Petrom Investor News

Bucharest
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7.30 am [CET], 6.30 am [GMT]

Results for Q4 and January – December, 2007[1], confirm company's estimations

- **EBIT for Q4/07 increased by 5% to RON 332 mn compared to Q4/06 due to increasing oil prices; this occurred despite the RON appreciation and industry cost inflation**
- **In 2007 EBIT was down by 29% to RON 1,965 mn due to lower oil production and RON appreciation**
- **In E&P decline of oil production was arrested in the course of the year, exploration activities were stepped up and first successful discoveries were recorded**
- **Refining improved its product yield as well as own energy consumption and losses**
- **In Marketing the restructuring is now almost completed**
- **Investments in 2007 raised by 30% yoy to RON 3,820 mn, reflecting the high level of commitment to company's restructuring, modernization and growth**
- **Outlook 2008: our restructuring efforts will be further strengthened by the integration of the recently acquired oil services business of Petromservice; the planned start of Petrobrazi power plant construction will be a further milestone**

Mariana Gheorghe, CEO of Petrom: "The results are in line with our expectations, despite the mixed impact of the volatile macroeconomic environment, increasing international oil prices and supply costs. We managed to stop the production decline in the course of the year and continued to improve operational efficiency, based on the restructuring programs and investments in all business segments. One of the major achievements was the implementation of SAP and establishment of a group-wide service centre for finance and IT. The company is still in the midst of a significant investment program which will continue until 2011. These investments will be the basis for significant earnings improvement. The high volatility of the economic environment is expected to continue throughout 2008, but we do not foresee a major impact on our business, as demand for oil products in Romania continues to grow and the company successfully continues its modernization efforts."

Q3/07	Q4/07	Q4/06	∆Q4 yoy	Key performance indicators (RON mn)	2007	2006	%
691	332	317	5%	EBIT	1,965	2,777	-29%
968	754	551	37%	EBITDA	3,111	3,596	-13%
661	230	289	-20%	Net income	1,778	2,285	-22%
3,238	3,613	3,403	6%	Turnover	12,284	13,078	-6%
1,054	1,444	1,376	5%	Investments*	3,820	2,937	30%
27,510	26,397	32,837	-20%	Employees at the end of period	26,397	32,837	-20%

**the investments include increases of Petrom share participations*

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

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Highlights – Q4/07

October

• On October 1, Petrom established a new **Power** Division to run all the future projects in the power field.

• Petrom introduced a new range of high quality motor oils under the brand of Petrom Motor Oil onto the Romanian lubricants market.

November

• Petrom commenced construction of the fuel terminal Jilava, in Bucharest. This will be the company's most important fuel terminal and will supply Bucharest and the counties of Ilfov, Ialomița, Călăraşi, Giurgiu and Teleorman.

• Petrom's Extraordinary General Meeting of Shareholders, on November 27, approved the revised investment budget for the year 2007 amounting to RON 3,865 mn, as well as the amendment of the Articles of Association by addition of the new business activities.

December

• Petrom finalized the transfer process of all of the approximately 450 Petrom filling stations operated in Romania to the Full Agency administration system. Under this system the management and personnel of filling stations are transferred to third parties (independent dealers).

• Petrom reached 100 premium filling stations built in Romania since 2005 when the first station of this kind was opened in Bucharest. This program aligns Petrom to the OMV quality standards.

Outlook 2008

The focus in 2008 will remain on the restructuring and modernization of Petrom S.A., backed up by significant investments of around RON 6 bn[2], covering all areas of Petrom's business segments. Gradual improvements due to the current restructuring investments are expected in Refining; however, bigger earnings improvements will only become more visible after the completion of the large investments in 2011.

We expect average crude prices, the spread between Brent and Ural prices, as well as the USD exchange rate to be at similar levels as in 2007, although with considerable short-term fluctuations. The RON/EUR and RON/USD exchange rates are expected to register further fluctuations. High oil prices, spurred by elevated oil industry costs, increasing geopolitical tensions and strong economic growth in Asia are likely to be maintained in the first quarters of 2008.

In **E&P**, the results of the modernization efforts are already visible and we expect production volumes to increase in 2008. The well modernization program will continue, together with the efforts to further enhance production efficiency. We will also continue to maximize the production level in Romania through an intensive drilling program combined with 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.

In 2008, the focus in E&P will be on reducing production costs through the integration of the oil service business of Petromservice and the initiation of a cost cutting program. The integration of the recently acquired oil services business of Petromservice will allow us to directly control the modernization process of this business, in order to increase quality and efficiency of the operations, increase production and support the reduction of production costs. For the integration of the newly acquired oil services a new business division was created in Petrom, called **Exploration and Production Services**, effective January 2008. The E&P Services division will be consolidated under the **E&P division**.

Consequently, we expect the above mentioned measures to lead to an improved OPEX in terms of cost per unit, despite the expected overall industry cost inflation and high oil price environment.

[2] The investments will be subject to the GMS approval on April 22, 2008

In **Refining** the restructuring program will continue in 2008. It focuses on energy efficiency and product yield improvements and is expected to have a positive effect on margins. During 2008, we plan to complete the FEED 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 whilst more significant earnings improvements are expected after 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 continue its efforts to improve the quality of the filling stations network, including the rebuilding of around 75 filling stations. As a consequence of these factors, we expect a further increase in sales and an increased contribution from the non-oil business.

In the **Gas** segment we expect the business to grow despite the volatility of the business environment. While the development of the 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. In February 2008, the domestic producers' gas prices were slightly increased by 5.3%.

