

# Quarterly Results

## January – March 2005

Bucharest, 25 May 2005

### FINANCIAL RESULTS FOR Q1/2005 SHOW STRONG PERFORMANCE

- Net income increases to ROL 2,831 billion (EUR 76 million) helped by strong market environment
- Significant growth of EBIT to ROL 5,076 billion (EUR 137 million)

Petrom, South Eastern Europe's largest producer of oil and gas, shows a strong performance in its first quarter for 2005, the first quarterly results presented after completing the privatisation process in 2004. Net income for the first quarter of 2005 reached ROL 2,831 billion (EUR 76 million). Earnings before interest and tax (EBIT) recorded a significant growth in the first quarter of 2005 to ROL 5,076 billion (EUR 137 million). As a result of higher prices levels, total sales increased by 10% in the first quarter of 2005, amounting to ROL 20,242 billion (EUR 546 million). Reasons for these results are mainly higher oil prices and hence higher product prices, accounting changes in booking the geological quota as well as an increase in efficiency and cost awareness in business relations.

« The good financial results for the first quarter of 2005 reflect the application of new management strategies and of sustained investments programs, designed to secure the profitable growth of the company. We have clear objectives that we are committed to. The continuation of the road taken, as well as additional restructuring will make Petrom a stronger company and strengthen its leadership in South Eastern Europe», said Gheorghe Constantinescu, CEO of Petrom.

#### Overview Q1/2005 results

Q1/05	Q1/04	%	in ROL billion (billion)	2004	2003	%
5,076	507	902	Earnings before interest and tax (EBIT)	(5,812)	4,579	-
7,016	2,434	188	Earnings before interest, taxes, depreciation and amortization (EBITDA)	1,136	10,107	(89)
2,831	225	1,161	Net income	(9,737)	1,440	-
20,242	18,455	10	Sales	86,879	71,346	22
2,466	2,115	17	Investments*	13,028	9,824	33
49,696	56,459	(12)	Employees at the end of period	50,010	56,694	(12)

\*include corporate investments

- **EBIT for the first quarter 2005 (Q1/05)** amounted to ROL 5,076 billion (EUR 137 million).
- **Exploration and Production (E&P)** benefited from higher oil and gas prices, which over-compensated the decline of sales quantities in comparison with the same period of the previous year.
- In the **Refining** segment, due to a lower volume of crude processed, the utilization rate was 75% compared to 79% in 2004.
- **Total sales** increased by 10% in Q1/05, to ROL 20,242 billion (EUR 546 million), as a result of higher price levels.
- **Net income** was at ROL 2,831 billion (EUR 76 million), an increase mainly due to the increases of Marketing and E&P operating revenues and due to higher oil and gas prices and a different application of geological quota as outlined in the financial overview below.
- **Since the beginning of the year, there were several strategic initiatives:**
  - ❖ Defining Petrom Vision for 2008;
  - ❖ Approval of new guidelines and communication to all Petrom branches;
  - ❖ Changing retail prices policy, by adjusting fuel prices on a regular basis and keeping them in line with international quotations.
  - ❖ Changing the organizational structure of the company by defining three core regions in E&P and seven regions in Marketing with clear distinction between Corporate and business line responsibilities.

#### Economic environment

- **The US dollar (USD) was weaker** compared to last year. The USD average exchange rate decreased in Q1/05 by 14.61% in relation to Q1/04, from ROL 32,430 to ROL 28,297. **The Euro had the same evolution**, even though at a slower pace, the average exchange rate decreasing in Q1/05 by 9.38% in comparison with Q1/04, from ROL 40,574 to ROL 37,094.

