

S.C. PETROM S.A.
INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007
prepared in accordance with the Order of the Ministry of Finance
no. 1752/2005
amended by the Order of the Ministry of Finance no. 2374/2007

INDEPENDENT AUDITOR'S REPORT (free translation)¹

To the Supervisory Board and shareholders of
S.C. Petrom S.A.
Bucharest, Romania

Report on the Financial Statements

1 We have audited the accompanying financial statements of S.C. Petrom S.A. ("the Company"), which comprise the balance sheet as at December 31, 2007, the income statement, statement of changes in shareholders' equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes presented from the page 50 to 83, presenting the following:

• Net assets/Total equity	RON 13,184,118,605
• Net profit for the year:	RON 1,778,042,301

Management's Responsibility for the Financial Statements

2 Management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Ministry of Public Finance no. 1752/2005 amended by Order of the Ministry of Public Finance no. 2374/2007 and as described in the accounting policies presented in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Auditing Standards issued by the Romanian Chamber of Financial Auditors and the International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. Petrom S.A. as of December 31, 2007, and its financial performance and its cash flows for the year then ended, in accordance with the Order of the Ministry of Public Finance no. 1752/2005 amended by Order of the Ministry of Public Finance no. 2374/2007 with the related amendments and as described in the accounting policies presented in the notes to the financial statements.

Other Matters

7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying

¹TRANSLATOR'S EXPLANATORY NOTE: The above translation is provided as a free translation from Romanian which is the official and binding version

INDEPENDENT AUDITOR'S REPORT **(free translation)¹**


To the Supervisory Board and shareholders of
S.C. Petrom S.A.
Bucharest, Romania

financial statements are not designed for those who are not informed about Romanian legal and statutory requirements, respectively, the Order of the Ministry of Public Finance no. 1752/2005 amended by Order of the Ministry of Public Finance no. 2374/2007.

9 In accordance with the requirements of Law 82/1991 republished, article 31, parent company must issue a set of consolidated financial statements. As discussed in note 6 to the financial statements, the Company will issue consolidated financial statements for the year ended December 31, 2007 within the timeframe stipulated in the legislation.

Report on conformity of the Supervisory Board's Report with the Financial Statements

In accordance with the Order of the Ministry of Public Finance no. 1752/2005 amended by Order of the Ministry of Public Finance no. 2374/2007, we have read the annual report that includes the Supervisory Board's Report attached to the financial statements and presented from page 1 to 46. The Supervisory Board's Report is not a part of the financial statements. In the Supervisory Board's Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2007.


Deloitte Audit SRL
Bucharest
March 18, 2008

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S.C. PETROM S.A.
BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

COUNTY **Bucharest**
COMPANY **S.C. Petrom SA**

TYPE OF PROPERTY **22**
State (<50%) and private owned companies
TYPE OF ACTIVITY Hydrocarbon extraction

ADDRESS **Bucharest sector 1**
Str. **Calea Dorobantilor nr. 239**
TEL.: **4060189** FAX **4060429**
NO. OF TRADE REGISTER **J40/8302/1997**

CODE GROUP CAEN **1110**
UNIQUE REGISTRATION CODE **1590082**

No		Notes	Row	December 31, 2006	December 31, 2007
A	FIXED ASSETS				
I	Intangible assets				
	1 Set up expenses		01	-	-
	2 Development expenses		02	-	-
	3 Concessions, patents, licenses, trademarks and other similar rights and assets		03	115,821,786	109,315,384
	4 Goodwill		04	-	-
	5 Advances and intangible assets in progress		05	40,214,383	194,240,901
	Total (rows 01 to 05)	1 b)	06	156,036,169	303,556,285
II	Tangible assets				
	1 Land and buildings		07	4,569,464,880	4,625,066,039
	2 Plant and machinery		08	2,166,773,872	2,407,088,782
	3 Other equipment and furniture		09	49,123,969	69,548,752
	4 Advances and tangible assets in progress		10	1,620,069,725	3,462,629,204
	Total (rows 07 to 10)	1 a)	11	8,405,432,446	10,564,332,777
III	Financial assets				
	1 Investments in companies within the group		12	1,089,556,583	1,164,914,783
	2 Loans to the companies within the group		13	891,927,360	1,232,269,360
	3 Investments in associated companies		14	33,231,787	35,858,363
	4 Amounts owed by subsidiaries and associated companies		15	-	-
	5 Long term financial Investments as assets		16	1,061,381,422	1,148,916,872
	6 Other debts		17	1,455,338,985	1,924,981,538
	Total (rows 12 to 17)	1 c)	18	4,531,436,137	5,506,940,916
	TOTAL FIXED ASSETS (rows 06+11+18)		19	13,092,904,752	16,374,829,978
B	CURRENT ASSETS				
I	Inventories				
	1 Raw materials and consumables		20	712,996,617	905,440,044
	2 Work in progress		21	227,229,774	249,540,812
	3 Finished goods and merchandise		22	485,333,385	721,053,519
	4 Advances for stock purchase		23	39,568,843	46,340,968
	Total (rows 20 to 23)	10.3	24	1,465,128,619	1,922,375,343
II	Receivables				
	1 Trade receivables (net)		25	1,049,473,558	1,701,500,961
	2 Amounts to be received from affiliates		26	40,348,014	89,769,630
	3 Amounts to be received from investments		27	-	-
	4 Other receivables		28	270,894,234	224,539,136
	5 Receivables for subscribed and not paid in share capital		29	-	-
	Total (rows 25 to 29)	5	30	1,360,715,806	2,015,809,727
III	Short term investments				
	1 Investments		31	-	-
	2 Other short term investments		32	-	7,616
	Total (rows 31 to 32)		33	-	7,616
IV	Cash and bank accounts	10.2	34	3,451,025,681	752,634,771


S.C. PETROM S.A.
BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	December 31, 2006	December 31, 2007
	TOTAL CURRENT ASSETS				
	(rows 24+30+33+34)		35	6,276,870,106	4,690,827,457
C	PREPAYMENTS		36	89,716,940	95,376,124
D	PAYABLES WITHIN ONE YEAR				
	1 Debenture loans		37	-	-
	2 Payables to credit institutions		38	-	-
	3 Advances cashed for orders		39	47,285,078	24,789,910
	4 Trade payables		40	1,208,727,735	1,760,904,056
	5 Bills of exchange payables		41	-	-
	6 Payables to related parties		42	-	-
	7 Payables to other investment companies		43	-	-
	8 Other payables, including tax and social security payables		44	1,001,216,942	794,331,461
	Total (rows 37 to 44)	5	45	2,257,229,755	2,580,025,427
E	CURRENT ASSETS LESS CURRENT LIABILITIES (rows 35+36-45-62)		46	4,016,232,131	2,042,617,251
F	TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46)		47	17,100,585,546	18,417,447,229
G	PAYABLES IN MORE THAN ONE YEAR				
	1 Debenture loans		48	-	-
	2 Payables to credit institutions		49	-	-
	3 Advances cashed for orders		50	-	-
	4 Trade payables		51	-	15,719,473
	5 Bills of exchange payables		52	-	-
	6 Amounts payable to related parties		53	-	-
	7 Payables to investments participation		54	-	-
	8 Other payables, including tax and social security payables		55	22,141,012	13,262,537
	Total (rows 48 to 55)	5	56	22,141,012	28,982,010
H	PROVISIONS				
	1 Provisions for pensions and other liabilities		57	-	-
	2 Provisions for taxes		58	400,246	-
	3 Other provisions		59	4,753,339,658	5,196,454,236
	TOTAL PROVISIONS (rows 57 to 59)	2	60	4,753,739,904	5,196,454,236
I	DEFERRED INCOME				
	1 Investments subsidies		61	8,551,337	7,892,378
	2 Deferred income		62	93,125,160	163,560,903
	TOTAL (rows 61+62)		63	101,676,497	171,453,281
J	SHARE CAPITAL AND RESERVES				
I	Share capital				
	-subscribed and paid in share capital		64	5,664,410,834	5,664,410,834
	-subscribed and not paid in share capital		65	-	-
	-patrimony		66	-	-
	TOTAL (rows 64 to 66)	7	67	5,664,410,834	5,664,410,834
II	Premium related to capital		68	-	-
III	Revaluation reserve		69	74,590,359	57,417,759
IV	Reserves				
	1 Legal reserve		70	292,550,780	402,579,752
	2 Statutory or contractual capital reserve		71	-	-

