%	Exploration & Production	3,534	1,615	119%	2,465
238	250	187	34%	Refining & Marketing	686	517	33%	1,004
179	80	1	-	Gas & Power*	297	4	-	32
46	29	121	-76%	Corporate & others (including Petrom Solutions)	121	226	-46%	303
<b>1,338</b>	<b>1,253</b>	<b>1,054</b>	<b>19%</b>	<b>Total investments</b>	<b>4,638</b>	<b>2,376</b>	<b>95%</b>	<b>3,820</b>

\* As of January 1, 2008, Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, Chemicals' 2007 related investments were not restated in the G&P line, however they are included in total investments.

The total capital expenditure in Q3/08 was RON 1,253 mn, 19% up on Q3/07.

Investments in E&P were 21% higher than in Q3/07, representing 71% of the total for Q3/08, mainly due to the continued focus on development and production drilling and to the ongoing well modernization program. Approximately 20% of the total investments were allocated to R&M. In Refining, investments were mainly related to continued projects such as the gasoline in-line

blending system and the FCC (fluid catalytic cracking) gasoline hydrotreating unit. The marketing division investments focused on the modernization of filling stations and oil products terminals. Investments in G&P represented mainly investments in the Petrobrazil power plant.

The capital expenditures in Petrom SA for 9m/08 were almost double compared to 9m/07.

## Business environment

The worldwide increase in crude oil demand further slowed down. Crude oil demand grew by 0.5 mn bbl/d to 86.2 mn bbl/d in 9m/08. The overall increase resulted from a 1.1 mn bbl/d decrease in demand in the OECD area (especially the USA) and a 1.6 mn bbl/d increase in non-OECD countries. About half of the additional demand came from Asia (especially China), but South America and the Middle East also showed an increase. Over the last quarter, the effects of the global financial crisis have started to be felt more markedly in OECD countries. The fall in US demand continued to accelerate while economic activity declined in most OECD countries.

World production was 86.9 mn bbl/d, 1.9% above the level of 9m/07, thus exceeding global demand by 0.7 mn bbl/d and resulting in increased reserves. OPEC's oil production reached a record level at 32.5 mn bbl/d in 9m/08. Excluding the new member country Ecuador, production rose by 4.7%, or 1.4 mn bbl/d compared to 9m/07. The main contributors to the increase were countries such as Saudi Arabia, Iraq, Kuwait and Angola, while within OPEC, production continued to decline in Nigeria. Also in the OECD as well as in South America production levels could not be sustained (decline of 0.4 mn bbl/d). In the CIS countries, production remained stable at 12.8 mn bbl/d.

The average **Brent price** in 9m/08 stood at USD 111/bbl, around 65% higher compared to the same period a year ago. However, since the beginning of the year, the Brent oil price remained virtually flat, increasing by a dismal 1.2%. Although the Q3/08 average crude Brent stood at USD 115/bbl, it fell to USD 93.7/bbl by the end of September, suggesting that the bearish trend of oil prices could continue in the short term. The average **Urals price** in 9m/08 was USD 108.07/bbl, or almost 69% higher compared to the same period a year ago. Meanwhile, the Brent – Urals differential fell by more than half to USD 1.4/bbl at the end of September compared to its value at the beginning of the year. The Brent – Urals differential has remained quite volatile in 2008 to date; in May it reached a peak of USD 5.4/bbl.

Preliminary data showed Romanian **GDP growth** advancing by an impressive 8.8% in the first half of the year. Investments continued to grow very strongly,

reaching an annualised rate of over 31%. Romanian household consumption also displayed a sustained increase, rising by 14%. Construction and services stayed buoyant, growing by 33% and 7% respectively. Excess demand has been showing signs of a marginal slow down, with the exports growth rate going up slightly.