#### Business segment: Exploration and Production (E&P)

Q1/05	Q1/04	%		2004	2003	%
19.76	20.36	(3)	Production (million boe)	81.31	80.73	0.7
1,020	1,429	(29)	Investments* (ROL billion)	6,607	6,114	8
26,826	33,120	(19)	No of employees	26,974	33,268	(19)

\*includes international investments and corporate investments

- **Exploration and Production investments** amounted to ROL 1,020 billion (EUR 27 million), out of which 62% represented exploration and production drilling. 5 exploration wells and 31 production wells were drilled, and 35 gathering parks and storages, together with 10 natural gas distribution networks were modernized. In comparison with Q1/04, E&P investments decreased by 29%.
- **Overall oil and gas production** decreased by 3% due to natural decline and maintenance work at natural gas facilities resulting in a 6% lower gas production compared to Q1/04. This decrease in the natural gas production was partially offset by a slight increase in crude oil production (by 0.4%) from 9,462 thousand boe to 9,501 thousand boe as a result of the drilling of 31 new wells.

## Refining and Petrochemicals

Q1/05	Q1/04	%		2004	2003	%
1,497.1	1,588.7	(6)	Crude input (thousand tons)	6.42	6.12	5
1,118	405	176	Investments (ROL billion)	3,748	1,983	89
7,406	7,444	(0.5)	No of employees	7,424	7,464	(0.5)

- **Petrochemicals sales** increased in the first quarter of 2005 by 2%, from 138 thousand tons in Q1/04 to 141 thousand tons in Q1/05. The significant increase of prices aligned with West-European market prices and the tight market led to higher margins of petrochemicals.
- The quantity of **crude oil processed** by the two refineries, Arpechim and Petrobrazi, amounted to 1,497 thousand tons, 6% lower than the quantity processed in Q1/04, mainly due to a decrease of crude oil imports from 375 thousand tons in Q1/04 to 295 thousand tons in Q1/05. This resulted in lower **capacity utilization**, from 79% in Q1/04 to 75% in Q1/05.
- **Refining investments** in Q1/05 amounted to ROL 1,118 billion (EUR 30 million), by 176% higher than the investments performed in Q1/04. The increase is due to the projects started in the previous years and financed from EBRD loan which are in the last stage of completion. The investments are targeting the improvement of product quality and environment protection in order to comply with the EU standards. The other main reason for the increase in Q1/05 was the reporting of the advance payments as investments, an amount which is substantial in Refining. The majority was invested in the new hydrogen unit, recovery of the burned CAN gas thermal energy in Arpechim and the catalytic reforming unit revamp, petroleum products rail skid revamping in Petrobrazi.

## Marketing

Q1/05	Q1/04	%		2004	2003	%
1,043	1,129	(8)	Sales (thousand tons)	1,730	1,830	(6)
295	216	37	Investments (ROL billion)	2,588	1,643	58
13,013	13,571	(4)	No of employees	13,301	13,635	(2)

- **Total sales** decreased by 8%, due to the reduction of both domestic and export sales. **Export sales** decreased by 12% from 494 thousand tons in Q1/04 to 433 thousand tons in Q1/05, while **domestic sales** recorded a lower decrease of only 2.6% (Q1/04: 432 thousand tons versus Q1/05: 420 thousand tons).
- **Investments** amounted to ROL 295 billion (EUR 8 million) increasing by 37% in comparison with Q1/04. They targeted mainly the modernization and building of filling stations and terminals.
- Starting with the first quarter of 2005 the **pricing policy** changed. Formerly, Petrom's branches were presented a reference price settled at Headquarters level and they were free to adjust this price within +/-5%, depending on local market. Starting with 2005, the prices are established by Petrom Headquarters on a regular basis and have to be used as communicated. The adjustments are based on international quotations for products.
- Starting with 2005, all the sales from both refineries and marketing are reported under the Marketing segment.

## Doljchim

Q1/05	Q1/04	%		2004	2003	%
168	130	29	Sales (thousand tons)	570	453	26
2	65	(97)	Investments (ROL billion)	86	84	2

1,545	1,606	(4)	No of employees	1,548	1,611	(4)
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- **Doljchim production** increased by 20% from 204 thousand tons (Q1/04) to 245 thousand tons (Q1/05), as a result of higher quantities of methanol, ammonia and urea produced.
- **Fertilizers sales** increased in Q1/05 by 29% compared to the same period of the previous year, mainly due to the significant increase of methanol and urea export sales.