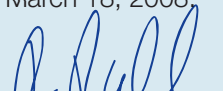
S.C. PETROM S.A.
BALANCE SHEETS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

No		Notes	Row	December 31, 2006	December 31, 2007
	3	Realized revaluation reserves	72	-	15,843,269
	4	Other reserves	73	5,277,701,707	5,374,332,251
	TOTAL (row 70 to 73)		74	5,570,252,487	5,792,755,272
	Own shares		75	-	-
	Earnings related to owners' equity items		76	-	-
	Losses related to owners' equity items		77	-	-
V	Retained earnings				
	-Cr balance		78	1,015,450,950	1,521,411
	-Dr balance		79	-	-
VI	Profit for the period				
	-Cr balance		80	2,285,490,203	1,778,042,301
	-Dr balance		81	-	-
	Profit appropriation		82	2,285,490,203	110,028,972
	Total shareholders' equity				
	(rows 67+68+69+74-75+76-77+78-79+80-81-82)		83	12,324,704,630	13,184,118,605
	Public patrimony		84	-	-
	TOTAL EQUITY (rows 83+84)		85	12,324,704,630	13,184,118,605

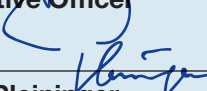
These financial statements were approved on March 18, 2008.



Mrs. Mariana Gheorghe
Chief Executive Officer



Mr. Reinhard Pichler
Chief Financial Officer




Mr. Johann Pleininger
E.B. Member E&P



Mr. Jeffrey Rinker
E.B. Member Refining



Mr. Tamas Mayer
E.B. Member Marketing



Mr. Siegfried Ehn
Director Finance and Controlling
Division



Mrs. Mihaela Milinschi
Director Accounting Department

S.C. PETROM S.A.
STATEMENTS OF OPERATIONS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

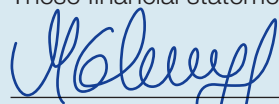
No		Notes	Row	Year ended December 31, 2006	Year ended December 31, 2007
1	Net turnover (rows 02 to 05)		01	13,078,308,815	12,284,378,408
	Sales of production		02	7,478,726,193	11,795,873,413
	Sales of merchandise		03	5,599,582,622	488,504,995
	Interest income- from lease companies		04	-	-
	Interest from subsidies related to net turnover		05	-	-
2	Movements in stocks of finished goods				
	– Cr balance		06	-	120,783,952
	– Dr balance		07	74,581,173	-
3	Own work capitalized		08	26,042,948	22,145,515
4	Other operating revenue		09	386,018,992	57,638,849
	Total operating revenue (rows 01+06-07+08+09)		10	13,415,789,582	12,484,946,724
5	a) Raw materials and consumables expenses		11	3,650,761,504	3,157,730,454
	Other materials expenses		12	72,944,335	42,880,206
	b) Other utilities expenses (energy and water)		13	506,697,500	450,008,740
	Purchases of goods for resale		14	199,372,209	395,873,972
6	Salary expenses (rows 16+17)		15	1,745,267,588	1,657,798,742
	a) Salaries	8	16	1,324,861,157	1,276,888,854
	b) Social security contributions		17	420,406,431	380,909,888
7	a) Adjusting the value of tangible and intangible assets (rows 19-20)		18	818,802,457	1,146,101,922
	a. 1) Expenses		19	956,473,574	1,167,435,970
	a. 2) Revenues		20	137,671,117	21,334,048
	b) Adjusting the value of current assets (rows 22-23)		21	1,201,887	(35,304,253)
	b. 1) Expenses		22	470,542,062	180,519,872
	b. 2) Revenues		23	469,340,175	215,824,125
8	Other operating expenses (rows 25 to 28)		24	3,673,900,696	3,747,555,913
	8.1 Third parties services		25	2,595,890,355	2,722,199,495
	8.2 Other taxes, duties and similar expenses		26	727,538,747	601,895,562
	8.3 Other operating expenses		27	350,471,594	423,460,856
	Interest related to refinancing activities		28	-	-
	Adjustments for provisions for risks and charges (rows 30-31)		29	(30,546,883)	(42,297,402)
	Expenses		30	485,614,611	460,666,444
	Revenues		31	516,161,494	502,963,846
	Total operating expenses (rows 11 to 15+18+21+24+29)		32	10,638,401,293	10,520,348,294
	Operating Result				
	- profit (rows 10-32)	4	33	2,777,388,289	1,964,598,430
	- loss (rows 32-10)		34	-	-
9	Income from investments		35	27,764,532	35,417,362
	- out of which, within the group		36	20,374,007	26,142,904
10	Income from other financial investments and receivables, part of financial assets		37	-	-
	- out of which, within the group		38	-	-
11	Income from interest		39	315,163,275	233,590,275
	- out of which, within the group		40	56,733,631	74,674,023

S.C. PETROM S.A.
STATEMENTS OF OPERATIONS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
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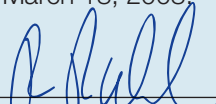
No		Notes	Row	Year ended December 31, 2006	Year ended December 31, 2007
	Other financial revenues including forex gain		41	174,317,598	229,289,327
	Total financial revenues (rows 35+37+39+41)		42	517,245,405	498,296,964
12	Adjustment of financial assets and investments held (rows 44-45)		43	151,483,561	(85,928,284)
	Expenses		44	179,476,613	114,827,010
	Revenues		45	27,993,052	200,755,294
13	Interest expenses		46	38,608,669	-
	- out of which, within the group		47	-	-
	Other financial expenses including forex loss		48	558,374,491	399,196,650
	Total financial expenses (rows 43+46+48)		49	748,466,721	313,268,366
	Financial result				
	- profit (rows 42-49)		50	-	185,028,598
	- loss (rows 49-42)		51	231,221,316	-
14	Current profit (loss)				
	- profit (rows 10+42-32-49)		52	2,546,166,973	2,149,627,028
	- loss (rows 32+49-10-42)		53	-	-
15	Extraordinary revenues		54	-	-
16	Extraordinary expenses		55	-	-
17	Extraordinary result				
	- profit (rows 54-55)		56	-	-
	- loss (rows 55-54)		57	-	-
	Total revenues (rows 10+42+54)		58	13,933,034,987	12,983,243,688
	Total expenses (rows 32+49+55)		59	11,386,868,014	10,833,616,660
	Profit before tax				
	- profit (rows 58-59)		60	2,546,166,973	2,149,627,028
	- loss (rows 59-58)		61	-	-
18	Tax on profit	10.7	62	260,676,770	371,584,727
19	Other tax expenses not shown above		63	-	-
20	Net result of financial year				
	- profit (rows 60-62-63)		64	2,285,490,203	1,778,042,301
	- loss (rows 61+62+63); (rows 62+63-60)		65	-	-