For **Power**, the focus in 2008 will be on preparing for the construction of the 860MW gas fired power plant in Petrobrazi. This will be an important milestone as we expect additional value to be generated through the expansion of the gas value chain in the downstream business. In order to reflect these activities in the Power area, the Gas division will be renamed **Gas and Power**. In addition, all chemicals will be reported under the Gas and Power division.

The activities and costs of the **corporate functions and services** were analyzed in 2007 – with the target of reducing complexity as well as costs. The costs that relate to pure corporate functions which are carried out within Petrom will now be reported separately in the **Corporate and Other** line starting with 2008, and will no longer be absorbed by the businesses.

The internal service centre Petrom Solutions, established in 2006, has been integrated into OMV Global Solutions framework which should provide group-wide services. Activities performed by this service center will continue to be charged to the businesses.

Business environment

World crude demand expanded by 1.2% to 85.8 mn bbl/d in 2007. Although demand in the OECD countries actually fell by 0.1 mn bbl/d, this was more than compensated by a 1.1 mn bbl/d increase in non-OECD countries. Two thirds of the additional demand came from Asia.

In 2007, **world production** stood at 85.5 mn bbl/d and was slightly above the volume recorded in the previous year, thus resulting in a small inventory draw as demand exceeded the production volume. OPEC (including the new member countries Angola and Ecuador) oil production was at 30.6 mn bbl/d while NGL volumes were at 4.8 mn bbl/d, corresponding to a 41% market share. OPEC production shrunk by some 0.8 mn bbl/d in Saudi Arabia, Venezuela and Nigeria, while production rose in Iraq by 0.2 mn bbl/d. Oil production in the OECD reached 19.8 mn bbl/d, below last year by 0.2 mn bbl/d. Significantly higher production was recorded in Russia, the Caspian region and Canada.

In terms of volume changes, the fourth quarter of 2007 recorded the highest increase in world oil demand, up by 1.62 mn bbl/day compared to the same period a year ago.

During 2007, the **Brent** oil price rose continuously, advancing to USD 96.02/bbl at the end of the year, a 63% increase. The main reasons were persistent geopolitical uncertainties in some producing countries, demand dynamics, and delays in some important international upstream projects, which caused speculative trading and resulted in further price increases.

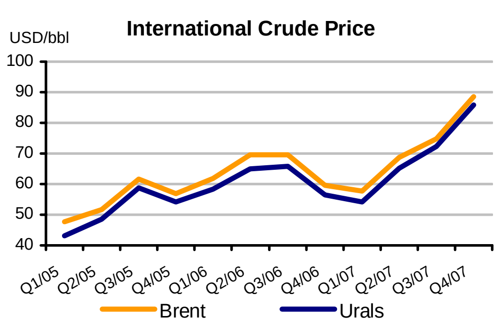
In 2007, the average price of Brent was USD 72.39/bbl in 2007, 11% higher than its 2006 value of USD 65.14/bbl in 2006. Due to the USD weakness, however, the average Rotterdam prices of key petroleum products were lower by between 1% and 7% lower compared to their 2007 values (EUR basis). The average Urals price was EUR 69.38/bbl, 13% above its 2006 level.

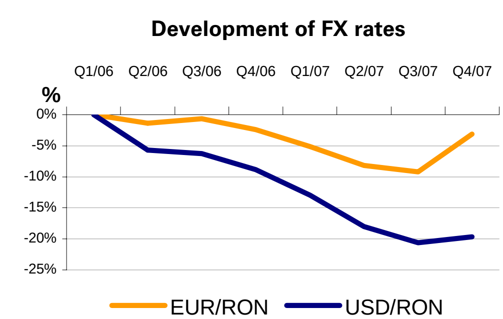
In Q4/07, Brent recorded a 48% increase above the level of Q4/06, and an even stronger increase registered the Urals crude price (52%), which is the reference oil price in Romania.

Outlook 2008: With OPEC spare capacity being estimated at less than 3 mn bbl/day an increase in oil production looks less likely. On the demand side, although some signs of economic recession are emerging in the US, this is not expected to lead to a significant decrease in economic growth rates in Asia. The combination of constrained supply growth and demand unlikely to fall materially means that global oil prices are going to remain high.

The **average RON/USD annual** exchange rate rose in 2007 by 13% up to 2.44 from 2.81 at the beginning of the year. In Q4/07 the average RON/USD exchange rate actually fell by 1.2% compared to Q3/07.

The **average RON/EUR annual** exchange rate in 2007 [3.34] was 5% higher compared to the previous year, despite the considerable weakening of the RON against the EUR in the last quarter of 2007 (average RON/EUR fell by 7% in Q4/ 07 compared to Q3/07).





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Exploration and Production

Q3/07	Q4/07	Q4/06	ΔQ4 yoy	in RON mn	2007	2006	%
748	772	725	6%	EBIT (RON mn)	2.848	3.744	-24%
926	1.013	862	18%	EBITDA (RON mn)	3.556	4.334	-18%
736	850	800	6%	Investments* (RON mn)	2.465	1.336	85%

*** the investments include increases of Petrom share participations***

Q3/07	Q4/07	Q4/06	ΔQ4 yoy	Key performance indicators	2007	2006	%
17.52	17.50	18.38	-5%	Total production (mn boe)	70.27	73.00	-4%
190,000	190,000	199,000	-5%	Total production (boe/day)	193,000	200,000	-4%
1,141	1,139	1,173	-3%	Crude and NGL production (kt)	4,541	4,777	-5%
8.20	8.19	8.44	-3%	Crude and NGL production (mn boe)	32.66	34.36	-5%
1,425	1,424	1,521	-6%	Gas production (mn cm)	5,751	5,917	-3%
72.22	85.90	56.48	52%	Average Urals price in USD/bbl	69.38	61.35	13%
65.25	78.42	51.32	53%	Average realised crude price USD/bbl	63.00	55.65	13%
154.44	187.62	137.59	36%	Average realised crude price RON/bbl	153.44	156.28	-2%
199.78	197.42	140.85	40%	Regulated gas price for domestic producers in USD/1,000 cm	183.98	122.02	51%
17.28	18.10	14.24	27%	Domestic production cost, USD/boe	16.83	13.73	23%
40.72	43.15	38.48	12%	Domestic production cost, RON/boe	41.00	38.55	6%

