Petrom Investor News

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Strong Q1/08 results[1] supported by continuous progress in the restructuring and modernisation programs

- **Strong results in Q1/08 driven by the favourable international oil price environment and successful restructuring and modernisation efforts in all business segments: EBIT increased by 161% compared to Q1/07, net income by 156% while turnover was up by 35%**
- **Investments almost tripled in Q1/08 compared to Q1/07, confirming the commitment to Petrom's long term developments**
- **Integration of Petromservice on track, creating the basis for increased efficiency in E&P**
- **On schedule finalization of the tender for the construction of the Brazi power plant confirms entry into the power market**

Mariana Gheorghe, CEO of Petrom: "The strong results recorded in Q1/08 are the consequence of the favorable international oil price environment and the continuous progress of our restructuring and modernization programs. The successful turnaround programs in Exploration and Production started to yield results and the integration of the recently acquired oil service activities of Petromservice into the newly established business division, Exploration and Production Services, is progressing in line with the established schedule, and will lead to increased efficiency at the Exploration and Production activity. Similar good progress was recorded in Refining and Marketing, as well as in Gas and Power, with the investment programs advancing as planned. All these positive results reinforce our confidence that the modernisation of Petrom is on track and form the basis for the future growth of the company."

Q4/07	Q1/08	Q1/07	ΔQ1 yoy	Key performance indicators(RON mn)	2007	2006	%
3,613	3,719	2,757	35%	Turnover	12,284	13,078	-6%
332	1,029	394	161%	EBIT	1,965	2,777	-29%
754	1,269	623	104%	EBITDA	3,111	3,596	-13%
230	977	381	156%	Net income	1,778	2,285	-22%
1,444	2,047	551	271%	Investments*	3,820	2,937	30%
26,397	35,069	31,115	13%	Employees at the end of period	26,397	32,837	-20%

**Investments include increases of Petrom share participations*

[1] The financials are unaudited and prepared according to RAS; all the figures refer to Petrom SA unless otherwise stated

Significant events in Q1/08

At the beginning of 2008, Petrom assigned new responsibilities. Mr. Siegfried Gugu, responsible for E&P Services, and Mr. Gerald Kappes, responsible for Gas and Power, were appointed as new members of the Executive Board, which is now made up of seven executive directors.

On **March 27**, Petrom and Romgaz signed with the Government of Romania, represented by the Ministry of Economy and Finance, a protocol that regulates their participation in the Social Fund. The Government of Romania set up the Social Fund in view of granting social aid to the low income households who use gas to heat their homes. The value of the Social Fund for this year is RON 172 mn, of which Petrom's contribution represents RON 80 mn.

On **March 31**, Petrom signed the contract for building the Brazi power plant with a consortium composed of General Electric (USA) and Metka (Greece). The consortium will build and deliver by September 2011 a turn key gas-fired combined cycle power plant with a capacity of 860 MW.

Outlook for 2008

The main focus in 2008 will be on pursuing the restructuring and modernization of Petrom. The first results of the modernization efforts in E&P are now visible and we expect production volumes to increase slightly in 2008. In the Petrom refineries, gradual improvements are expected; however, more significant earnings improvements are unlikely until after the completion of the full restructuring programme in 2011.

We expect the main market drivers (crude price, refining margins and the USD/EUR exchange rate) to remain volatile throughout 2008. We assume average crude prices and the spread between Brent and Urals to be above the 2007 level, albeit with considerable short-term fluctuations. The average USD/EUR exchange rate for 2008 is expected to weaken compared to the 2007 year-end level. The RON is expected to depreciate against both the EUR and the USD. We foresee refining margins below the 2007 level, under the pressure of oil price increases. In Marketing, we expect a slightly better margin environment than in 2007.

E&P volumes are expected to be above last year's level. The well modernization program will continue, together with efforts to further enhance production efficiency. We will also continue to maximize the production level in Romania through an intensive drilling program combined with the field re-development of 50 major fields and the continuation of our successful well re-completion program. The newly discovered offshore field, Delta 4, is expected to start operations in mid 2008.

One of the key objectives in 2008 will be 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 quality and efficiency of the operations and to support the reduction of production costs and increase production. Overall industry cost inflation is expected to continue in a high oil price environment. However, actions to tighten cost control, the modernization program at Petrom and higher production quantities will help to improve OPEX in cost per unit terms.

In **R&M**, the restructuring and modernization programs will continue in 2008. In Refining, the restructuring program focuses on energy efficiency and product yield improvements. During 2008, we plan to complete the FEED (front end engineering and design) phase for all major investments in Petrobrazi and advance construction of the FCC gasoline hydrotreater project to meet the scheduled start-up in early 2009. Consequently, gradual improvements due to the current restructuring investments are expected, while more significant earnings improvements in refining are anticipated after the completion of the large investments in 2011. In Marketing we expect a slightly better margin environment than in 2007. The demand for fuel is expected to increase further, while the Company will pursue its efforts to improve the quality of the filling stations network. As a consequence, we expect a further increase in sales and a higher contribution from the non-oil business.

In the **G&P** segment, we expect the business to grow despite the volatility of the current environment. While the development of regulated gas prices and the impact of potential changes in the fertilizer industry remain uncertain, we expect increased demand from the gas-fired power plants. One of the major drivers of the strong growth in gas demand in Europe are gas-fired power plants. We believe that additional value can be generated through the expansion of the gas value chain into this downstream business. The start of the construction of the power plant in Romania at Brazi will be a milestone in 2008. To reflect the importance of these power activities, the gas business segment was renamed Gas and Power. In addition, as of January 2008, all chemicals are reported under G&P.