S.C. PETROM S.A.
STATEMENTS OF OPERATIONS
AS AT DECEMBER 31, 2006 AND DECEMBER 31, 2007
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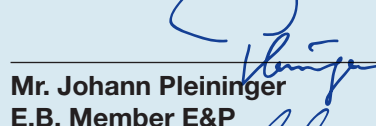
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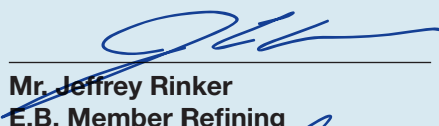
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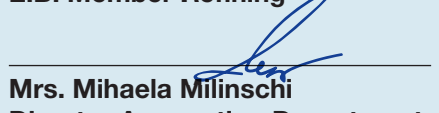
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Mrs. Mihaela Milinschi
Director Accounting Department

S.C. PETROM S.A.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2006	December 31, 2007
Cash flow from operating activities			
Profit before taxation		2,546,166,973	2,149,627,028
Adjustments for:			
Interest expenses		38,608,669	-
Interest income		(315,163,275)	(233,590,275)
Net movement in provisions for:			
- Fixed asset impairment		(27,870,193)	284,208,231
- Financial assets	2	149,597,954	(93,980,150)
- Inventories	2	9,810,913	354,384
- Receivables	2	(47,396,366)	(74,836,771)
- Litigations	2	22,276,168	179,797,383
- Environmental expenditures	2	(95,907,844)	(100,583,281)
- Retirement benefits	2	20,764,297	6,769,483
- Other provisions for risk and charges	2	(105,400,599)	(12,501,929)
- Restructuring	2	127,721,095	(94,333,814)
Loss / (Gain) on disposals of fixed assets		(196,648,044)	14,737,604
Depreciation and amortization expense	1	846,672,650	860,459,210
Gain on disposal of financial assets		-	(11,177,863)
Cash generated from operating activities before working capital movements		2,973,232,398	2,874,949,240
Working capital movements		397,727,569	(362,294,453)
Interest received		277,518,124	235,254,945
Interest paid		(52,072,906)	-
Tax on profit paid		(641,615,815)	(262,532,626)
Net cash generated from operating activities		2,954,789,370	2,485,377,106
Cash flow from investment activities			
Purchase of tangible and intangible assets		(1,920,360,735)	(3,637,786,297)
Proceeds from sale of fixed assets		410,110,374	180,311,618
Proceeds from sale of financial assets		-	54,711,875
Acquisition of financial assets		(1,657,373,209)	(358,018,714)
Net cash used from investment activities		(3,167,623,570)	(3,760,781,518)
Cash flow from financial activities			
Repayment of loans		(478,257,820)	-
Dividends paid		(395,505,162)	(1,422,986,498)
Proceeds from share capital increase		37,662,517	-
Net cash used for financial activities		(836,100,465)	(1,422,986,498)
Total cash flows		(1,048,934,665)	(2,698,390,910)
Cash and cash equivalents at the beginning of the year	10.2	4,499,960,346	3,451,025,681
Cash and cash equivalents at the end of the year	10.2	3,451,025,681	752,634,771

S.C. PETROM S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2006
(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2006	Increase, out of which	Transfer	Decrease, out of which	Transfer	Balance at 31.12.2006
Subscribed share capital	5,600,050,608	64,360,226	26,697,709	-	-	5,664,410,834
Revaluation reserve	-	74,590,359*	-	-	-	74,590,359
Legal reserves	166,638,190	125,912,590	125,912,590	-	-	292,550,780
Other reserves	303,271,612	2,781,306	-	91,187,375**	26,697,709	214,865,543
Other reserves-geological quota	3,918,709,501	1,144,126,663	1,144,126,663	-	-	5,062,836,164
Retained earnings	738,419,926	-	-	738,419,926***	-	-
Profit for the year	-	2,285,490,203	-	1,270,039,253	1,270,039,253	1,015,450,950
Total	10,727,089,837	3,697,261,347	1,296,736,962	2,099,646,554	1,296,736,962	12,324,704,630

* RON 74,590,359 is related to buildings revaluation performed as at December 31, 2006. For further details please see Note 1a.

** RON 91,187,375 is made up from RON 64,489,666 representing revaluation for available for sale investments at their fair value (see Note 1c) and RON 26,697,709 representing land for which ownership was obtained and was incorporated in share capital.

*** RON 738,419,926 represents dividends distributed to shareholders in 2006.

S.C. PETROM S.A.
STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
AS AT DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2007	Increase out of which	Transfer	Decrease out of which	Transfer	Balance at 31.12.2007
Subscribed share capital	5,664,410,834	-	-	-	-	5,664,410,834
Revaluation reserve	74,590,359	-	-	17,172,600*	15,843,269	57,417,759
Legal reserves	292,550,780	110,028,972	110,028,972	-	-	402,579,752
Reserves representing surplus from revaluation reserves	-	15,843,269	15,843,269	-	-	15,843,269
Other reserves	214,865,543	96,630,544**	-	-	-	311,496,087
Other reserves-geological quota	5,062,836,164	-	-	-	-	5,062,836,164
Retained earnings	1,015,450,950	-	-	1,013,929,539***	-	1,521,411
Profit for the year	-	1,778,042,301	-	110,028,972	110,028,972	1,668,013,329
Total	12,324,704,630	2,000,545,086	125,872,241	1,141,131,111	125,872,241	13,184,118,605

* 17,172,600 RON is made up from RON 15,843,269 representing the amount transferred to reserves representing surplus from revaluation reserves following write off of buildings that were revalued at December 2006 and RON 1,329,329 representing impairment of buildings and other special constructions related to closure of filling stations.

** 96,630,544 RON is made up from RON 86,950,402 representing revaluation for available for sale investments at their fair value and RON 9,680,142 representing land for which ownership was obtained but was not included in social capital.

*** 1,013,929,539 RON represents dividends distributed to shareholders in 2007.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS

a) Tangible assets

GROSS BOOK VALUE	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Land	571,703,906	42,445,745**	18,573,037	12,660,509	162,952	601,489,142
Buildings and constructions	6,536,466,805	840,960,222	389,267,302	282,808,114	59,176,196	7,094,618,913
Machinery and equipment	3,445,257,389	684,689,162	292,547,552	159,889,495	23,177,630	3,970,057,056
Other equipment and furniture	100,796,448	36,282,191	9,391,087	4,714,448	207,722	132,364,191
Advances and tangible assets in progress	1,994,185,322	3,255,080,722	727,917,668	1,370,678,109	1,349,363,638	3,878,587,935
Total	12,648,409,870	4,859,458,042	1,437,696,646	1,830,750,675*	1,432,088,138	15,677,117,237

ACCUMULATED DEPRECIATION	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Buildings and constructions	1,346,353,929	532,390,832	12,665,602	42,250,239	12,939,262	1,836,494,522
Machinery and equipment	781,418,396	272,712,630	8,504,416	79,377,451	8,107,735	974,753,575
Other equipment and furniture	26,697,409	12,696,737	117,263	2,315,711	118,322	37,078,435
Total	2,154,469,734	817,800,199	21,287,281	123,943,401	21,165,319	2,848,326,532

* The decrease in tangible assets includes also write off of capital work in progress amounting to RON 21,314,471.