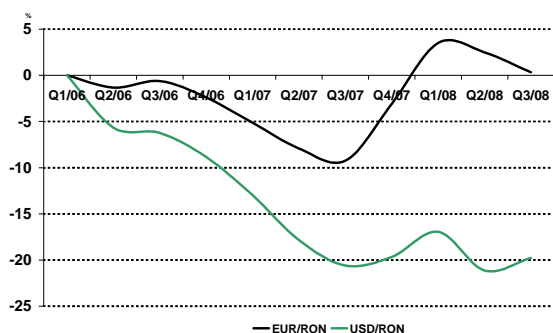
However, August data indicated a slowdown in the rate of growth of industrial production output, which decelerated to an annualised rate of 4.6% from 5.2% a month before. Even so, prospects for another solid performance of the Romanian economy during the third quarter of 2008 remain strong. Agricultural output growth could compensate for the slowdown in growth of industrial output, while both construction and services sectors are still expected to post robust growth.

Consumer Price Index (CPI) annual **inflation** rate fell to 7.3% at the end of September, although the average annual inflation rate is currently slightly higher, at 7.8%. In contrast, Producer Price Index (PPI) **inflation** remained high in August, at 20.1%, despite falling import prices for raw materials, energy, and food.

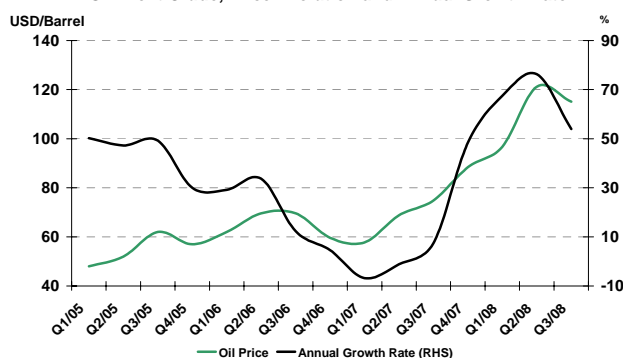
At its July meeting the NBR nudged up its benchmark **interest rate** by another 25 basis points to 10.25%. With economic growth stronger than expected, higher rates have been required to cool down the economy. The impact of previous rate increases has already started to be felt by consumers, who are to reducing their borrowing needs.

In 9m/08 the RON weakened against the EUR to an average of 3.638/EUR, 10% below 9m/07, while it strengthened by 2% against the USD to an average of 2.394. In Q3/08, the **average USD/ RON rate** was 1% higher compared to the average value recorded during Q3/07, while the **average EUR/ RON rate** appreciated by 10.6%, over the same period. Compared to Q2/08, the evolution of EUR/RON and USD/RON exchange rates continued to display opposite trends: the RON strengthened by 2% against the EUR but fell by 1.7% against the USD.