In order to meet our growth targets and the ongoing modernization of Petrom's operations while addressing the general trend of increasing costs in the oil industry, **average annual investments** of approximately EUR 1.5 bn are planned until 2010. All investment decisions are taken on a value-based approach, which is essential if we are to meet our target of a 13% ROACE over the course of the business cycle, given average market indicators.

Exploration and Production (E&P)

Q4/07	Q1/08	Q1/07	ΔQ1 yoy	Key performance indicators(RON mn)[1]	2007	2006	%
772	1,094	630	74%	EBIT	2,848	3,744	-24%
1,013	1,267	771	64%	EBITDA	3,556	4,334	-18%
850	1,765	403	338%	Investments[2]	2,465	1,336	85%

[1] As of January 2008, E&P financials include the results of the new business division Exploration and Production Services (EPS)
[2] Investments include increases of Petrom share participations

Q4/07	Q1/08	Q1/07	ΔQ1 yoy	Key performance indicators	2007	2006	%
17.50	17.57	17.77	-1%	Total production (mn boe)	70.27	73.00	-4%
190,000	193,069	197,000	-2%	Total production (boe/day)	193,000	200,000	-4%
1,139	1,134	1,123	1%	Crude and NGL production (kt)	4,541	4,777	-5%
8.19	8.16	8.08	1%	Crude and NGL production (mn boe)	32.66	34.36	-5%
1,424	1,439	1,482	-3%	Gas production (mn cm)	5,751	5,917	-3%
85.90	93.00	54.26	71%	Average Urals price in USD/bbl	69.38	61.35	13%
78.42	85.15	48.49	76%	Average realised crude price USD/bbl	63.00	55.65	13%
187.62	209.84	126.25	66%	Average realised crude price RON/bbl	153.44	156.28	-2%
197.42	197.47	154.05	28%	Regulated gas price for domestic producers in USD/1,000 cm	183.98	122.02	51%
18.10	17.08	15.42	11%	Domestic production cost, USD/boe	16.83	13.73	23%
43.15	42.09	39.77	6%	Domestic production cost, RON/boe	41.00	38.55	6%

First quarter 2008 (Q1/08)

- **Strong results due to higher international oil prices and progress in modernization efforts**
- **Investments in Q1/08 more than four times higher than in Q1/07**
- **Overall production levels at similar levels to Q1/07, with a slight increase of 1% in crude production**
- **Well modernization program with 567 wells modernized ahead of plan**

The **domestic realized crude price** increased by 76% to USD 85.15/bbl compared to Q1/07 due to higher international prices. However, the domestic realized crude price increased only by 66% in RON terms over the same period last year, due to the strengthening of the RON against the USD compared to Q1/07.

EBIT increased by 74% compared to Q1/07 and by 42% compared to Q4/07, mainly as a result of higher international prices.

Total oil and gas production in Romania amounted to 17.57 mn boe and was 1% lower than in Q1/07. Domestic oil production continued to be affected by natural decline and the shutdowns needed for the modernisation program. Overall gas production was negatively impacted by temporary shutdowns at major customers and network limitation.

Crude oil production in Romania amounted to 1.13 mn tons, 1% higher than in Q1/07, and at the same level as in Q4/07. **Production stabilization** was the result of the investment program (modernization and turnaround) and the implementation of a new organization.

Natural gas production reached 1,439 mn cbm, 3% lower than in Q1/07 and 1% higher than Q4/07. The good gas performance recorded in Q1/08 compared to Q4/07 was driven by demand generated by the exceptionally cold weather and the higher than expected production levels of the Mamu production block.

The comprehensive **turnaround program** continued throughout Q1/08. After six months, the turnaround program is starting to get momentum, with most projects reaching a steady course. The most significant achievement is the increase in the number of completed wells by 47%. Moreover, 15 field re-development studies have been launched together with a huge effort to embed modern modeling tools and digitize well data.

Domestic production costs of USD 17.08/boe were 11% higher compared to Q1/07, mainly driven by the strengthening of the RON against the USD (by 4% compared to Q1/07), lower production levels and higher salaries and service related costs. When expressed in RON/boe, domestic production costs increased by 6% compared to Q1/07, a clear indication of the significant impact of RON appreciation against the USD. Domestic production costs in RON/boe decreased by 2% in Q1/08 vs. Q4/07 (6% decrease when expressed in USD) due to the depreciation of the USD in Q1/08.

Petrom SA spent RON 127.7 mn on **exploration** activity in Q1/08 of which RON 20.2 mn was expensed, and RON 107.5 mn was capitalized.

E&P investments in Romania increased by 338% compared to Q1/07 and were 108% higher than in Q4/07, with the main focus on drilling, modernization and efficiency programs, aimed at increasing production.

Technology roll-out

The Downhole Technology Modernization Program/Well Modernization Program progressed, with 567 wells already modernized. Overall, the project is ahead of schedule: 2,679 wells since the start of the program in 2007, and by the end of 2008 approximately 5,000 wells should be modernized. The number of working crews increased at the end of March to 33.

In Q1/08, one exploration well has been drilled (well no. 619 Independenta). 1,897 km of new 2D seismic onshore were acquired. The 3D survey is still in tendering process (second stage).

Exploration and Production Services (EPS)

The acquisition and integration of the acquired oil services business of Petromservice into Petrom will support two strategic objectives of the E&P division: The stabilization of the oil and gas production and the reduction of production costs. For the integration of the newly acquired oil services, a new division was created within Petrom: Exploration and Production Services (EPS), effective January 2008. EPS results are consolidated in E&P financials.