** The increase in land includes an amount of RON 9,680,142 representing land title deeds obtained by the Company during 2007.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

ACUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Land	413,757,989	248,608	248,608	5,461,622	249,626	408,544,975
Buildings and constructions	778,593,915	106,437,553	18,141,704	59,028,947	130,515	826,002,521
Machinery and equipment	497,065,122	116,505,827	70,398,773	25,356,249	1,762,796	588,214,700
Other equipment and furniture	24,975,070	3,653,339	279,276	2,891,405	-	25,737,004
Advances and tangible assets in progress	374,115,594	168,177,191	-	126,334,057	86,895,714	415,958,728
Total	2,088,507,690	395,022,518	89,068,361	219,072,280	89,038,651	2,264,457,928
NET BOOK VALUE	8,405,432,446					10,564,332,777

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

b) Intangible assets

COST	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Intangible assets	216,708,540	122,647,376	65,699,424	91,858,681	60,942,383	247,497,235
Advances and intangible assets in progress	42,778,879	173,415,409	4,658,318	19,043,445	15,023,867	197,150,843
Total	259,487,419	296,062,785	70,357,742	110,902,126	75,966,250	444,648,078

ACCUMULATED DEPRECIATION	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Intangible assets	78,219,580	82,680,176	18,733,884	29,869,142	18,855,846	131,030,614
Total	78,219,580	82,680,176	18,733,884	29,869,142	18,855,846	131,030,614

ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2007	Increase out of which	Transfers	Decrease out of which	Transfers	Balance as at 31.12.2007
Intangible assets	25,231,670	937,737	6,970	16,108,228	36,681	10,061,179
Total	25,231,670	937,737	6,970	16,108,228	36,681	10,061,179
NET BOOK VALUE	156,036,169					303,556,285

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets

COST	Balance at 01.01.2007	Increase	Decrease	Balance at 31.12.2007
Investments (a)	1,179,561,727	140,028,299	43,534,012	1,276,056,014
Other financial assets (b)	1,061,381,424	119,021,223	-	1,180,402,647
Other receivables (c)	1,262,080,660	425,208,687	222,766,058	1,464,523,289
Expenditure recoverable from State (d)	1,244,184,533	463,566,490	-	1,707,751,023
Total	4,747,208,344	1,147,824,699	266,300,070	5,628,732,973
WRITE DOWN ALLOWANCE				
Investments	56,773,356	59,295,349	40,785,844	75,282,861
Other financial assets	-	31,485,773	-	31,485,773
Other receivables (c)	158,998,851	15,998,043	159,973,471	15,023,423
Total	215,772,207	106,779,165	200,759,315	121,792,057
NET BOOK VALUE	4,531,436,137			5,506,940,916

(a) The increase in investments during 2007 represents shares in the following companies: Shell Gas Romania, Trans Gas Services, Petrom Distributie Gaze, Petromed Solution, Asociatia Romana pentru Relatia cu Investitorii, Rafiserv Arpechim, Petrochemicals Arges, Petrom Exploration & Production Limited. The decrease represents the sale of investment in Ozytyrk Munai, Petrogas, Linde Gas Brazi, Acetilena Brazi.

(b) The amount represents mainly investment in mutual funds and other financial instruments through umbrella funds. Umbrella funds are classified as available for sale financial assets and are presented at fair value at year end. The differences in fair value are presented in equity until disposal.

(c) Other receivables include an amount of RON 206,384,000 representing public bonds issued by World Bank and acquired by Petrom in September 2006. The bonds bear an interest of 6.5% p.a. payable each semester and the maturity is September 2009. The remaining amount of other receivables represents loans given mainly to subsidiaries in Kazakhstan (KOM MUNAI, TASBULAT OIL CORPORATION) whose principal activities are exploration and production of oil and gas and also loans given to the other subsidiaries in R&M and Gas segments.

(d) As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the State as these pertain to E&P activities prior to privatization of the Company in 2004. Consequently, the Company has recorded decommissioning liabilities against receivable from the State for approximately 11,120 wells as at December 31, 2007. The change during the year 2007 is related to reassessment of the recoverable expenditure from the State and amounts to RON 213,429,172. The Company also recorded receivable from the State related to environmental liabilities for sludge lagoons belonging to Refining amounting to RON 250,137,318 as these were existing prior to privatization of the Company.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Investments as at December 31, 2007 consist of the following:

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Subsidiaries (>50%)				
TASBULAT OIL CORPORATION LLP	Oil exploration and drilling in Kazakhstan	100.00%	13,426,985	-
PETROM GAS SRL	Intermediary in fuel, minerals and chemical products trade	100.00%	8,601,510	-
PETROM DISTRIBUTIE GAZE SRL	Gas distribution	99.99%	13,010,677	-
RAFISERV PETROBRAZI SA	Maintenance support for refineries	99.94%	6,251,593	6,251,593
OMV ROMANIA MINERALOEL SRL	Fuel distribution	99.90%	380,125,971	-
OMV BULGARIA LTD	Fuel distribution	99.90%	138,024,259	-
OMV SRBIJA DOO	Fuel distribution	99.90%	5,594,968	-
RAFISERV ARPECHIM SA	Maintenance support for refineries	99.78%	19,839,161	-
PETROM NADLAC SRL	Oil products distribution	98.51%	6,521,923	1,910,704
POLIFLEX SRL	Polyethylene production and distribution	96.84%	518,170	-
M.P. PETROLEUM DISTRIBUTIE SRL	Fuel distribution	95.00%	116,488,056	-
KOM MUNAI LLP	Oil products distribution	95.00%	33,121,000	-
AVIATION PETROLEUM SRL	Kerosene distribution	95.00%	13,587,275	-
RING OIL HOLDING & TRADING LTD	Oil exploration and drilling in Russia	74.90%	333,946,263	52,536,798
ICS PETROM MOLDOVA SA	Oil products import and distribution	65.00%	7,338,313	-
PETROM LPG SA	LPG distribution	99.99%	122,307,743	-
PETROMED SOLUTION SRL	Medical services	99.99%	2,999,900	-
TRANS GAS SERVICES SRL	Transfer of LPG (buthane; propane) from large railroad system trucks to normal railroad system trucks	80.00%	3,909,919	-
PETROM EXPLORATION & PRODUCTION LIMITED	Exploration and production services	100.00%	5	-
PETROCHEMICALS ARGES SRL	Refining petrochemicals production	95.00%	190	-