Evolution of FX Rates



Oil Brent Crude, Price Evolution and Annual Growth Rate

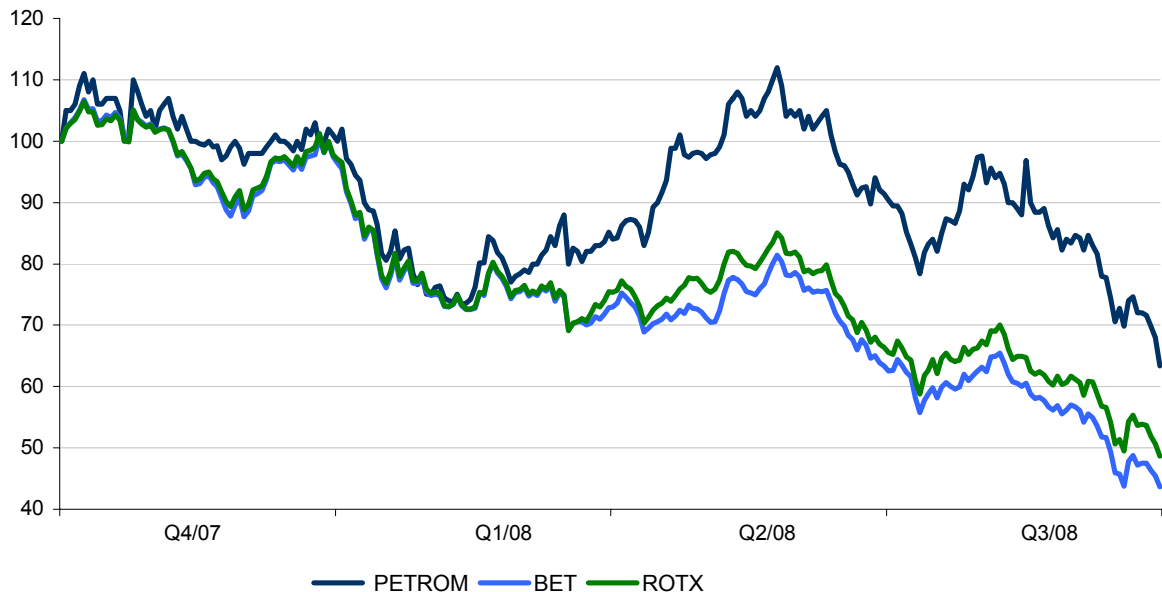




## Stock watch

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

October 2007 – September 2008



Petrom shares fell 32% in Q3/08 compared to end of Q2/08, affected by the international financial markets crisis and the decline in oil prices. The BET index lost 35% during the same period. The BET-NG sectoral index, launched on July 1<sup>st</sup>, 2008, and comprising stocks in the energy sector and utilities sectors, also declined losing 25% in Q3/08. The highest share price recorded by Petrom in Q3/08 was RON 0.4880/share (on August 5), while the lowest was on September 30 (RON 0.3170/share).

ISIN: ROSNPPACNOR9	Market capitalization (September 30)	RON 18 bn
Bucharest Stock Exchange: SNP	Market capitalization (September 30)	EUR 4.8 bn
Reuters: SNPP.BX	Closing price September 30, RON/share	0.3170
Bloomberg: SNP RO	Year's high (June 2), RON/share	0.5600
	Year's low (September 30), RON/share	0.3170
	Number of shares	56,644,108,335

## Subsequent events

At the beginning of **October**, Petrom closed a transaction with the Association of Petrom's employees for the acquisition of an additional stake of 20.87% in Petrom Aviation by way of a transaction on the Bucharest Stock Exchange. Following the settlement of the transaction, Petrom will increase its participation in the company to 69.37%. The value of the transaction is approximately EUR 2.5 mn. Petrom will launch a mandatory public takeover offer for the remaining shares of Petrom Aviation in accordance with the applicable law.

In **October**, Petrom signed a 3-year-multi-currency revolving credit facility worth around EUR 375 mn, with a tenor of three years. The credit will be used to cover Petrom's financial needs as reflected in the existing

company budget and according to current investment programs.

**At the end of October**, a protocol was signed between Petrom and the FSLI Petrom Trade Union, under which Petrom will distribute 100 free shares to all individuals employed by Petrom SA between 14.12.2004 and the date when the stock distribution process starts. The exact number of people eligible for the free shares is not currently known, but will be calculated in the near future. The distribution mechanism, as well as the start date for the distribution process, will be decided once approval from the General Shareholders' Meeting's has been obtained.

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Next release:

The next results announcement for the full year and Q4/08 will be released on February 25, 2009.