The legal transfer of the business was completed on February 1, 2008. As of this date, 9,775 employees from Petromservice (PSV) and approximately 3,550 employees from E&P Drilling and Production Services (DPS) have been transferred to EPS.

The transfer of EPS included some 11,000 assets from PSV and around 25,000 assets from DPS.

EPS has been organized under a functional structure with three major departments, namely Workover and Drilling, Maintenance as well as Logistics. Administration functions, such as Human Resources, Controlling, Procurement and HSEQ are structured as cross-functional departments, with E&P or existing Petrom headquarter functions.

The **Vision** of EPS is to provide best exploration and production services to Petrom E&P: high quality drilling, workover, maintenance and logistic services. In order to accomplish this vision, a structured turnaround program was implemented, consisting of two phases:

The **100 Days Stabilization Phase,** ending on April 30, 2008, aimed at integrating the EPS business into Petrom at operational level (equipment, IT, HSE). During this period, the new management was able to fulfil all its service obligations to E&P, resulting in no interruption of the oil and gas production.

The second phase, **Quick Win and Strategy Orientation Phase,** aims to set out the details of the EPS strategy, and the realization of first improvements is in preparation.

Through the integration of EPS production costs should be reduced by USD 1.5 per barrel.

A consequent **Adjustment of the Service Portfolio of EPS** (phase 3) will start in Q4/08. The turnaround program will be finished by 2010, with the final phase – **Reaching Cost and Quality Targets** –.

EPS will contribute significantly to the overall success of the Group by providing efficient and innovative solutions in-house or with selected business partners. At the interface between E&P and EPS, the integration will guarantee synergies by using joint procurement and warehouse management. An aligned and homogenous process management system will ensure smooth day-to-day work ordering and execution. The new set-up allows a coordinated modernization of equipment and development of know how in EPS and E&P.

International E&P activities

Oil and gas production in Kazakhstan amounted to 452 thousand boe, 2% lower than in Q4/07 and 9% higher than in Q1/07. Production was affected by a large number of wells flooded and wells awaiting workover or shut in wells for side-track.

The **Komsomolskoe** field development continues, with the first oil production expected in the second half of 2008. The reserves report for Komsomolskoe was finalized and submitted to the relevant authorities.

In **Russia** the drilling of the three exploration wells is significantly behind schedule due to poor contractor performance (equipment, processes). 2D seismic data acquisition, processing and interpretation continue.

Four out of nine licenses in the Saratov Region expire this year. An extension of those licenses is sought; applications for the extension of two of these licenses have already been submitted, while for the other two licenses, applications are being prepared. A new work program is proposed for the extended period; this period would start for both licenses in June 2008 and would last five years.

Refining and Marketing (R&M)

Q4/07	Q1/08	Q1/07	∆Q1 yoy	Key performance indicators(RON mn)	2007	2006	%
(474)	(118)	(307)	-	EBIT	(1,065)	(1,136)	-
(323)	(76)	(238)	-	EBITDA	(736)	(914)	-
487	198	95	109%	Investments	1,004	1,298	-23%

Q4/07	Q1/08	Q1/07	∆Q1 yoy	Key performance indicators	2007	2006	%
1,422	1,459	1,668	-13%	Crude input (kt)	5,917	6,864	-14%
349	403	577	-30%	thereof imported crude (kt)	1,570	2,138	-27%
71	73	85	-14%	Utilization rate (%)	74	86	-14%
1.61	0.65	4.33	-85%	Refining margin (USD/bbl)	3.56	4.01	-11%
1,351	1,128	1,115	1%	Marketing sales (kt)	4,707	5,465	-14%
484	431	347	24%	thereof export (kt)	1,476	2,245	-34%

First quarter (Q1/08)

- **Increasing crude prices led to higher feedstock and own energy costs, offset by inventory gains**
- **The new diesel hydrotreater at the Petrobrazi refinery was successfully commissioned and passed its performance tests**
- **Throughput per filling station is continuously improving due to full agency system implemented**

EBIT of the R&M business improved significantly compared to **Q1/07**, despite the deterioration in the refining environment, partly due to favorable inventory valuation increases in the rising product price market. Profitability was also helped by continued improvement in the yield of high value products such as aviation fuel and diesel, along with further reductions in refining own fuel consumption and losses. EBIT improved versus Q4/07 as this was mostly due to inventory valuation increases.

The total quantity of crude processed in Q1/08 amounted to 1,459 thousand tons, lower by 13% compared to Q1/07, of which 403 thousand tons represented imported crude oil.

Due to the higher oil prices, the refining margin[2] dropped to a very low level of only USD 0.65/bbl, which was 3.68 USD/bbl lower than in Q1/07.

Gasoline cracks remained almost flat with an increase of only USD 1/ton versus the comparable period of the previous year [Q1/08: 151USD/ton], while diesel cracks recovered up to USD 214/ton, USD 79/ton stronger compared to Q1/07.

[2] 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

Refining utilization rate decreased compared to Q1/07 to 73%, as the refineries minimized the use of expensive crude imports in the current low margin environment.

Petrochemical and special product sales were 9% less than the Q1/07 level due to lower domestic demand for petrochemicals.

Petrom successfully increased biodiesel content in diesel fuel to 3% at the start of the year, on schedule, and in line with Romanian regulations.

On February 5, there was a fire at the Petrobrazi refinery tank farm. Nobody was injured in either the fire or the emergency response efforts and the refinery continued to operate throughout the incident and thereafter.