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Associated companies (20-50%)				
SOCIETATEA ROMANA DE PETROL SA	Oil products production and distribution	49.00%	49,000	49,000
PETROM AVIATION SA	Aircraft fuel distribution	48.50%	23,467,291	5,179,558
ROBIPLAST COMPANY SRL	Plastic materials production	45.00%	1,080	1,080
BEYFIN GAZ SRL	Gas production and distribution	40.00%	1,222,363	-
FRANCIZA PITESTI SRL	Other financial services	40.00%	144,000	-
BRAZI OIL & ANGHELESCU PROD COM SRL	Oil products distribution	37.70%	310,800	-
FONTEGAS PECO MEHEDINTI SA	Fuel distribution	37.40%	295,881	194,442
CONGAZ SA	Natural gas distribution	28.59%	14,158,085	-
D.E.E.M. ALGOCAR SA	Oil products distribution	27.92%	17,035	17,035
BURSA MARITIMA SI DE MARFURI SA	Other financial services	20.09%	100,000	100,000
ASOCIATIA ROMANA PENTRU RELATIA CU INVESTITORII	Public relations and public representation	20.00%	500	-
Other financial investments (<20%)				
GTI OIL CO SA	Fuel distribution	13.00%	61,722	61,722
PRIMA PETROL SRL	Fuel distribution	11.98%	11,975	11,975
AIR TOTAL ROMANIA SA	Aircraft fuel distribution in Romania	6.41%	8,929,975	8,865,240
BUTAN GAS ROMANIA SA	Natural gas distribution	6.07%	1,559,520	-
BURSA DE MARFURI OLTENIA CRAIOVA	Other financial services	2.63%	1,526	691
TELESCAUN TIHUTA SA	Cable transportation	1.68%	420	13
AGRIBAC SA	Animals breeding	0.79%	28,060	28,060
BENZ OIL SA	Oil products distribution	0.48%	700	-
CREDIT BANK	Other financial services	0.22%	500	500
INSTITUTUL ROMAN PENTRU ASIGURARI	Insurance services	0.10%	7,250	-
OFICIUL PATRONAL JUDETEAN MURES		0.01%	1,000	1,000
MD INDIA	Exploration and production	0.01%	73,450	73,450
TOTAL			1,276,056,014	75,282,861

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS

	Balance at			Balance at
PROVISIONS FOR RISKS AND CHARGES	01.01.2007	Increase	Decrease	31.12.2007
Provision for litigations (i)	162,140,923	229,068,043	49,270,660	341,938,306
Provision for decommissioning expenses – Petrom (ii)	2,427,853,602	-	26,176,843	2,401,676,759
Provision for expenditure to be incurred on behalf of State (Note 1c)	1,244,184,533	213,429,172	-	1,457,613,705
Provision for retirement benefits (iii)	181,596,996	34,731,869	27,962,386	188,366,479
Provision for environmental expenditures- Petrom (iv)	219,601,374	32,378,230	132,961,511	119,018,093
Provision for environmental expenditures to be incurred on behalf of State (iv) (Note 1c)	-	250,137,318	-	250,137,318
Provision for restructuring (v)	476,833,448	159,507,877	253,841,691	382,499,634
Other provisions for risk and charges (vi)	41,529,028	23,314,617	9,639,703	55,203,942
Total	4,753,739,904	942,567,126	499,852,794	5,196,454,236
OTHER PROVISIONS				
Provisions for clients (Note 5)	649,583,766	117,281,457	200,113,815	566,751,408
Provisions for short term financial assets (Note 5)	-	8,047,848	52,261	7,995,587
Provisions for depreciation of inventories (Note 10.3)	66,585,506	33,870,020	33,515,636	66,939,890
Provisions for impairment of fixed assets (Note 1)	2,113,739,360	395,960,255	235,180,508	2,274,519,107
Provisions for depreciation of financial assets (Note 1c)	215,772,207	106,779,165	200,759,315	121,792,057
Total	3,045,680,839	661,938,745	669,621,535	3,037,998,049

2. PROVISIONS (continued)

(i) The Company monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and outside legal advisors. The Company has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

(ii) Until December 31, 2005 decommissioning provisions were set up using the best possible estimate considering the applicable legislation. In determining those provisions management considered existing and future technologies that were expected to be used from the period when it was expected that the costs will be incurred.

Since then, in accordance with the provisions of Romanian accounting law, the decommissioning provision related to Company liability has not been reassessed, being only used for the decommissioning work done during the year. As at December 31, 2007, the decommissioning provision for Company liability is RON 2,401,676,759.

(iii) The Collective Labor Agreement between the Company and its employees provides that on retirement an employee will receive a one-off payment amounting to two to four month salaries according to the length of service. Employees that have worked for more than 15 years in the oil industry are entitled to receive a payment of four monthly salaries. The collective labor agreement also provides that the Company will pay funeral expenses for the family members of the employees. The Company assessed the accrual of post-employment obligations based on independent professional actuarial calculation.

(iv) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2007. The Company recorded environmental liabilities against receivable from the State for sludge lagoons belonging to Refining amounting to RON 250,137,318 as these lagoons existed prior to privatization of the Company.

(v) The Company started a restructuring plan in 2005 and continued with this plan in 2006 and 2007. In order to run the Company in the most effective and efficient manner, the Company's management has approved this restructuring plan and the plan has been communicated.

(vi) Other risks and charges primarily relate to the provision for excises, VAT and other taxes related to the missing stock and alkylation unit.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

3. PROFIT ALLOCATION

	December 31, 2006	December 31, 2007
Net profit to be allocated	2,285,490,203	1,778,042,301
- legal reserve	125,912,590	110,028,972
- geological quota	1,144,126,663	-
- coverage of previous loss	-	-
- dividends	1,013,929,539	-
Profit not allocated	1,521,411	1,668,013,329

Allocation of the 2006 profit amounting to RON 1,013,929,539 to dividends has been approved by General Meeting of the Shareholders on April 25, 2007. The profit for the year ended December 31, 2007 will be allocated based on the decision of the General Meeting of the Shareholders.

4. ANALYSIS OF OPERATING PROFIT

	December 31, 2006	December 31, 2007
1. Net turnover	13,078,308,815	12,284,378,408
2. Costs of goods sold and services rendered (3+4+5)	9,331,447,345	9,162,016,827
3. Operating activity expenses	7,032,400,854	6,904,713,982
4. Secondary activity expenses	1,436,889,800	1,410,800,280
5. Indirect production expenses	862,156,691	846,502,565
6. Gross profit due to net turnover (1-2)	3,746,861,470	3,122,361,581
7. Selling and distribution expenses	981,344,000	969,209,000
8. Administrative expenses	299,567,000	246,193,000
9. Other operating revenues	311,437,819	57,638,849
10. Operating profit (6-7-8+9)	2,777,388,289	1,964,598,430

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES

Receivables	December 31, 2006	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,224,650,216	1,224,650,216	-
Advances to suppliers	55,647,432	55,647,432	-
Sundry debtors	431,730,972	427,299,686	4,431,286
Advances to personnel	7,153,255	7,153,255	-
Interest receivable	23,882,704	23,882,704	-
Other receivables	95,695,560	95,695,560	-
Provision for doubtful receivables*	(649,583,766)	(649,583,766)	-
VAT not due	65,409,184	65,409,184	-
Other taxes and similar accounts	68,232,674	68,232,674	-
Special funds- taxes and similar accounts	1,489,213	1,489,213	-
Loans granted to subsidiaries – short term portion	36,408,362	36,408,362	-
Total	1,360,715,806	1,356,284,520	4,431,286

* Refer to Note 2 for movement in above provision.

PAYABLES	December 31, 2006	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Suppliers and similar accounts	1,208,727,735	1,188,303,858	20,423,877	-
Advance payments from customers	47,285,078	47,285,078	-	-
Sundry creditors	43,202,547	43,202,547	-	-
Guarantees from suppliers	15,737,973	14,020,838	1,717,135	-
Employees rights	60,724,148	60,724,148	-	-
Contribution to social security	36,051,412	36,051,412	-	-
Contribution to unemployment fund	2,369,509	2,369,509	-	-
Contribution to special funds	14,002,033	14,002,033	-	-
Tax on salaries	10,873,454	10,873,454	-	-
Tax on profit	1,646,812	1,646,812	-	-
VAT payable	34,819,411	34,819,411	-	-
Dividends to be paid	485,087,103	485,087,103	-	-
Other payables	318,843,552	318,843,552	-	-
Total	2,279,370,767	2,257,229,755	22,141,012	-

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

Receivables	December 31, 2007	Liquidity term	
		Up to 1 year	Over 1 year
Customers and similar accounts	1,604,181,114	1,604,181,114	-
Advances to suppliers	281,245,332	281,245,332	-
Sundry debtors	352,990,054	352,990,054	-
Advances to personnel	6,224,338	6,224,338	-
Interest receivable	5,687,383	5,687,383	-
Other receivables	90,580,672	90,580,672	-
Provision for doubtful receivables*	(574,746,995)	(574,746,995)	-
VAT not due	92,080,533	92,080,533	-
Other taxes and similar accounts	69,966,925	69,966,925	-
Special funds- taxes and similar accounts	847,412	847,412	-
Loans granted to subsidiaries – short term portion	86,752,959	86,752,959	-
Total	2,015,809,727	2,015,809,727	-

* Refer to Note 2 for movement in above provision.