Fourth quarter (Q4/07) and full year 2007 (FY07)

- **EBIT for Q4/07 increased by 6% on Q4/06, while FY07 EBIT decreased by 24% from 2006, due to lower production volumes, and RON appreciation**
- **Investments in Q4/07 increased slightly on Q4/06, and were significantly higher in 2007 as compared to 2006**
- **Production decline was arrested and the domestic reserve replacement rate was above plan at 38% on a full year basis**
- **The well modernization program registered outstanding results in Q4/07: more than 2,100 wells recompleted in 2007.**

Fourth quarter 2007 (Q4/07)

The **domestic realized crude price** increased by 53% to USD 78.42/bbl compared to Q4/06 due to the higher international prices; however the increase in RON terms was much lower. **EBIT** increased in Q4/07 by 6% as compared to Q4/06 and by 3.2% when compared to Q3/07, mainly due to the higher price level.

In Q4/07, **crude oil production in Romania** amounted to 1.1 mn tons, 3% lower than in Q4/06 but at the same level as in Q3/07. The **production stabilization which took place in Q2/07** was the result of the investment program (modernization and turnaround) and the implementation of a new organization.

In Q4/07, the natural gas production reached 1,424 mn cm, 6% lower than in Q4/06 but at the same level as in Q3/07. The gas production was affected by the temporary shutdowns of some major customers and by network limitation.

The **oil and gas production in Kazakhstan** reached 461 thousands boe, 9% higher than Q3/07 and 6% higher than Q4/06.

The total **E&P investments** during Q4/07 slightly increased in comparison with Q4/06. Compared with the previous quarter, Q4/07 investments were 15% higher, with the main focus on drilling and the modernization and efficiency program.

The comprehensive **turnaround program** continued throughout Q4/07. This program, ultimately aimed at increasing the production levels, has identified 10 projects that collectively address all the main challenges facing the company. The main focus is on de-bottlenecking the gas distribution system, re-developing major fields and fast-tracking field developments.

As part of the well re-completion program aimed at reducing maintenance shutdowns, 898 wells were modernised in Q4/07.

The **domestic production cost** in RON/boe increased by 6% in Q4/07 vs. Q3/07 (5% when expressed in USD) due to the costs related to the turnaround program and to the seasonal effect of wells' preparation for the winter.

January-December 2007 (FY07)

The average **domestic realized crude price** in USD increased by 13% in 2007 compared to 2006, reaching USD 63/bbl, mainly due to higher international oil prices. Nevertheless, when expressed in RON, the domestic realized crude price in 2007 actually decreased by 2% over 2006 under the influence of the strengthening of the RON during the first three quarters of 2007 against the USD.

The **EBIT** of the **E&P** business of Petrom SA decreased by 24% for FY07 over FY06, mainly due to the production decline and industry cost inflation.

The **domestic production cost** of USD 16.83/boe was 23% higher compared to 2006, mainly driven by the strengthening of the RON against the USD by 13%, lower production levels and higher salaries and service related costs. The domestic production cost expressed in RON/boe increased by only 6%, a clear indication of the significant impact of RON appreciation against the USD.

Total oil and gas production in Romania amounted to 70.27 mn boe in 2007 (4% lower than 2006) due to natural decline and external factors. Domestic oil production was affected by the natural decline and the shutdowns needed for the modernisation program. The overall gas production was negatively impacted by the temporary shutdowns of major customers, network limitation and by reduced demand due to the mild winter in Q1/07.

E&P investments in Romania increased by 85% as compared to 2006. The investments' step increase over the previous years reflects Petrom's engagement in drilling, modernization and efficiency programs.

In 2007, drilling works were completed at 163 production wells compared to 158 in 2006.

Technology roll-out

The Downhole Technology Modernization Program/Well Modernization has lead to excellent results in the reduction of intervention frequencies per well per year.

The number of re-completed wells at the end of December 2007 was 2,112 exceeding our year-end target by around 100 wells. The number of crews working on this program increased significantly in 2007 (22 as average active rigs) compared with 2006 (only 3 active rigs).

Exploration activity was successful, with several new discoveries reported during the year.

In 2007 a number of eight 3D seismic surveys were started (834 square km of new 3D seismic onshore were acquired) and 23 new exploration and appraisal wells based on new technology were finalised, as compared to 4 in 2006.

Petrom SA spent RON 335 mn on exploration activity in 2007 of which RON 230 mn was expensed, and RON 105 mn was capitalised.

As of December 31, 2007, Petrom Group's proved **oil and gas reserves** amounted to 894 mn boe, while the proved and probable oil and gas reserves were 1,435 mn boe.

The application of modern reservoir management enabled a revision of the reserves and led to an overall increase of the domestic reserve replacement rate to 38% in 2007 from 13% in 2006, while the Group reserve replacement rate reached 35% in 2007.

The acquisition and subsequent integration of the newly 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 business division was created in Petrom: **Exploration and Production Services**, effective January 2008.