In line with our environmental obligations, Integrated Pollution and Prevention Control (IPPC) enforcement audits were conducted at both our refineries, which found us to be in compliance. We also concluded the contracts for sludge lagoon remediation at both refineries, and have outsourced the waste water treatment operations at Petrobrazi refinery to Wabag (Germany).

Total marketing sales of 1,128 thousand tons increased by 1% in comparison with Q1/07 and decreased by 17%

in comparison with Q4/07, business being seasonally weaker in the first quarter.

White product sales on the domestic market were 7% above Q1/07 level, driven by the 37% jet fuel sales increase compared to Q1/07 and also by the higher demand, the upgrade of the filling station network and improved retail station management. **Domestic gasoline sales** were up by 2% compared to Q1/07, while **domestic diesel sales** increased by 6% compared to the same period of 2007.

Retail sales increased in comparison with Q1/07 by 21% to 383 mn liters, while **commercial domestic sales** amounted to 391 thousand tons, being 25% lower than in Q1/07, due to lower demand for fuel oils in the domestic market.

Exported quantities have been higher in Q1/08 compared to Q1/07, mainly due to placing on the international market the heavy fuel oil quantities which could not be sold locally: the domestic customers sourced their needs from lower priced gas during this period.

As a result of the implementation of the **full agency system**, amongst other factors, the average **throughput per filling station** is continuously improving. We expect an annualized throughput per filling station of 3.6 mn liters by the end of 2008.

Petrom sold through its subsidiaries 281 mn liters of fuel to retail customers in Q1/08, of which 61% represented international sales.

The **non-oil business** also registered a significant increase. The total turnover increased to RON 90 mn, 62% higher compared to Q1/07, due to portfolio and purchase process optimization.

The number of Petrom SA operating filling stations reached 455 at the end of the quarter.

At the end of March, 2008, Petrom Group operated 810 filling stations in total; 553 in Romania and 257 in Republic of Moldova, Bulgaria and Serbia.

The modernization of the existing filling station network will remain the focus in 2008, with 75 filling stations to be re-constructed during the year; 4 of them already opened in Q1/08 and another 10 being under construction.

R&M investments increased by 109% compared to Q1/07.

According to our mid-term capital investment program focusing on efficiency and yield improvement, we awarded the FEED contract to Worley Parsons and we have placed the order for the hydrocracker reactors, with delivery expected in 2010. The new Petrobrazi diesel hydrotreater (HDS) unit passed its performance test, following mechanical completion at the end of 2007.

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

Gas and Power (G&P)

Q4/07	Q1/08	Q1/07	∆Q1 yoy	Key performance indicators(RON mn)	2007	2006	%
(1)	70	58	21%	EBIT	123	169	-27%
1	38	1	-	Investments	32	6.5	-

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.

Q4/07	Q1/08	Q1/07	∆Q1 yoy	Key performance indicators(RON mn)	2007	2006	%
1,499	1,582	1,605	-1%	Consolidated gas sales*, thereof:	5,546	5,242	6%
1,398	1,452	1,490	-3%	- Gas sales Petrom SA, mn cm	5,156	4,863	6%
197.42	197.47	154.10	28%	Regulated gas price for domestic producers in USD/1,000 cm	183.98	122.02	51%
470.00	486.67	397.50	22%	Regulated gas price for domestic producers in RON/1,000 cm	448.13	342.01	31%
315	370	300	23%	Import gas price in USD/1,000 cm	293	297	-1%
136	146	176	-17%	Sales Doljchim (kt)	688	601	14%

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

First quarter (Q1/08)

- **The consolidated EBIT for G&P includes the result of Doljchim as of January 2008**
- **The divestment process for Petrom Distributie Gaze SRL commenced; this is expected to be finalized by Q3/08**
- **The tender for the power plant construction was finalized**

The **gas sales** of Petrom SA decreased by 3% compared to Q1/07, due to lower market demand, the natural decline of production and some technical problems caused by adverse weather conditions.

Gas sales increased by 4% compared to Q4/07 due to lower temperatures.

EBIT generated by the G&P business of Petrom SA was 21% higher compared to Gas EBIT in Q1/07. The inclusion of the result of the fertilizer plant Doljchim, which is shown as part of G&P starting from Q1/08, more than compensated the difficult market conditions for marketing and trading in Romania.

The average import gas price in USD increased to USD 370/1,000 cbm compared with USD 300/1,000 cbm in Q1/07, while the import price in RON increased from RON 840/1,000 cbm in Q1/07 to RON 912/1,000 cbm. The regulated end user gas price for households and industrial customers in Romania increased by 8.5 % as of February 1, 2008.

The **average regulated gas** price for Romanian producers was USD 197/1,000 cbm (RON 487/1,000 cbm), up by 28% compared to Q1/07 (22% in RON terms).

However, the gas price increase in February 2008 did not impact the result of G&P since, in accordance with the agreement made with the Romanian government in March Petrom contributed RON 14.5 mn in Q1/08 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 who rely on gas for domestic heating.

Petrom extracted from storage 200 mn cbm in Q1/08. The total remaining volume of natural gas in storage at the end of March was 9 mn cbm, compared to 106 mn cbm in Q1/07.

As natural gas distribution is not considered to be a core activity of Petrom S.A., the strategic decision was made to divest this activity to a qualified partner who will guarantee the continuation and the future development of

PDG. This divestment process should be finalized in the second half of 2008.

Doljchim profited from relatively high sales prices of methanol and achieved an EBIT of around RON 11 mn.