#### Financial overview

- **Turnover** of the company increased by 10% in Q1/05, amounting to ROL 20,242 billion (EUR 546 million) (Q1/04: ROL 18,455 billion – EUR 455 million). In spite of a reduction of the production volumes sold (by 5%), the increase is due to higher product prices as a consequence of higher international oil and product prices.
- **EBIT** had a positive development in the first quarter of 2005 in comparison with the same period of the previous year, increasing as a result of the contribution of all business segments, but also influenced by an accounting change, as starting with 2005 the geological quota is booked as a reserve in the balance sheet and not as an expense in the profit and loss statement.
- **Financial results** deteriorated significantly from ROL -164 billion (EUR -4 million) to ROL -2,245 billion (EUR -61 million) due to the strengthening lei against EUR and USD which could not be compensated by the increase in the financial revenues resulting from the capital increase.
- In the first quarter 2005, the **net income** increased from ROL 225 billion (EUR 5.5 million) (Q1/04) to ROL 2,831 billion (EUR 76 million) (Q1/05), its favorable development being the result of a higher EBIT.

#### Employees

- In Q1/05 **headcount** is lower by 12% in comparison with Q1/04, due to the spin off of intervention, production tests and work over activities in 2<sup>nd</sup> quarter 2004, together with the afferent personnel.
- As of March 31, 2005 the headcount was by 0.6% lower in comparison with the end of 2004 due to the natural fluctuation of personnel.

#### Stock watch: January – March 2005

- In the first quarter of 2005, the Stock Exchange had a spectacular evolution. At beginning of the year Petrom's share price increased significantly.
- On February 24, 2005 the share price reached the historic high of ROL 5,300. As towards the end of the quarter all the stock prices declined significantly, Petrom shares followed the same trend, with a price of around ROL 3,500.

## Background Information

### Petrom SA

Petrom is the largest Romanian oil and gas group, with activities in the business segments of Exploration and Production, Refining and Petrochemicals, as well as Sales and Marketing. Petrom has estimated oil and gas reserves of 1 billion boe, refining capacity of 8 million tons and about 600 filling stations. In 2004 the sales revenue of Petrom was EUR 2,143 million, EBITDA was EUR 28 million. Since December 2004 OMV, the leading oil and gas group in Central Europe holds a 51% share in Petrom. OMV is active in Refining and Marketing, Exploration and Production, Gas as well as Chemicals in 28 countries on five continents. The Romanian state holds 40.74% of Petrom shares, the European Bank for Reconstruction and Development, 2.03% and 6.23% are owned by minority shareholders.

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Next result announcement: January – June 2005 and Q2 on August 24, 2005.



**Profit and Loss Account  
as at March 31, 2005**

'000 ROL

	Indicator	No.	Financial Year	
		row	31/03/2004	31/03/2005
A		B	1	2
1	Net turnover (rows 02 to 04)	01	18,455,231,257	20,241,506,329
	Sales of finished goods	02	13,823,300,327	13,177,409,055
	Sales of goods purchased for resale (acc. 707)	03	4,631,930,930	7,064,097,274
	Revenues from subsidies related to net turnover	04	-	-
2	Movements in stocks of finished goods (acc. 711)			
	Cr balance	05	205,572,266	1,313,336,459
	Dr balance	06	-	-
3	Own work capitalized (ct. 721 + 722)	07	155,153,076	85,108,184
4	Other operating revenues	08	80,105,239	1,025,737,994
	<b>TOTAL OPERATING REVENUE</b> (rows 01 + 05-06 + 07 + 08)	<b>09</b>	<b>18,896,061,838</b>	<b>22,665,688,966</b>
5	a) Row materials and consumables expenses	10	14,564,763,932	7,466,398,368
	Other materials expenses	11	90,166,857	171,336,693
	b) Other utilities expenses (energy and water)	12	1,691,843,355	1,816,734,815
	c) Purchase of goods for resale (acc. 607)	13	3,737,417,661	603,145,568
6	Salary expenses (rows 15 + 16), of which:	14	2,949,700,142	2,702,178,444
	a) Salaries (acc. 641-7414)	15	2,142,202,542	1,973,733,967
	b) Social security contributions (acc. 645-7415)	16	807,497,600	728,444,478
7	a) Adjusting the value of tangible and intangible assets (rows 18 - 19)	17	1,927,197,511	2,031,791,317
	a.1) Expenses (acc. 6811 + 6813)	18	1,927,711,857	2,515,472,779