International

In **Kazakhstan** the average production from existing fields increased in 2007 by 6% to 4,621 boe/d (2006: 4,350 boe/d) despite the sale of the Sinelnikovskoe field.

The *Komsomolskoe* oil field development commenced, infrastructure was put in place and plant and pipeline constructions started. Eight wells were tested and prepared for production.

For two discoveries in the *Jusaly* exploration block a pilot production phase was agreed upon with the Kazakh authorities.

Refining and Marketing

Q3/07	Q4/07	Q4/06	∆Q4 yoy	in RON mn	2007	2006	%
(126)	(474)	(495)	-	EBIT (RON mn)	(1,065)	(1,136)	-
(72)	(323)	(401)	-	EBITDA (RON mn)	(736)	(914)	-
187	487	407	20%	Investments (RON mn)	1,004	1,298	-23%

Q3/07	Q4/07	Q4/06	∆Q4 yoy	Key performance indicators	2007	2006	%
1,621	1,422	1,691	-16%	Crude input (kt)	5,917	6,864	-14%
418	349	543	-36%	o/w imported crude (kt)	1,570	2,138	-27%
80	71	84	-15%	Utilization rate (%)	74	86	-14%
2.00	1.61	2.40	-33%	Refining margin (USD/bbl)	3.56	4.01	-11%
1,289	1,351	1,412	-4%	Marketing sales (kt)	4,707	5,465	-14%
416	484	458	6%	o/w export (kt)	1,476	2,245	-34%

Fourth quarter (Q4/07) and full year 2007 (FY07)

- **EBIT of R&M business improved as restructuring measures taken in Refining led to improvements in product yield and own energy consumption and loss**
- **Overall refining environment was weak during 2007 due to increased feedstock and energy prices**
- **Rafiserv restructuring was completed 6 months ahead of schedule**
- **Full Agency program successfully finished in 2007: all Petrom SA filling stations have been handed over to dealers**
- **Yearly throughput per filling station improved considerably in 2007 to 3.2 mn liters per year, compared to 2.4 mn liters in 2006**

Fourth quarter 2007 (Q4/07)

The **EBIT** of R&M business had a positive evolution compared to Q4/06, despite the worsening environment. Compared to Q3/07, the EBIT was much weaker due to the usual seasonal effects on volumes (summer driving season in Q3).

The **total quantity of crude processed** in Q4/07 amounted to 1.4 mn tons, lower by 16% yoy, out of which 0.3 mn tons represented imported crude oil.

Due to the higher oil prices, the **refining margin**[3] for the quarter dropped to a year-low of USD 1.6/bbl, which is USD 0.8/bbl lower than in the corresponding period of 2006.

Refining utilisation rate decreased 8% from the previous quarter to 71.4%, influenced by the weak margin environment and also by the two weeks shutdown of Petrobrazi. The refinery stopped for two weeks in November to allow for technological improvements and tie-ins of a new diesel hydrotreating unit.

Marketing sales of 1,351 thousand tons decreased by 4% in comparison with Q4/06 and increased by 5% in comparison with Q3/07.

Retail sales increased in comparison with Q4/06 by 19%, to 417 mn liters while **commercial domestic sales** amounted to 534 tousand tons, being 21% lower than the level reached in Q4/06,

In Q4/07, the number of Petrom SA operating filling stations reached 450 up from 437 at the end of Q3/07, with 53 station opened in Q4. The difference corresponds to filling stations that have been closed or knock down and rebuilt.

[3] 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

The main marketing highlight in Q4/07 was the acquisition of Shell Gas Romania and increase in the stake of Trans Gas Services to 80%. The acquisition will allow Petrom to strengthen its position on the LPG market in Romania and realize synergies together with its own LPG business.

Furthermore, the modernisation of the filling stations network remained an important focus in the last quarter: 46 Filling Stations were re-opened during this time period.

R&M investments increased by 20% compared to Q4/06 and by more than 150% over Q3/07. The main impact comes from the Shell Gas Romania and Trans Gas Services deals.

January-December 2007 (FY07)

The **EBIT** of R&M business improved compared to the previous year particularly due to the better contribution from Refining as a result of the better product yield (with higher share of diesel), the progress in reducing the own-energy consumption and positive inventory effects.

The 2007 results were adversely impacted by the deteriorating margin environment, on account of rising feedstock and energy costs and lagging product prices. The **refining margin environment** was on average 0.45 USD/bbl less favorable as compared to the previous year, with very low levels during the second half of 2007.

Gasoline cracks were higher by USD 12/t yoy at USD 179/t while **diesel cracks** remained USD 3/t weaker at USD 153/t compared to FY06.

During 2007, Petrom's refineries processed a volume of crude oil of 5.92 mn tons, 14% lower than in 2006. Within this total, the imported crude oil volume processed by the two refineries decreased by 27% in 2007 to 1.6 mn tons, in comparison with 2006.

The overall **utilization rate** decreased to 74.5%, from 86% in the last year. The lower utilization was caused by the shutdown at Petrobrazi for two weeks in November, as well as the Arpechim turnaround in spring (6 weeks). However, the overall impact of these shutdowns on R&M results was low considering the weak margins.

Petrochemical and special product sales were only 2.5% less than the 2006 level.

In 2007, we set up a new petrochemical company, **Petrochemicals Arges** and shut down the remaining uncompetitive petrochemicals operations. The new company will have responsibility for the olefins, polyolefins and aromatics products related activities of Arpechim refinery. In line with our long term objectives, we have initiated discussions with third parties interested in acquiring this business from Petrom.

In 2007 **Petrom commenced to blend biodiesel with diesel** and **began the selling** of diesel with 2% biodiesel content as of July 1, 2007, in line with the existing regulations.