## Abbreviations

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ANRE	Romanian Energy Regulatory Authority
bbl	Barrel
boe	Barrel of oil equivalent
bn	Billion
CAPEX	Capital Expenditures
CIS	Commonwealth of Independent States
CCPP	Combined Cycle Power Plant
cbm	Cubic meters
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
E&P	Exploration and Production
EPS	Exploration and Production Services
FCC	Fluid Catalytic Cracking
FEED	Front-End Engineering and Design
G&P	Gas and Power
GDP	Gross Domestic Product
HSE	Health, Safety, Security and Environment
HSE	Health, Safety, Security and Environment and Quality
kt	Thousand tons
LSTK contract	Lump sum turn key contract
mn	Million
NGL	Natural Gas Liquids
OECD	Organisation for Economic Co-operation and Development
RON	New Romanian Lei
R&M	Refining and Marketing
t	ton

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## Profit and Loss Account as of September 30, 2008

(Figures only for Petrom SA, according to Romanian Accounting Standards)

<b>RON</b>	<b>September 30, 2007</b>	<b>September 30, 2008</b>
1. Net turnover	8,671,863,353	13,006,819,663
Sales of production	5,900,958,153	11,109,860,746
Sales of merchandise	2,770,905,200	1,896,958,917
Interest income- from lease companies	-	-
Interest from subsidies related to net turnover	-	-
2. Movements in stocks of finished goods		
Cr balance	150,479,443	242,841,320
Dr balance		
3. Own work capitalized	13,871,431	97,934,394
4. Other operating revenues	45,436,306	121,358,660
<b>TOTAL OPERATING REVENUES</b>	<b>8,881,650,535</b>	<b>13,468,954,037</b>
5. a) Raw materials and consumables expenses	2,015,232,765	3,678,425,595
Other materials expenses	31,706,118	45,394,040
b) Other utilities expenses (energy and water)	333,414,878	387,201,033
c) Purchase of goods for resale	474,456,726	612,999,624
6. Salary expenses, of which:	1,324,458,257	1,776,641,849
a) Salaries	1,018,272,531	1,394,939,848
b) Social security contributions	306,185,726	381,702,001
7 a) Adjusting the value of tangible and intangible assets	723,502,110	1,720,114,643
a.1) Expenses	744,315,822	1,731,707,036
a.2) Revenues	20,813,712	11,592,393
b) Adjusting the value of current assets	29,284,752	6,817,410
b.1) Expenses	154,167,188	146,140,424
b.2) Revenues	124,882,436	139,323,014
8. Other operating expenses	2,647,369,594	2,874,287,088
8.1 Third parties services	1,937,492,737	1,898,610,963
8.2 Other taxes, duties and similar expenses	426,684,926	630,484,835
8.3 Other operating expenses	283,191,931	345,191,290
Interest related to refinancing activities	-	-
Adjustments for provisions for risks and charges	(330,638,041)	(142,339,629)
Expenses	84,137,938	490,153,604
Revenues	414,775,979	632,493,233
<b>TOTAL OPERATING EXPENSES</b>	<b>7,248,787,158</b>	<b>10,959,541,653</b>
<b>OPERATING RESULT:</b>		
- Profit	<b>1,632,863,377</b>	<b>2,509,412,384</b>
- Loss	-	-
9. Income from investments	32,692,482	98,244,892
- out of which, within the group	-	-
10. Income from other financial investments and receivables , part of financial assets	-	-
- out of which, within the group	-	-
11. Income from interest	191,757,844	99,701,101
- out of which, within the group	-	-
Other financial revenues including forex gain	168,083,854	1,413,592,348
<b>TOTAL FINANCIAL REVENUES</b>	<b>392,534,180</b>	<b>1,611,538,341</b>
12. Adjustment of financial assets and investments held	(173,455,203)	19,601,535