Selling prices of chemicals products have been higher this year, but the quantities sold in Q1/08 were lower because of the shutdowns necessitated by improvement works at the fertilizers and ammonia plants in January and February 2008. The volume of **Doljchim sales** decreased by 17%, to 146 thousand tons (Q1/07: 176 thousand tones).

Export sales represented around 34% of total sales. Doljchim's products were exported mainly to neighboring countries such as Hungary, Bulgaria and Serbia, but also to other countries like Slovakia, Austria, Macedonia, Italy, Spain and Turkey.

Investments in G&P were more than twelve times higher than in Q1/07.

The power related investments amounted to RON 12.82 mn and were directed to site preparation (underground demolition and rerouting) and the first payment for the power plant construction of the combined cycle power plant Brazi.

The investments in Doljchim amounted to RON 24.75 mn, more than eleven times higher than in Q1/07. These were directed mainly towards works for environmental protection, mechanical equipment, health and safety, infrastructure and the plants safety of operation for fire risk.

Status of Brazi power plant construction

At the end of January 2008, the General Electric–Metka consortium (the Consortium) was selected as the final bidder for construction of the combined cycle power plant (CCPP) Brazi, in a tender organized by Petrom over approximately 7 months. In addition to General Electric–Metka, other companies to have submitted offers included ATEC, Alstom and Siemens. According to the Lump Sum Turn Key contract (LSTK), the Consortium will build and deliver by September 2011 a turn key gas-fired combined cycle power plant. The value of this contract exceeds EUR 400 mn. Petrom and General Electric are continuing negotiations for the signing of a Long Term Service Agreement (LTSA) for the power plant. The construction of the plant is expected to start at the beginning of 2009.

Financial highlights

Profit and loss account

The Company's **turnover** increased by 35% to RON 3,719 mn compared to Q1/07 mainly due to higher R&M domestic sales, which were generated mainly by selling price increases. The same trend was recorded in E&P and in G&P.

Other operating revenues decreased by 31% compared to Q1/07 to RON 3,839 mn due to lower revenues resulting from inventory movements, compensated to some extent by a slight increase in sale of assets.

Operating expenses increased by 11% compared to Q1/07, to RON 2,809 mn, mainly due to the increase of raw materials expenses caused by higher crude oil prices, cost of merchandise sold in G&P and higher staff costs and also due to the PSV integration starting with February. These negative effects on operating expenses were partly offset by higher revenues from release of provisions for risks and charges and reduced costs of third-party services.

The **EBIT** amounted to RON 1,029 mn, 161% above the RON 394 mn result in Q1/07. The most significant contribution to this higher result came from **E&P** segment whose EBIT increased by 74% from RON 630 mn to RON 1,094 mn mainly driven by a continuous, favorable crude price development. In March 2008 Petrom signed a protocol with the Ministry of Economy and Finance. This agreed that Petrom will contribute voluntarily to the Gas Social Fund. The contribution was established at RON 80 mn, payable in 11 equal monthly installments of RON 7.27 mn. By the end of March, this contribution amounted to RON 14.5 mn and was fully funded by E&P.

In **Refining and Marketing**, the EBIT improved substantially versus Q1/07, reflecting the positive developments in refining: a more profitable product yield, higher revenues due to higher sales prices, inventory effects due to increased oil prices, and reduced costs.

A slight decrease of EBIT was recorded in the **Gas and Power** segment by 1% from 71 mn RON [aggregate results of Gas and Chemicals in Q1/07] to RON 70 mn mainly because of the result recorded by Doljchim, which is reported under G&P segment starting in Q1/08.

The Company's **financial result** improved from RON 58 mn in Q1/07 to RON 123 mn, mainly due to FX effects.

The corporate tax charge increased in Q1/08 by RON 104 mn to RON 175 mn, due to the increase in operational result.

The **net profit** increased by 156% compared with Q1/07 as a direct consequence of the higher operational result offset by higher corporate taxes.

As a result of Petrom's business activities, significant tax contribution was generated for the state budget amounting to RON 1,456 mn as compared to RON 1,404 mn in Q1/07. Income tax (RON 175 mn), excise duties (RON 679 mn), royalties (RON 172 mn) and VAT payable (RON 208 mn) accounted for around 85% of the total tax contribution in Q1/08.

Balance sheet

Total assets amounted to RON 22 bn as of March 31, 2008, up by 5% compared to the end of 2007 (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 and by a lower net cash and bank position. This was due to higher cash outflows for capital expenditures and loans granted to subsidiaries, which led to a lower net cash position as at March 31, 2008.

Non current assets increased by 16% to RON 17 bn, mainly driven by significant investments related to E&P; the Petromservice acquisition, development and modernization of wells, surface facilities and production equipments.

The increase in inventories (both volumes and price effect) and the increase in receivables caused by higher turnover in Q1/08 was partly, offset by the decrease in prepayments and the decrease in the cash position. As a consequence, **total current assets** increased with 4% up to RON 4,979 mn compared to end of 2007 (2007: RON 4,786 mn). **Total liabilities** increased as at March 31, 2008 by 1%, amounting to RON 8,065 mn, mainly due to an increase in other current liabilities.

The **shareholders' equity** amounted to RON 14,087 mn as at end of Q1/08, up by 7% from end 2007, as a result of the net profit for Q1/08 of RON 977 mn partially offset by the reversal of the fair value related to umbrella funds sold in Q1/08 amounting to RON 74 mn.