We completed the restructuring of the maintenance services company Rafiserv, and all maintenance services for Petrom refineries are now provided by international frame contractors at competitive rates at Western European level.

Total marketing sales in 2007 amounted to 4,707 thousand tons, lower by 14% yoy, mainly due to the 34% reduction of export sales (which tend to have very low margins), as a result of the Company's decision to optimize the refining product mix.

White product sales on the domestic market were 13% above last year's level, driven by higher demand, the upgrade of the filling station network and improved retail station management. **Domestic gasoline sales** are up by 5% yoy, while **domestic diesel sales** increased by 18% compared to 2006.

Retail sales reached 1,533 mn liters, by 22% higher compared to FY06. As a result of the implementation of the **Full Agency system**, the **yearly throughput per filling station** improved

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considerably in 2007 reaching 3.2 mn liters per year, compared to 2.4 mn liters in 2006, higher than our 2010 target of 3 mn liters.

Commercial domestic sales of 2 mn tons were lower by 10% against the level recorded in 2006, due to lower Heavy Fuel Oil sales.

The **non-oil business** also registered a significant increase. The total turnover increased to 318 mn RON, 74% higher compared to last year's level due to portfolio reorganization and purchase process optimization.

Petrom sold through its subsidiaries 1.3 bn liters of fuel to retail customers in 2007, of which 61% represented international sales.

At the end of 2007 all Petrom SA filling stations were running under the Full Agency system. Petrom Group operates 807 filling stations in total; 550 in Romania and 257 filling stations in Republic of Moldova, Bulgaria and Serbia.

The number of premium stations stood at 100 at the end of 2007.

In 2007 we successfully outsourced the secondary logistics and closed 111 out of 146 storage facilities, and we started the construction works for one new terminal.

Capital investment projects in Refining business progressed during 2007, with the new hydrogen plant commissioned at Arpechim, and with mechanical completion of a new, high efficiency, high pressure steam boiler. At Petrobrazi, we have commissioned the new diesel hydrotreater (HDS) unit and started construction of the new FCC gasoline hydrotreater unit, scheduled for start-up in early 2009. These two investments enable production of Euro 5 fuels at the site.

In Marketing, the investments were focused mainly on reconstructing and modernizing the existing filling stations, and also on greenfield constructions and to the Supply & Logistic projects.

The yoy 23% lower investments figure in 2007 of the R&M business is explained by the extraordinarily high capital expenditures recorded last year due to the acquisition of the OMV retail networks in Romania, Serbia and Bulgaria.

Gas

Q3/07	Q4/07	Q4/06	ΔQ4 yoy	in RON mn	2007	2006	%
-1	43	28	54%	EBIT (RON mn)	123	117	5%
1	28	0.1	-	Investments (RON mn)	32	1	-

Q3/07	Q4/07	Q4/06	ΔQ4 yoy	Key performance indicators	2007	2006	%
1,136	1,499	1,648	-9%	Consolidated gas sales, mn cm [1]	5,546	5,242	6%
1,062	1,398	1,472	-5%	Gas sales Petrom SA, mn cm	5,156	4,863	6%
470	470	381	24%	Regulated gas price for domestic producers in RON/1,000 cm	448	342	31%
200	197	141	40%	Regulated gas price for domestic producers in USD/1,000 cm	184	122	51%
280	315	315	-	Import gas price in USD/1,000 cm	293	297	-1%

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

Fourth quarter (Q4/07) and full year 2007 (FY07)

- **EBIT for Q4/07 increased by 54% as compared to Q4/06 due to higher sales prices**
- **Establishment of Petrom Distributie Gaze SRL**
- **Power project approved: the construction of a 860 MW gas fired power plant will start in 2008**

Fourth quarter 2007 (Q4/07)

During this period, the **gas sales** of Petrom SA decreased by 5% compared to Q4/06 due to lower overall market demand. The lower sales volumes realized in Q4/07 compared to Q4/06 were due to a combination of regulatory measures during October which had a negative impact on the domestic gas business, higher volumes injected into storage during October and a general decline in production.

Compared to the previous quarter, gas sales increased although they were adversely impacted by higher overall import volumes.

The **EBIT** generated by the Gas business of Petrom SA was 54% higher in Q4/07 compared to Q4/06 as a result of higher gas price and positive USD/RON FX effect, which more than compensated the lower gas sales volume. In addition, the decrease in depreciation and personnel expenses caused by the reallocation of the distribution activity to a new affiliate Petrom Distributie Gaze srl, had a positive effect.

The import price in USD was stable at USD 315/1,000 cm in Q4/07 and Q4/06, while the import price in RON declined from RON 850/1,000 cm in Q4/06 to RON 750/1,000 cm in Q4/07. The regulated gas price for industrial customers in Romania rose by 17% to USD 368/1,000 cm. The **average regulated gas** price for Romanian producers in Q4/07 was USD 197/1,000 cm (RON 470), by 40% higher compared to Q4/06.

A new **Power** division was established with effect from October 1, 2007, and its first main project will be the construction of a new 860 MW gas fired power plant. This will leverage the Romanian electricity industry liberalisation, and will create considerable value for Petrom S.A.

Subsequent events

As of February 1, 2008, the **domestic producers' gas prices** increased by 5.3% to RON 495/1,000 cm.

January-December 2007 (FY07)

The **gas sales volume** of Petrom SA increased, by 6% compared to 2006 due to our flexibility in meeting short-term demand surges from power plants. This was achieved despite the fact that the total natural gas consumption of Romania in 2007 dropped by 5.5% (reduced by 900 mn cm) compared to 2006.