<b>RON</b>	<b>September 30, 2007</b>	<b>September 30, 2008</b>
Expenses	15,824,558	22,571,409
Revenues	189,279,762	2,969,874
13. Interest expenses	10,042	2,238,586
- out of which, within the group	-	-
Other financial expenses including forex loss	399,978,408	1,252,364,374
<b>TOTAL FINANCIAL EXPENSES</b>	<b>226,533,247</b>	<b>1,274,204,495</b>
<b>FINANCIAL RESULT</b>		
- Profit	166,000,933	337,333,846
- Loss	-	-
<b>14 Current result:</b>		
- Profit	<b>1,798,864,310</b>	<b>2,846,746,230</b>
- Loss	-	-
15. Extraordinary revenues	-	-
16. Extraordinary expenses	-	-
<b>17. Extraordinary result:</b>	-	-
- Profit	-	-
- Loss	-	-
<b>TOTAL REVENUES</b>	<b>9,274,184,714</b>	<b>15,080,492,378</b>
<b>TOTAL EXPENSES</b>	<b>7,475,320,405</b>	<b>12,233,746,148</b>
<b>Profit before tax:</b>		
- Profit	<b>1,798,864,310</b>	<b>2,846,746,230</b>
- Loss	-	-
<b>18. Tax on profit</b>	<b>250,376,436</b>	<b>556,327,702</b>
19. Other tax expenses not shown above	-	-
<b>20. NET RESULT OF FINANCIAL YEAR:</b>		
- Profit	<b>1,548,487,874</b>	<b>2,290,418,528</b>
- Loss	-	-

## Balance Sheet as of September 30, 2008

(Figures only for Petrom SA, according to Romanian Accounting Standards)

<b>RON</b>	<b>31/12/2007</b>	<b>30/09/2008</b>
<b>A. Non current assets</b>		
I Intangible assets	303,556,285	1,165,729,073
II Tangible assets	10,564,332,777	12,529,216,523
III Financial Assets	5,506,940,916	4,765,573,819
<b>Total non current Assets</b>	<b>16,374,829,978</b>	<b>18,460,519,415</b>
<b>B. Current assets</b>		
I. Inventories	1,922,375,343	2,484,400,704
II. Receivables	2,015,809,727	1,942,009,196
III. Short term investments	7,616	-
IV. Cash and Bank accounts	752,634,771	418,208,799
<b>Total Current Assets</b>	<b>4,690,827,457</b>	<b>4,844,618,699</b>
C. Prepayments	95,376,124	45,082,016
<b>D. Payables within one year</b>	<b>2,580,025,427</b>	<b>3,639,260,524</b>
o/w Bonds and interests bearing liabilities	-	-
E. Current assets, less current liabilities	2,042,617,251	1,134,877,152
F. Total assets less current liabilities	18,417,447,229	19,595,396,567
<b>G. Payables in more than one year</b>	<b>28,982,010</b>	<b>17,818,831</b>
o/w Bonds and interests bearing liabilities	-	-
H. Provisions for risks and charges	5,196,454,236	5,249,673,836
I. Deferred income	171,453,281	123,209,864
1. Investments subsidies	7,892,378	7,646,823
2. Deferred income	163,560,903	115,563,042
<b>J. Share capital and reserves</b>		
I. Share capital	5,664,410,834	5,664,410,834
Out of which:		
- subscribed and paid in share capital	5,664,410,834	5,664,410,834
- subscribed and not paid in share capital		
- patrimony		
II. Premium related to capital		
III. Revaluation reserves	57,417,759	52,560,585
IV. Reserves	5,792,755,272	5,725,234,861
V. Retained earnings		
Credit balance	1,521,411	587,632,269
Debit balance		
VI. Profit for the period		
Credit balance	1,778,042,301	2,290,418,528
Debit balance		
Profit appropriation	110,028,972	1
<b>Total Shareholders' Equity</b>	<b>13,184,118,605</b>	<b>14,320,257,075</b>
Public patrimony	-	-
<b>Total equity</b>	<b>13,184,118,605</b>	<b>14,320,257,075</b>

**Financial Ratios (computed in accordance with CNVM Instruction No. 1/2006)**

Financial Ratio	Formula	Value
Current ratio	Current Assets / Current Liabilities	1.33
Gearing Ratio	Long term debt/Equity*100	0.12%
	Long term debt/ Capital employed*100	0.12%
Days in receivables	Receivables average balance / Turnover*270	33.18
Fixed assets turnover	Turnover / Fixed assets	1.04