Capital expenditures

Q4/07	Q1/08	Q1/07	∆Q1 yoy	RON mn	2007	2006	%
850	1,765	403	338%	Exploration & Production	2,465	1,336	85%
487	198	95	109%	Refining & Marketing	1,004	1,298	-23%
28	38	1	-	Gas & Power*	32	1.0	-
2	-	2	-	Chemicals*	16	5.5	191%
77	17	50	-65%	Corporate and others	303	297	2%
-	29	-	-	Petrom Solutions	-	-	-
1,444	**2,047**	**551**	**271%**	**Total investments**	**3,820**	**2,937**	**30%**

*From Q1/08, Chemicals (Doljchim) is no longer reported separately but under Gas & Power division

The total capital expenditure was RON 2,047 mn, 271% up on Q1/07.

The investments were directed mostly to E&P (86%) including the purchase price and other investments related to Petromservice. Approximately 10% of the total investments have been allocated to R&M. The investments in G&P represented 2%. The remaining 2% was mainly directed to IT investments in Petrom's Solutions and also to Corporate and Others, representing investments in the PetromCity project.

Investments in E&P were 338% higher than in Q1/07, mainly due to the acquisition of Petromservice but also related to development and production drilling and to the ongoing well modernization program. In Refining, investments were mainly related to the diesel hydrotreater (HDS) project at Petrobrazi and to the new FCC gasoline hydrotreater unit scheduled for start-up in early 2009. Investments in G&P were more than ten times higher than in Q1/07. Of these, the investments related to Doljchim were directed mainly towards environmental protection, health and safety and maintenance. Starting in January 2008, the Finance & IT related investments, formerly part of Corporate, are now reported under Petrom Solutions.

Business environment

Crude oil demand grew by 1.4% to 87.3 mn bbl/d as compared Q1/07. The overall increase resulted from a 0.2 mn bbl/d decrease in demand in the OECD area, compensated by a 1.4 mn bbl/d increase in non-OECD countries. About half of the additional demand came from Asia.

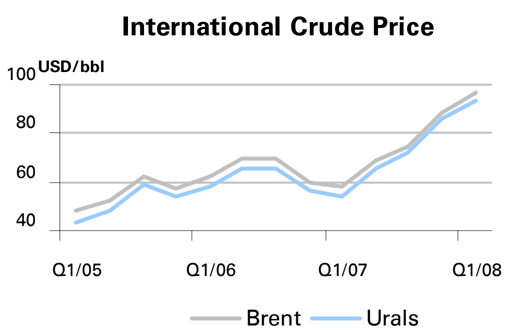
World production at 85.3 mn bbl/d matched global demand volumes thus leaving crude oil reserves at last year's level. Including the new member country Ecuador, OPEC's oil production was 32.3 mn bbl/d, while NGL volumes were at 4.9 mn bbl/d. Production rose by 5%, or 1.5 mn bbl/d, with both Saudi Arabia and Iraq seeing an increase of 0.5 mn bbl/d each. Within OPEC, production shrunk by 9% in Nigeria and 2% in Venezuela. In OECD member countries and in South America, the production level could not be sustained (decline of 0.4 mn bbl/d each). In both, the CIS countries and in China, however, production increased by 0.1 mn bbl/d.

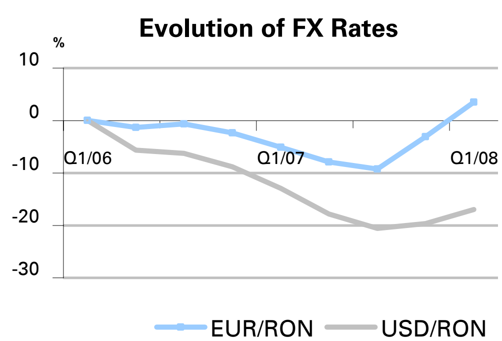
The average Brent oil price in Q1/08 was USD 96.71/bbl, which was 67% higher than in Q1/07 (USD 57.76/bbl). On March 1, the Brent oil price exceeded the USD 100 mark for the first time and reached a peak for the first quarter of USD 109.09/bbl on March 14.

The Romanian **natural end-users gas prices** rose by 8.5% in February and, given the current evolution of international gas prices, further increases for the whole year are expected. Higher gas import prices prevailing in international markets have been adding a renewed pressure for further upward retail gas price revisions by the National Authority Energy Regulator (ANRE). Preliminary data for the first two months of 2008 shows Romanian **industrial production** growing strongly, at an annual rate of 6.9%. Over the same period the **construction** sector, which accounts for more than 9% of GDP, displayed a particularly robust performance, increasing by 31% year-on-year.

However, Romanian CPI (Consumer Price Index) **inflation** rose sharply in the first quarter of 2008, from 6.56% at the end of December 2007 to 8.62% at the end of March 2008. The PPI (Producer Price Index) inflation, which has a more direct impact on a company's operating costs, grew even faster, reaching 14.5% at the end of February. The National Bank of Romania reacted swiftly and raised its benchmark **interest rate** by 200 basis points to 9.5% in three successive moves this year.

In the first quarter of 2008 the evolution of EUR/RON and USD/RON exchange rates displayed opposite trends. While the RON has continued to fall against the EUR, a weak US dollar has reversed the depreciating trend of the USD/RON exchange rate. Thus, at the end of March 2008, the **average USD/ RON rate** was 4% higher compared to the average value recorded during the first quarter of 2007, while the **average EUR/ RON rate** depreciated by 9% over the same period of the last year. Compared to the end of December 2007, the RON appreciated by the end of March 2008 by 4% against the USD, whilst fell 5.5% against the EUR.