PAYABLES	December 31, 2007	Due term		
		Up to 1 year	Between 1-5 years	Over 5 years
Suppliers and similar accounts	1,776,623,529	1,760,904,056	15,719,473	-
Advance payments from customers	24,789,910	24,789,910	-	-
Sundry creditors	57,087,141	57,087,141	-	-
Guarantees from suppliers	29,810,741	16,548,204	13,262,537	-
Employees rights	60,925,557	60,925,557	-	-
Contribution to social security	29,090,233	29,090,233	-	-
Contribution to unemployment fund	1,464,334	1,464,334	-	-
Contribution to special funds	9,997,344	9,997,344	-	-
Tax on salaries	10,331,794	10,331,794	-	-
Tax on profit	110,698,913	110,698,913	-	-
VAT payable	104,689,927	104,689,927	-	-
Dividends to be paid	76,030,144	76,030,144	-	-
Other payables	317,467,870	317,467,870	-	-
Total	2,609,007,437	2,580,025,427	28,982,010	-

6. ACCOUNTING PRINCIPLES AND METHODS

Basis of preparation

These financial statements are the responsibility of the management of the Company and are prepared in accordance with the Romanian Accounting Standards, namely Accounting Law no.82/1991, as revised and Ministry of Finance Order ("MOF") no. 1752/2005 amended by Ministry of Finance Order no 2374/2007.

Currency of presentation

These financial statements are stated in lei (RON), using going concern principles.

MINISTRY OF FINANCE ORDER NO. 1752/2005 ("ACCOUNTING REGULATIONS IN ACCORDANCE WITH THE EUROPEAN DIRECTIVES") AMENDED BY MINISTRY OF FINANCE ORDER NO 2374/2007

Order no. 1752/2005 amended by Ministry of Finance Order no. 2374/ 2007 is applicable starting with the financial statements of 2006 by the companies that meet the criteria established by this normative act. Order no.1752 amended by Ministry of Finance Order no. 2374/ 2007 provides for the preparation of the annual financial statements of legal entities.

These financial statements are the responsibility of the Company and are prepared in accordance with Ministry of Finance Order no. 1752/2005 ("MOF no.1752/2005"), amended by Ministry of Finance Order no. 2374/ 2007.

This Order includes the Accounting Regulations conformant with the European Directives, namely:

- a) EEC Directive IV 78/660/EEC, dated July 25, 1978 regarding the annual financial statements, as revised and as included in MOF no.1752/2005;
- b) EEC Directive VII 83/349/EEC dated June 13, 1983 regarding the consolidated financial statements, with subsequent changes, as included in MOF no. 1752/2005.

MOF no.1752/2005, amended by Ministry of Public Finance no. 2374/ 2007, is harmonized with the European Directives IV and VII and differs from the International Financial Reporting Standards. As a result, these financial statements are not in accordance with the International Financial Reporting Standards.

Consolidated financial statements

These are the stand alone statutory financial statements. The Company ('Petro' or 'parent company') also prepares consolidated financial statements for the same period in accordance with International Financial Reporting Standards (IFRS). IFRS Consolidated financial statements have been authorized for issue by the management on March 18, 2008.

Prior Year Restatements and Retained Earnings

Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected retrospectively in the account "Retained earnings from correction of errors".

Geological quota

Until December 31, 2006, the Company benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. Starting with 2005, this facility was recognized directly in reserves without recording as an expense. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable. Starting January 1, 2007, this facility is no longer applicable according to privatization Law 555/2004.

Use of estimates

The preparation of financial statements in conformity with Romanian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As discussed in Notes 1 and 2 the Company used best possible information and estimation available. Actual results could differ from those estimates.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Comparatives

For the year ended December 31, 2007, reclassifications have been performed in order to present as sales of merchandise only the sales of goods bought from third parties. The reclassification was made between row 2 "Sales of production" and row 3 "Sales of merchandise" and does not have any effect on total turnover of the Company.

Property plant and equipment

(i) Cost/ Valuation

Property, plant and equipment is valued at cost, except for buildings which are stated at revalued amounts.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use. The cost of produced assets includes cost of direct materials, labor, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

The buildings have been revalued as at December 2006. Revaluations of buildings are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognized in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

The revaluation of the buildings recorded in December 2006 did not influence the fiscal book value of the assets and consequently the profit tax calculation for the year ended December 31, 2006.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in Statement of Operations.

Exploration and Appraisal Costs

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as capital work in progress oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon commencement of the production. The status of such prospects is reviewed regularly by executive management.

Development and Production Costs

Development costs including costs incurred to gain access to proved reserves and to prepare well locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as incurred. Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

(ii) Depreciation

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, starting with the following month to the put in function date, except for the core items within the Exploration & Production segment which are depreciated using the unit of production method.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Useful lives used for different categories of tangible assets are as follows:

	Years
Property and plant	10 - 40
Machinery and equipment	5 - 20
Vehicles	5
Office equipment	5 – 10

Intangible assets

(iii) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses. They are depreciated on the estimated useful life.

(iv) Impairment of assets

Provision is made for the impairment of the Company's assets whenever the carrying value of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of its net selling price and value in use. Value in use of an asset is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset shall be treated as a revaluation decrease.

(v) Provision for Decommissioning Costs

Decommissioning of oil and gas production assets describes the process of:

- plugging and abandoning wells;
- cleaning of sludge pits;
- dismantlement of wellheads and production and transport facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

Until December 2005, a decommissioning provision was made for oil and gas installations in accordance with environmental regulations in force. These provisions were recorded in full at the commencement of oil and gas production. The amount recognized was the present value of the expenditures expected to be required to settle the obligation, determined in accordance with local conditions and requirements. A corresponding property, plant and equipment of an amount equivalent to the provision was also created. This was subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure was reflected as an adjustment to the provision.

Starting January 1, 2006, changes in the amount of estimated expenditure are not recorded as an adjustment to the amount already capitalized. Decommissioning provision is only decreased with the amounts used for actual work performed.

Based on the privatization agreement, part of the Company decommissioning cost will be reimbursed by the Romanian State. The portion of decommissioning provision to be reimbursed by the Romanian State has been reassessed in order to reflect the current best estimate of the cost at present value. A non-current receivable is established in respect of the reimbursement.

Inventories

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

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

In 2007, the Company changed the accounting policy for evaluation of the inventories from first in first out to weighted average cost. However, due to significant turnover of stocks, this change does not have any material effects on the financial statements.

Receivables

Receivables are stated at their recoverable amounts. Doubtful debts are removed from the balance sheet when they are considered to be irrecoverable.

Contributions for employees

The Company pays contributions to the State Budget for social insurance, pension fund and unemployment fund according to the levels established by the legislation during the year. The value of these contributions is recorded in the income statement in the same period with corresponding salary expenses.