The **EBIT** generated by the Gas division of Petrom SA in 2007 amounted to RON 123 mn, slightly higher in comparison to 2006 and mostly due to larger sales volume.

Petrom injected a total volume of 299 mn cm of natural gas in 2007 into storage, compared to 540 mn cm in 2006. This was due to higher quantities being sold on the market instead of being injected in storages.

Chemicals

Q3/07	Q4/07	Q4/06	ΔQ3 yoy	Key performance indicators	2007	2006	%
70	-9	58	-	EBIT (RON mn)	59	51	16%
198	136	185	-26%	Sales (kt)	688	601	14%
9	2	1,9	7%	Investments (RON mn)	16	5,5	191%

Fourth quarter 2007 (Q4/07)

In Q4/07 the volume of Doljchim **sales** decreased by 26%, to 136 thousand tons, due to the two planned plant shutdowns: one at the methanol plant which lasted for almost three weeks and another in the ammonium nitrate plant which started in the second half of December and lasted for more than three weeks.

Export sales represented around 47 % of the total sales.

Compared to Q4/06, the Doljchim **investments** increased by 7%, and were directed mainly towards the works for environmental protection, health and safety and maintenance.

January-December 2007 (FY07)

In 2007 the **EBIT** increased to RON 59 mn, up by 16% as compared to 2006, on the account of higher sales volume.

The **sales volume** generated by Doljchim in 2007 increased by 14%, to 688 thousand tons, of which export sales represented approximately 54%. Doljchim's products were exported mainly in the neighboring countries, Hungary, Bulgaria, and Serbia but also to Slovakia, Austria, Macedonia, Italy, Spain and Turkey.

In 2007, Doljchim concentrated its efforts on increasing domestic market sales, especially fertilizers. In 2007, favorable market conditions and improved selling tactics contributed to a significant rise of almost 80% in ammonium nitrate sales compared to 2006 In addition, urea and methanol domestic market sales were up by 92% and 26%, respectively in 2007 compared to 2006. The share of ammonium nitrate products in the domestic market of the Romanian producers was 42% in 2007, higher than in 2006 (35%).

Consequently, Doljchim achieved in 2007 record production levels of fertilizers, stimulated by these higher domestic sales.

In 2007, the **investments** in Doljchim, amounted to RON 16 mn, up by 191% as compared to 2006. These investments related mainly to environmental protection, health and safety, infrastructure and fire prevention.

Financial highlights FY 2007

Profit and loss account

The Company's **turnover** for 2007 decreased by 6% yoy mainly due to lower R&M export sales volumes and prices. This was partly offset by the higher turnover generated by the Gas business.

Other operating revenues decreased in 2007 due to lower sale of assets, to some extent compensated by revenues resulting from stock movements.

The **operating expenses** decreased in 2007 by 1%, mainly due to the decrease of raw materials expenses due to lower crude import volumes, lower expenses with utilities (as a result of the renegotiation of contracts), reduced provisions (due to improved credit risk management) and lower staff costs mainly due to a reduced headcount as a result of restructuring programs. These positive effects on operating expenses were offset by higher expenses for third party related services and higher depreciation of the tangible and intangible assets.

The **EBIT** of the Company amounted to RON 1,965 mn in 2007, 29% below the RON 2,777 mn result recorded in 2006. This was mainly due to the weaker EBIT generated by Exploration and Production as a result of the production decline, higher year-end inventories of oil products in segments other than E&P and the negative impact of the RON appreciation by 13% against the USD.

In Refining and Marketing, the EBIT improved versus 2006, reflecting the positive developments in Refining, due to a more profitable product yield, the improvements of own-energy consumption and loss, and also to positive inventory effects. These positive developments were partially offset by higher repair expenses generated by the turnaround at Arpechim. In Marketing, the implementation of the Full Agency system was successfully completed in 2007 and retail sales increased significantly by more than 30% to 3.2 mn liters per station.

In Gas , the EBIT increased by 5%, mainly due to the higher sales than in 2006 supported by the purchase of additional volumes from third parties.

The company's **financial result** improved from a negative RON 231 mn in 2006 to a positive RON 185 mn in 2007, mainly due to FX effects and to the provision booked in 2006 for financial investment (Oztyurk Munai), which was absent in 2007.

The corporate tax charge increased in 2007 by RON 111 mn to RON 372 mn due to the termination of the geological quota facility with effect from 2007.

The **net profit** decreased in 2007 by 22% in comparison with 2006 as a consequence of the weaker operational result and higher corporate taxes.

As a result of business activities performed by Petrom in 2007 significant tax contribution was generated for state budget.

The **total taxes payables** by Petrom for 2007 amounted to RON 5,679 mn, 8.8% higher than in 2006.

Excise duties (RON 2,903 mn), VAT (972 mn RON) and royalties (RON 524 mn) accounted for 77% of the total taxes payable.

Balance sheet

Total assets amounted to RON 21,160 mn at the end of 2007up by 8.7% compared to the end of 2006 (FY06: RON 19,460 mn), mainly as a result of the increase in investments, advances and tangible assets in progress, offset by lower cash and bank position. The positive effect from operating cash flows was offset by cash outflows for investments and dividends and generated a lower net cash position at the 2007 year-end.

Non current assets increased by 25% to RON 16,375 mn, mainly driven by significant investments related to E&P representing modernisation of wells, Midia Terminal and production equipments.

Despite the increase in both inventories (both volumes and price effect) and receivables (mainly due to higher turnover in December 07), **total current assets** recorded a 25% decrease to RON 4,785 mn over FY 2006 mainly due to the decrease in cash and bank accounts. **Total liabilities** increased in 2007 by 12%, amounting to RON 7,976 mn mainly due to increase in trade payables.