	Indicator	No. row	Financial Year	
			31/03/2004	31/03/2005
A		B	1	2
	a.2) Revenues (acc. 7813 + 7815)	19	514,346	483,681,462
	b) Adjusting the value of current assets (rows 21 - 22)	20	(9,154,036)	(3,164,613,039)
	b.1) Expenses (acc. 654 + 6814)	21	1,382,736	823,080,053
	b.2) Revenues (acc. 754 + 7814)	22	10,536,772	3,987,693,092
8	Other operating expenses (rows 24 la 26)	23	(6,556,061,448)	6,513,972,256
	8.1 Third parties services (acc. 611 + 612 + 613 + 614 + 621 + 622 + 623 + 624 + 625 + 626 + 627 + 628 -7416)	24	2,920,360,726	4,809,410,735
	8.2 Other taxes, duties and similar expenses (acc. 635)	25	1,026,812,981	1,233,755,408
	8.3 Other operating expenses (acc. 658)	26	(10,503,235,155)	470,806,113
	Adjustments for provisions for risks and charges (rows 28-29)	27	(6,268,181)	(552,190,550)
	Expenses (acc. 6812)	28	-	294,749,244
	Revenues (acc. 7812)	29	6,268,181	846,939,794
	<b>TOTAL OPERATIONAL EXPENSES (rows 10 to 14 + 17 + 20 + 23 + 27)</b>	<b>30</b>	<b>18,389,605,793</b>	<b>17,588,753,872</b>
	<b>OPERATING RESULT:</b>			
	- Profit (rows 09-30)	31	506,456,045	5,076,935,094
	- Loss (rows 30-09)	32	-	-
9	Income from investments (acc. 7613 + 7614 + 7615 + 7616)	33	-	-
	- out of which, within the group	34	-	-
10	Income from other financial investments and receivables (acc. 7611 + 7612)	35	17,102,388	-
	- out of which, within the group	36	-	-
11	Income from interest (a c. 766)	37	59,311,192	327,626,497
	- out of which, within the group	38	-	-
	Other financial revenues	39	105,127,320	1,769,823,795

	Indicator	No. row	Financial Year	
			31/03/2004	31/03/2005
	A	B	1	2
	(acc. 7617 + 762 + 763 + 764 + 765 + 767 + 768 + 788)			
	<b>TOTAL FINANCIAL REVENUES (rows 33 + 35 + 37 + 39)</b>	<b>40</b>	<b>181,540,900</b>	<b>2,097,450,292</b>
12	Adjustment of financial assets and investments held (rows 42-43)	41	(115,000)	35,006,175
	Expenses (acc. 686)	42	-	35,006,175
	Revenues (acc. 786)	43	115,000	-
13	Interest expenses (acc. 666-7418)	44	261,007,864	144,010,891
	- out of which, within the group	45	-	-
	Other financial expenses (acc. 663 + 664 + 665 + 667 + 668 + 688)	46	84,553,466	4,164,316,040
	<b>TOTAL FINANCIAL EXPENSES (rd. 41 + 44 + 46)</b>	<b>47</b>	<b>345,446,330</b>	<b>4,343,333,106</b>
	<b>FINANCIAL RESULT</b>			
	- Profit (rows 40-47)	48	-	-
	- Loss (rows 47-40)	49	163,905,430	2,245,882,814
14	<b>Current result:</b>			
	- Profit (rows 09 + 40-30-47)	50	342,550,615	2,831,052,279
	- Loss (rows 30 + 47-09-40)	51	-	-
15	Extraordinary revenues	52	-	-
16	Extraordinary expenses	53	-	-
17	<b>Extraordinary result :</b>			
	- Profit (rows 52-53)	54	-	-
	- Loss (rows 53-52)	55	-	-
	<b>TOTAL REVENUES (rows 09 + 40 + 52)</b>	<b>56</b>	<b>19,077,602,738</b>	<b>24,763,139,258</b>
	<b>TOTAL EXPENSES (rows 30 + 47 + 53)</b>	<b>57</b>	<b>18,735,052,123</b>	<b>21,932,086,979</b>
18	<b>Gross profit:</b>			
	- Profit (rows 56-57)	58	342,550,615	2,831,052,279
	- Loss (rows 57-56)	59	-	-
19	<b>Tax on profit</b>			