Tax on profit

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Leases are classified as operating leases whenever risks and rewards of ownership are not assumed by the Company. Rental payables under operating leases are charged to expenses on accrual basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are recognized in the statement of operations in the period in which they are incurred.

Revenue recognition

- Revenue for goods sold is recognized upon transfer of title of the goods to customers.
- Services revenue is recognized upon delivery of services.
- Interest income is recognized when due.

Provisions

Provisions are recognized where it is probable that expenditure will be required and liability will arise in the future as a result of a past transaction.

Operational expenses

Operational expenses are recorded as expenses within the period they occurred.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date. At December 31, 2007 the exchange rate was RON 2.4564 to USD 1 and RON 3.6102 to EUR 1 (31 December 2006: RON 2.5676 to USD 1 and RON 3.3817 to EUR 1).

All differences resulting from foreign currency amounts settlements are recognized in profit and loss account in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in profit and loss account for the year.

Components of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid investments with maturities of less than three months.

Long-term investments

Long term investments are carried at lower of cost and share of net assets of the investee or quoted market value of shares if available.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Retirement Benefit Costs

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Actuarial gains and losses are recognized in full in the period in which they occur as a provision for risks and charges.

Restructuring provision

A provision for restructuring is recognized in when the entity has a detailed formal plan for the restructuring of a part of the business and has raised valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Available-for-sale financial assets

Available-for-sale financial assets represent investments intended to be held for an undetermined period of time, which may be sold for liquidity purposes due to changes in interest rates, exchange rates and equity prices. They are initially recorded at cost and are subsequently measured at fair value without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses resulting from subsequent measurement are recognized in equity until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recycled to the Income Statement.

Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturity that an entity has the positive intention and ability to hold to maturity and shall be measured at amortized cost.

Segmental reporting

The Company has vertical integrated activities and presents the following reportable segments: E&P, refining and marketing, chemicals, gas, corporate and other. The pricing of inter-segment transfer is based on market price for various types of products transferred between segments. As a result, the Earnings Before Interest and Taxes per segments presented in Note 10.8 reflects the results of each segment based on the transfer price. Financial assets have been presented according to their nature of activity.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

7. SHARES AND BONDS

SHARE CAPITAL

The total share capital amounts to RON 5,664,410,834, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

	December 31, 2006	December 31, 2007
As at January 1 (no of shares)	56,000,506,078	56,644,108,335
Share issued	643,602,257	-
As at December	56,644,108,335	56,644,108,335

Shareholder Structure as at December 31, 2006

	No. of shares	Percent
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy and Commerce	17,481,773,996	30.86%
Property Fund SA	5,600,050,608	9.89%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	3,520,046,256	6.21%
Total	56,644,108,335	100.00%

Shareholder Structure as at December 31, 2007

	No. of shares	Percent
OMV Aktiengesellschaft	28,894,467,414	51.01%
The Authority for State Assets Recovery	11,690,694,418	20.64%
Property Fund SA	11,391,130,186	20.11%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical persons	3,520,046,256	6.21%
Total	56,644,108,335	100.00%

8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees during 2006 and 2007 and related salaries as follows:

	No. of employees in 2006	Salaries in 2006	No. of employees in 2007	Salaries in 2007
Administrators and directors	42	6,162,872	52	8,737,127
Direct and administrative employees	38,150	1,318,698,285	29,572	1,268,151,727
Total	38,192	1,324,861,157	29,624	1,276,888,854

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

	2006	2007
Liquidity ratios		
Current assets	2.82	1.86
Acid test	2.17	1.11
Risk ratios		
Gearing	0.18%	0.22%
Interest cover	66.95	-
Operational ratios		
Stock turnover – days	37	52
Days in receivables – days	28	41
Days in payables – days	21	36
Total assets turnover	0.67	0.59
Profitability ratios		
Return on capital employed (%) ROCE	20.93%	16.27%
Earnings per share (RON)	0.0405	0.0314
Gross margin (%)	19.47%	17.50%

10. OTHER INFORMATION

10.1. Nature of activity

The Company is located at Calea Dorobanti no 239, sector 1 Bucuresti, Romania. The Company was set up according to the Government Ordinance no.49/ oct.1997, modified by Law no.70/ April 1998. The Company has activities in exploration and production, refining and marketing, gas distribution, chemicals, gas and also has operations in Kazakhstan. The Company is listed on Bucharest Stock Exchange.

10.2. Cash and bank accounts

	December 31, 2006	December 31, 2007
Bank accounts	3,442,643,220	739,517,192
Petty cash	6,394,049	12,567,410
Treasury advances	796,058	-
Other values	1,192,354	550,169
Total	3,451,025,681	752,634,771

As at December 31, 2007 the bank accounts in foreign currency represented 25% of the total bank accounts of the Company.

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.3. Inventories

	December 31, 2006	December 31, 2007
Raw materials and materials	488,058,531	621,029,613
Small tools	22,543,681	18,434,664
Finished products	388,784,411	620,646,908
Work in progress	227,955,486	249,573,292
Packaging and other	2,095,831	1,138,252
Materials at third parties	259,507,216	325,069,804
Products at third parties	84,385,189	65,341,704
Goods purchased for resale at third parties	18,814,937	41,740,028
Provision for inventories*	(66,585,506)	(66,939,890)
Advances for stocks	39,568,843	46,340,968
Total	1,465,128,619	1,922,375,343

* Refer to Note 2 for movement in above provision.

10.4. Earning per share

Calculations of earnings per share are based on the following data:

	December 31, 2006	December 31, 2007
Net profit for the year	2,285,490,203	1,778,042,301
Weighted average of ordinary shares during the year	56,429,574,249	56,644,108,335
Basic earnings per share – RON	0.04	0.03

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.5. Related Parties Transactions and Balances

During 2007, the Company had the following purchases transactions with related parties:

Related party suppliers

Name	Balance	Transactions
Aviation Petroleum SRL	611,436	1,503,813
M.P. Petroleum Distributie SRL	6,015,808	28,411,939
Petrom Distributie Gaze SRL	3,347	2,812
Petrom Gas SRL	431,223	43,203,273
Shell Gas Romania SA	120,234	-
Rafiserv Arpechim SA	18,425,525	184,884,042
Rafiserv Petrobrazil SA	25,469,735	114,301,213
OMV Romania Mineraloel SRL	20,623,507	6,169,665
Ics Petrom Moldova SA	371,187	371,187
OMV Aktiengesellschaft	335,568	8,144,229
OMV Bulgaria LTD	497,229	2,002,108
OMV Exploration & Production GmbH	1,177,416	32,670,260
OMV Gas GmbH	191,714	1,063,450
OMV Deutschland GmbH	-	576,730
OMV Gas International GmbH	143,570	926,769
OMV Refining & Marketing GmbH	20,253,245	183,936,898
OMV Solutions GmbH	1,451,821	13,471,482
OMV Supply & Trading AG	238,382,546	2,156,119,027
Petrom Exploration & Production LTD	2,489,636	2,489,636
OMV Austria Exploration & Production GmbH	114,985	106,678
Poliflex SRL	16,144	-
Petrol Ofisi A.S.	429,552	67,234
Petrom Aviation SA	683,324	683,324
Butan Gas Romania SA	56,481	37,135
Fontegas Peco Mehedinti SA	7,203	-
Acetilena Brazil SRL	-	55,184
Beyfin Gaz SRL	-	117,105
Borealis AG	-	11,536,492
Congaz SA	-	27,844
Linde Gaz Brazil SRL	-	2,948,988
Petrom Nadlac SRL	-	5,574,414
Total	338,302,436	2,801,402,931