The **shareholders' equity** amounted to RON 13,184 mn as at FY07, up by 7% from FY06, as a result of the net profit for 2007 of RON 1,778 mn partially offset by the dividend distributed for year 2006, which amounted to RON 1,014 mn.

Capital expenditures

Q3/07	Q4/07	Q4/06	ΔQ4 yoy	RON mn	2007	2006	%
736	850	800	6%	Exploration and Production	2,465	1,336	85%
187	487	407	20%	Refining&Marketing	1,004	1,298	-23%
1	28	0.1	-	Gas	32	1	-
9	2	1.9	7%	Chemicals	16	5.5	191%
121	77	167	-54%	Corporate (incl. Petrom Solutions)	303	297	2%
1,054	**1,444**	**1,376**	**5%**	**Total investments**	**3,820**	**2,937**	**30%**

The total capital expenditure in FY07 was RON 3,820 mn, exceeding by 30% the amount performed in 2006.

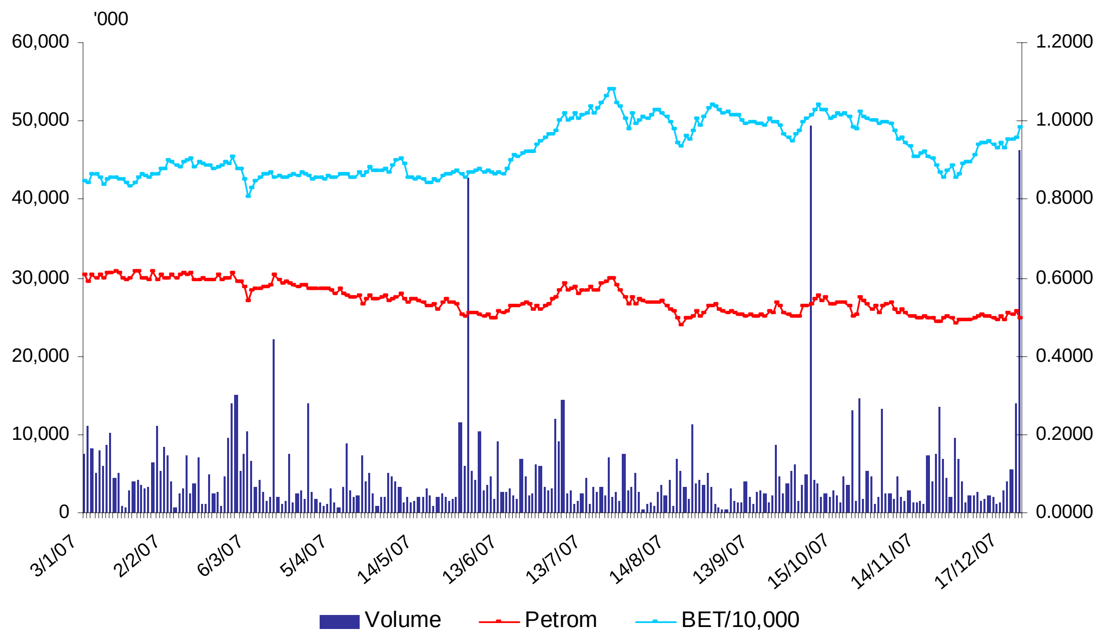
The capital expenditure in Q4/07 increased by 5% in comparison with the last year.

The **investments** in 2007 have been directed mostly to E&P (65%), while the R&M business received 26% of the total investments. The remaining 9% represents investments in Corporate (mainly Petrom Solutions), Gas and Chemicals.

In 2007 the investments in E&P were 85% higher than in FY06, mainly related to the development and production drilling and to the wells modernisation program. In Refining, the 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.

Stock watch: January – December 2007

Evolution of closing price and volume of Petrom and BET index
January – December 2007



Overall, the SNP share decreased in Q4/07 by 4% compared to Q3/07, while BET index's overall performance decreased in Q4/07 vs Q3/07 by 4.8%. The maximum quotation recorded in Q4 stood at 0,5650 lei/share (October 8), while the minimum closing price was recorded on November 20 (0,4790 lei/share).

In 2007, Petrom's **share price** decreased by 12% compared to 2006.

ISIN: ROSNPPACNOR9	Market capitalization (December 21)	RON 28 bn
Bucharest Stock Exchange: SNP	Market capitalization (December 21)	EUR 8 bn
Reuters: SNPP.BX	Closing price December 21, RON/share	0.4970
Bloomberg: SNP RO	Year's high (January 23), RON/share	0.6200
	Year's low (November 20), RON/share	0.4790
	No. of shares	56,644,108,335

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Next release:

The next results announcement January – March, 2008 will be released on May 7, 2008.