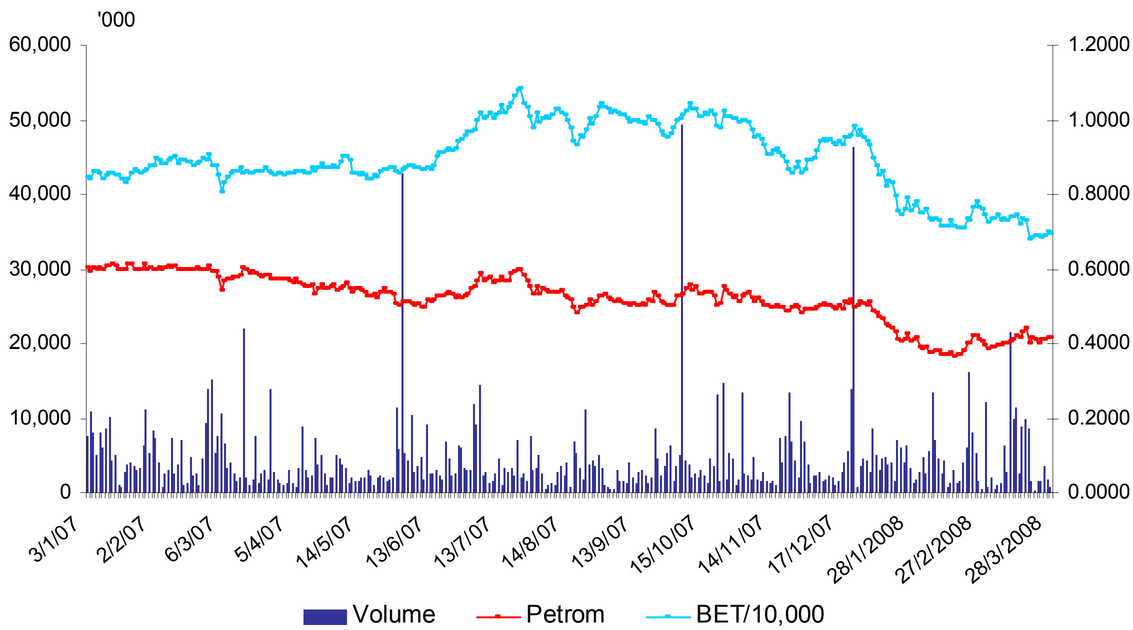




Stock watch: January – March 2008

Share price development and volume of Petrom and BET index

January 2007 – March 2008



Overall, the Petrom share decreased in Q1/08 by 16.50% compared to the end of 2007, while BET index's overall performance decreased in Q1/08 vs FY/07 by 30%. The highest share price achieved by Petrom in Q1/08 stood at RON 0.5100/share (January 4), while the lowest price was on February 15 (RON 0.3670/share).

ISIN: ROSNPPACNOR9	Market capitalization (March 31)	RON 23.5 bn
Bucharest Stock Exchange: SNP	Market capitalization (March 31)	EUR 6.3 bn
Reuters: SNPP.BX	Closing price March 31, RON/share	0.4150
Bloomberg: SNP RO	Year's high (January 4), RON/share	0.5100
	Year's low (February 15), RON/share	0.3670
	Number of shares	56,644,108,335

Subsequent events

- The General Shareholders Meeting approved on April 22, 2008 the proposed 2007 dividend to Petrom shareholders, at RON 0.0191 per share and a total gross amount of RON 1,081.9 mn, representing 61% of net profits.
- Beginning with July 2008, Petrom's Executive Board will have a new member responsible with Refining, namely Neil Anthony Morgan. Mr. Morgan was appointed to this position by the Supervisory Board of Petrom, following the appointment of Mr. Jeffrey Rinker as Senior Vice President within OMV, responsible with Refining Joint Ventures & Strategic Projects.

  Jeffrey Rinker will stay in the position of Refining Director until Neil Morgan takes over and after July 1st, 2008 will attend the Executive Board meetings as observer, until the end of this year. Between April 1st – July 1st 2008, the two of the them will work together.

  In addition, Jeffrey Rinker will retain certain responsibilities related to Petrom Refining, at least through the end of the transition period in 2011. He will become a member of the Petrom R&M Steering Committee and the Petrom Organizational Committee.

  Neil Morgan has more than 20 years experience in refining and petrochemicals. Prior to his arrival in Petrom, Neil Anthony Morgan worked in Petronas, the national oil and gas company in Malaysia, where he managed a major refinery capacity expansion project.

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Next release:

The next results announcement January – June, and Q2 2008 will be released on August 6, 2008.

Abbreviations

bbl	Barrel
boe	Barrel of oil equivalent
bn	Billion
Co&O	Corporate and Other
CIS	Commonwealth of Independent States
cbm	Cubic meters
DPS	Drilling and Production Services
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
HDS	Hydrodesulphurisation
HSE, HSEQ	Health, Safety, Environment and Quality
kt	Thousand tons
mn	Million
NGL	Natural Gas Liquids
PVS	Petromservice
RON	New Romanian Lei
ROACE	Return On Average Capital Employed
R&M	Refining and Marketing
YTD	Year-to-date