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.5. Related Parties Transactions and Balances (continued)

During 2007, the Company had the following sales transactions with related parties:

Related party receivables

Name	Balance	Transactions
Aviation Petroleum SRL	6,237,338	32,541,416
M.P. Petroleum Distributie SRL	29,071,204	211,754,489
Petrom Distributie Gaze SRL	5,846,047	11,417,280
Petrom Gas SRL	43,356,791	350,439,773
Shell Gas Romania SA	4,535,378	71,143,109
Rafiserv Arpechim SA	483,369	4,173,190
Rafiserv Petrobrazil SA	19,886,446	300,930
OMV Romania Mineraloel SRL	150,691,041	1,300,000,791
OMV Bulgaria LTD	69,256,200	434,251,171
Ics Petrom Moldova SA	11,198,869	194,067,800
OMV SRBIJA d.o.o.	7,559,611	135,258,491
Tasbulat Oil Corporation LLP	11,661,416	15,889,948
OMV Refining & Marketing GmbH	9,391,180	6,698,110
Kom Munai LLP	189,837	10,045,862
Petrom Exploration & Production LTD	1,083,060	-
Butan Gas Romania SA	661,588	57,655,167
Linde Gaz Brazil SRL	-	1,776,289
Petrom Nadlac SRL	-	5,280,213
Air Total Romania S.A.	9,700,263	68,539,796
Beyfin Gaz SRL	-	382,572
Brazil Oil & Anghelescu Prod Com SRL	-	2,051
Linzer Agro Trade SRL	6,748,330	29,463,552
Petrom Aviation SA	35,712,274	146,558,928
Acetilena Brazil SRL	-	21,795
Petrogas	-	52,761
Petrol Ofisi A.S.	10,651,824	115,101,347
Trans Gas Services SRL	82	25,992
Linzer Agro Trade GmbH Austria	7,847,204	139,261,119
Poliflex SRL	2,380	2,028,173
Total	441,771,732	3,344,132,115

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.6. Legal reserves

At December 31, 2007 the legal reserve amounted to RON 402,579,752 (December 31, 2006: RON 292,550,780). The legal reserve is established as a transfer of net income up to 5% of gross profit but not more than 20% of share capital. Legal reserve cannot be distributed to the shareholders but can be utilized by the Company in accordance with relevant regulations.

10.7. Tax on profit calculation

	December 31, 2006	December 31, 2007
Revenues	13,933,034,987	12,983,243,688
Expenses	11,386,868,014	10,833,616,660
Gross profit	2,546,166,973	2,149,627,028
Deductions	(2,487,345,155)	(1,169,519,139)
Non-deductible expenses	1,914,127,795	1,617,201,891
Fiscal depreciation for fixed assets	(768,670,107)	(809,879,352)
Accounting depreciation for fixed assets	762,648,366	860,458,193
Other taxable elements	24,022,095	25,200,122
Other non taxable elements	(292,925,166)	(225,630,018)
Taxable profit	1,698,024,801	2,447,458,725
Preliminary tax on profit	271,683,968	391,593,396
less sponsorship expenses	(11,007,198)	(15,909,412)
Income tax related to previous years	-	(4,099,257)
Income tax due for the period	260,676,770	371,584,727

S.C. PETROM S.A.
ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2006 AND DECEMBER 31, 2007
(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.8. Segmental reporting

	E&P	Refining & Marketing	Chemicals	Gas	Corporate & Other	Intersegmental elimination	Total
Revenue							
External Sales	398,860,704	9,566,073,906	433,077,698	1,884,738,112	1,627,988	-	12,284,378,408
Inter-segment Sales	6,962,409,576	1,127,863,699	35,672,150	574,732,222	-	(8,700,677,647)	-
Other revenues	68,251,052	(119,719,379)	1,261,973	2,233,631	1,279,262	247,261,777	200,568,316
Total Revenues	7,429,521,332	10,574,218,226	470,011,821	2,461,703,965	2,907,250	(8,453,415,870)	12,484,946,724
Total Expenses	4,581,624,819	11,639,149,309	411,004,264	2,339,076,026	2,909,746	(8,453,415,870)	10,520,348,294
EBIT	2,847,896,513	(1,064,931,083)	59,007,557	122,627,939	(2,496)	-	1,964,598,430
Financial gain							185,028,598
Income tax							(371,584,727)
Net Result							1,778,042,301
Other information							
Capital expenditure - Tangibles and intangibles	2,432,780,437	879,734,131	16,048,432	19,288,785	299,614,654	-	3,647,466,439
Capital expenditure - Investments	32,070,826	124,019,210	-	13,008,687	3,000,400	-	172,099,123
Depreciation and amortization	607,849,614	174,693,481	13,696	3,490,763	74,411,656	-	860,459,210
Impairment (gain)/ loss, net	99,914,830	154,353,057	16,048,429	14,994,471	226,774	-	285,537,561
Balance Sheet							
Segment tangibles and intangibles assets	7,760,451,338	2,615,060,576	280,030	19,637,770	472,459,348	-	10,867,889,062
Segment financial assets	2,586,484,341	1,479,490,492	-	83,344,101	1,357,621,982	-	5,506,940,916

10. OTHER INFORMATION (continued)

10.9. Commitments and guarantees

Commitments

As at December 31, 2007 the total commitments amount is of RON 297,275,000 related to acquisition of property, plant and equipment for all segments, mainly for E&P.

10.10. Contingent liabilities

Litigations

The Company is and may become party in some lawsuits in front of different courts and governmental agencies, involving contractual aspects, tax and duties and other aspects. As presented in Note 2 the Company booked a provision for certain potential liabilities related on-going litigation.

Tax system

In Romania are a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appears to be subject to significantly less regulation and the company under review appears to have significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Company.

10.11. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2007 prepared in accordance with OMF 1752/2005 was of EUR 45,000.

10.12. Market risk

The financial assets, which could lead the Company to an exposure credit risk, mainly consist of receivables (customers and assimilated receivables). Given the big number of Company's customers, the credit risk is quite limited.

10.13. Foreign exchange and inflation risk

The Company undertakes transactions denominated in other currencies, including US Dollars. The official inflation rate in Romania, during the year ended December 31 2007 was under 10% (respectively 4.84%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004. The official exchange rates for the years ended December 31, 2006 and 2007 were RON 2.5676 and RON 2.4564 for 1USD.

10.14. Credit risk

In the normal course of its business, the Company incurs credit risk from trade debtors and on funds deposited at the financial institutions. Management closely monitors its exposure to credit risk on a regular basis.

The Company believes that it does not require any further collateral or security to support the financial instruments due to the quality of the financial institutions dealt with.

10.15. Subsequent events

Significant events subsequent to the balance sheet date:

- a) In January 2008 the Company sold the investments held in umbrella funds. The selling price was of RON 1,199,638,567. The fair value of the umbrella funds as at December 31, 2007 was RON 1,148,331,825 and the original cost of acquisition RON 1,074,275,441.

10. OTHER INFORMATION (continued)

- b) Petrom closed the transaction for the acquisition of the oil service activities of Petromservice related to the exploration and production activities, effective February 1, 2008. As a result, Petrom took over related oil service assets and 9,775 employees. The acquisition price for this business is EUR 328.5 million. Further to the acquisition, these activities will be integrated into Petrom E&P segment.