	Indicator	No. row	Financial Year	
			31/03/2004	31/03/2005
	A	B	1	2
	- Deferred tax expense	60	118,028,385	-
	- Deferred tax income	61		-
20	Other tax expenses not shown above	62	-	-
21	<b>NET RESULT OF FINANCIAL YEAR:</b>			
	- Profit (rows 58-60 + 61-62)	63	224,522,230	2,831,052,279
	- Loss (rows 59 + 60-61 + 62); (rows 60-61 + 62-58)	64		

**Balance Sheets**  
as at March 31, 2005

'000 ROL

	Balance at 31/03/2005
A	
A. Fixed assets	
I Intangible assets	1,869,934,436
II Tangible assets	75,669,928,477
III Financial Assets	19,182,477,688
Fixed Assets - Total (rows 06 + 11 + 19)	96,722,340,601
B. Current assets	
I. Inventories	13,404,341,571
II. Receivables	12,043,112,575
III. Short term investments	11,627,682
IV. Cash and Bank accounts	39,513,996,485
Total Current Assets	64,973,078,313
C. Prepayments	1,137,459,561
D. Payables within one year	15,986,929,186
E. Current assets, net current liabilities, respectively	49,693,484,083
F. Total assets less current liabilities	146,333,134,444
G. Payables in more than one year	4,936,005,112
H. Provisions for risks and charges	44,661,006,117
I. Deferred income	512,814,845
(rows 63 + 64)	
1. Investments subsidies (acc.131)	82,690,240
2. Deferred income (acc.472)	430,124,605
J. Share capital and reserves	
I. Share capital (rows 66 la 68)	56,000,506,078
Out of which:	
- subscribed and unpaid share capital (acc. 1011)	-
- subscribed and paid in share capital (acc. 1012)	56,000,506,078
- patrimony (acc. 1015)	-
II. Premium related to capital	20,600,963,846
III. Revaluation reserves (acc. 105)	
Credit balance	8,305,440,546
Debit balance	-
IV. Reserves (acc. 106) (rows 73 la 76)	44,784,241,920
V. Retained earnings (acc. 117)	
Sold C	-
Sold D	20,763,052,025
VI. Retained Earnings (ct. 121)	
Credit balance	-
Debit balance	6,905,721,002
Profit appropriation (acc. 129)	5,286,256,146
Total Shareholders' Equity	96,736,123,217
Public patrimony (acc. 1016)	-
Total equity (rows 82 + 83)	96,736,123,217

**Financial Ratios (computed in accordance with CNVM Instruction No. 6/2005)**

<b>Financial Ratio</b>	<b>Formula</b>	<b>Value</b>
Current ratio	Current Assets / Current Liabilities	4.20
Gearing Ratio	Payables in more than one year/ Share Capital * 100	5.07
	Payables in more than one year / Capital employed * 100	4.82
Days in receivables	Receivables average balance / Turnover * 365	184.11
Fixed assets turnover	Turnover / Fixed assets	0.21