Profit and Loss Account as of March 31, 2008

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

RON	March 31, 2007	March 31, 2008
1. Net turnover	2,757,491,314	3,718,803,846
Sales of production	1,205,613,954	2,974,817,858
Sales of merchandise	1,551,877,360	743,985,988
Interest income- from lease companies	-	-
Interest from subsidies related to net turnover	-	-
2. Movements in stocks of finished goods	-	-
Cr balance	151,661,651	74,671,518
Dr balance	-	-
3. Own work capitalized	4,415,745	18,470,141
4. Other operating revenues	17,427,605	26,626,992
TOTAL OPERATING REVENUES	**2,930,996,315**	**3,838,572,497**
5. a) Raw materials and consumables expenses	858,755,249	980,757,314
Other materials expenses	9,874,257	17,358,726
b) Other utilities expenses (energy and water)	121,586,670	133,427,834
c) Purchase of goods for resale	102,961,168	174,148,547
6. Salary expenses, of which:	422,994,846	499,111,765
a) Salaries	280,207,733	338,695,668
b) Social security contributions	142,787,113	160,416,098
7 a) Adjusting the value of tangible and intangible assets	228,415,399	240,376,843
a.1) Expenses	235,506,715	248,590,914
a.2) Revenues	7,091,316	8,214,071
b) Adjusting the value of current assets	10,295,682	16,795,125
b.1) Expenses	49,503,167	28,067,668
b.2) Revenues	39,207,485	11,272,543
8. Other operating expenses	852,843,647	867,262,133
8.1 Third parties services	638,101,167	557,867,003
8.2 Other taxes, duties and similar expenses	133,375,931	214,545,504
8.3 Other operating expenses	81,366,549	94,881,521
Interest related to refinancing activities		
Adjustments for provisions for risks and charges	(71,010,439)	(119,808,767)
Expenses	20,688,571	7,574,908
Revenues	91,699,010	127,383,675
TOTAL OPERATING EXPENSES	**2,536,716,479**	**2,809,461,415**
OPERATING RESULT:		
- Profit	**394,279,836**	**1,029,111,082**
- Loss		
9. Income from investments	-	7,607,647
- out of which, within the group	-	11,008,827
10. Income from other financial investments and receivables , part of financial assets	-	-
- out of which, within the group	-	-
11. Income from interest	79,425,177	38,460,365
- out of which, within the group	19,107,985	20,947,122
Other financial revenues including forex gain	46,347,115	1,261,805,971
TOTAL FINANCIAL REVENUES	**125,772,292**	**1,307,873,982**
12. Adjustment of financial assets and investments held	(4,209,539)	(73,820)

RON	March 31, 2007	March 31, 2008
Expenses	4,043,242	592,979
Revenues	8,252,781	666,799
13. Interest expenses	343	-
- out of which, within the group	-	-
Other financial expenses including forex loss	71,919,706	1,184,734,921
TOTAL FINANCIAL EXPENSES	**67,710,510**	**1,184,661,101**
FINANCIAL RESULT		
- Profit	58,061,782	123,212,881
- Loss	-	-
14 Current result:		
- Profit	**452,341,618**	**1,152,323,963**
- Loss		
15. Extraordinary revenues	-	-
16. Extraordinary expenses	-	-
17. Extraordinary result:		
- Profit	-	-
- Loss	-	-
TOTAL REVENUES	**3,056,768,607**	**5,146,446,479**
TOTAL EXPENSES	**2,604,426,989**	**3,994,122,516**
Profit before tax:		
- Profit	**452,341,618**	**1,152,323,963**
- Loss		
18. Tax on profit	71,137,653	175,285,419
19. Other tax expenses not shown above	-	-
20. NET RESULT OF FINANCIAL YEAR:		
- Profit	**381,203,965**	**977,038,544**
- Loss	-	-

Balance Sheet as of March 31, 2008

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

RON	31/12/2007	31/03/2008
A. Non current assets		
I Intangible assets	303,556,285	1,260,798,369
II Tangible assets	10,564,332,777	11,394,657,321
III Financial Assets	5,506,940,916	4,516,723,404
Total non current Assets	**16,374,829,978**	**17,172,179,094**
B. Current assets		
I. Inventories	1,922,375,343	2,166,839,124
II. Receivables	2,015,809,727	2,051, 791,083
III. Short term investments	-	-
IV. Cash and Bank accounts	752,634,771	715,383,673
Total Current Assets	**4,690,208,263**	**4,934,053,880**
C. Prepayments	95,376,124	45,494,343
D. Payables within one year	2,580,025,427	2,704,744,627
o/w Bonds and interests bearing liabilities	-	-
E. Current assets, less current liabilities	2,042,617,251	2,135,585,339
F. Total assets less current liabilities	18,417,447,229	19,307,764,432
G. Payables in more than one year	**28,982,010**	**23,907,523**
o/w Bonds and interests bearing liabilities	-	-
H. Provisions for risks and charges	5,196,454,236	5,188,956,330
I. Deferred income	171,453,281	147,027,819
1. Investments subsidies	7,892,378	7,809,561
2. Deferred income	163,560,903	139,218,257
J. Share capital and reserves		
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	54,359,704
IV. Reserves	5,792,755,272	5,721,747,197
V. Retained earnings		
Credit balance	1,521,411	1,669,534,739
Debit balance		
VI. Profit for the period		
Credit balance	1,778,042,301	977,038,544
Debit balance		
Profit appropriation	110,028,972	
Total Shareholders' Equity	**13,184,118,605**	**14,087,091,017**
Public patrimony	-	
Total equity	**13,184,118,605**	**14,087,091,017**

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

Financial Ratio	Formula	Value
Current ratio	Current Assets / Current Liabilities	1.82
Gearing Ratio	Long term debt/ Equity*100	0%
	Long term debt/ Capital employed*100	0%
Days in receivables	Receivables average balance/ Turnover*90	37.47
Fixed assets turnover	Turnover / Fixed assets	0.32