Abbreviations

bbl	Barrel
boe	Barrel of oil equivalent
bn	Billion
cm	Cubic meters
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
E&P	Exploration & Production
FCC	Fluid Catalytic Cracking
FEED	Front-End Engineering and Design
HDS	Hydrodesulphurisation
kt	Thousand tons
mn	Million
NGL	Natural Gas Liquids
RON	New Romanian Lei
R&M	Refining & Marketing
yoy	Year-on-year
YTD	Year-to-date

Profit and Loss Account as of December 31, 2007

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

RON	December 31, 2006	December 31, 2007	
1. Net turnover	13,078,308,815	12,284,378,408	
Sales of production	7,478,726,193	11,795,873,413	1)
Sales of merchandise	5,599,582,622	488,504,995	
Interest income- from lease companies			
Interest from subsidies related to net turnover	-	-	
2. Movements in stocks of finished goods			
Cr balance	-	120,783,952	
Dr balance	74,581,173		
3. Own work capitalized	26,042,948	22,145,515	
4. Other operating revenues	386,018,992	57,638,849	
TOTAL OPERATING REVENUES	**13,415,789,582**	**12,484,946,724**	
5. a) Raw materials and consumables expenses	3,650,761,504	3,157,730,454	
Other materials expenses	72,944,335	42,880,206	
b) Other utilities expenses (energy and water)	506,697,500	450,008,740	
c) Purchase of goods for resale	199,372,209	395,873,972	
6. Salary expenses, of which:	1,745,267,588	1,657,798,742	
a) Salaries	1,324,861,157	1,276,888,854	
b) Social security contributions	420,406,431	380,909,888	
7 a) Adjusting the value of tangible and intangible assets	818,802,457	1,146,101,922	
a.1) Expenses	956,473,574	1,167,435,970	
a.2) Revenues	137,671,117	21,334,048	
b) Adjusting the value of current assets	1,201,887	(35,304,253)	
b.1) Expenses	470,542,062	180,519,872	
b.2) Revenues	469,340,175	215,824,125	
8. Other operating expenses	3,673,900,696	3,747,555,913	
8.1 Third parties services	2,595,890,355	2,722,199,495	
8.2 Other taxes, duties and similar expenses	727,538,747	601,895,562	
8.3 Other operating expenses	350,471,594	423,460,856	
Interest related to refinancing activities	-	-	
Adjustments for provisions for risks and charges	(30,546,883)	(42,297,402)	
Expenses	485,614,611	460,666,444	
Revenues	516,161,494	502,963,846	
TOTAL OPERATING EXPENSES	**10,638,401,293**	**10,520,348,294**	
OPERATING RESULT:			
- Profit	**2,777,388,289**	**1,964,598,430**	
- Loss			
9. Income from investments	27,764,532	35,417,362	
- out of which, within the group	20,374,007	26,142,904	
10. Income from other financial investments and receivables , part of financial assets	-	-	
- out of which, within the group	-	-	
11. Income from interest	315,163,275	233,590,275	
- out of which, within the group	56,733,631	74,674,023	
Other financial revenues including forex gain	174,317,598	229,289,327	
TOTAL FINANCIAL REVENUES	**517,245,405**	**498,296,964**	
12. Adjustment of financial assets and investments held	151,483,561	(85,928,284)	

1) ***At the end of 2007 reclassifications have been performed***

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RON	December 31, 2006	December 31, 2007
Expenses	179,476,613	114,827,010
Revenues	27,993,052	200,755,294
13. Interest expenses	38,608,669	-
- out of which, within the group	-	-
Other financial expenses including forex loss	558,374,491	399,196,650
TOTAL FINANCIAL EXPENSES	**748,466,721**	**313,268,366**
FINANCIAL RESULT		
- Profit	-	185,028,598
- Loss	**231,221,316**	**-**
14 Current result:		
- Profit	**2,546,166,973**	**2,149,627,028**
- Loss	-	-
15. Extraordinary revenues	-	-
16. Extraordinary expenses	-	-
17. Extraordinary result :	-	-
- Profit	-	-
- Loss	-	-
TOTAL REVENUES	**13,933,034,987**	**12,983,243,688**
TOTAL EXPENSES	**11,386,868,014**	**10,833,616,660**
Profit before tax:		
- Profit	**2,546,166,973**	**2,149,627,028**
- Loss	-	-
18. Tax on profit	260,676,770	371,584,727
19. Other tax expenses not shown above	-	-
20. NET RESULT OF FINANCIAL YEAR:		
- Profit	**2,285,490,203**	**1,778,042,301**
- Loss	-	-

Balance Sheet as of December 31, 2007

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

RON	31/12/2006	31/12/2007
A. Non current assets		
I Intangible assets	156,036,169	303,556,285
II Tangible assets	8,405,432,446	10,564,332,777
III Financial Assets	4,531,436,137	5,506,940,916
Total non current Assets	**13,092,904,752**	**16,374,829,978**
B. Current assets		
I. Inventories	1,465,128,619	1,922,375,343
II. Receivables	1,360,715,806	2,015,809,727
III. Short term investments	-	-
IV. Cash and Bank accounts	3,451,025,681	752,634,771
Total Current Assets	**6,276,870,106**	**4,690,208,263**
C. Prepayments	89,716,940	95,376,124
D. Payables within one year	2,257,229,755	2,580,025,427
o/w Bonds and interests bearing liabilities	-	-
E. Current assets, less current liabilities	4,016,232,131	2,042,617,251
F. Total assets less current liabilities	17,100,585,546	18,417,447,229
G. Payables in more than one year	**22,141,012**	**28,982,010**
o/w Bonds and interests bearing liabilities	-	-
H. Provisions for risks and charges	4,753,739,904	5,196,454,236
I. Deferred income	101,676,497	171,453,281
1. Investments subsidies	8,551,337	7,892,378
2. Deferred income	93,125,160	163,560,903
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	74,590,359	57,417,759
IV. Reserves	5,570,252,487	5,792,755,272
V. Retained earnings		
Cr balance	1,015,450,950	1,521,411
Dr balance		
VI. Profit for the period		
Cr balance	2,285,490,203	1,778,042,301
Dr balance		
Profit appropriation	2,285,490,203	110,028,972
Total Shareholders' Equity	**12,324,704,630**	**13,184,118,605**
Public patrimony	-	**-**
Total equity	**12,324,704,630**	**13,184,118,605**

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