

## STRATEGY OF PETROM RISES TO MARKET CHALLENGES

- ▶ Strategic objectives for 2010 re-affirmed, in the new international context
- ▶ Significant increase of investments, of up to EUR 1.5 bn per year, until 2010
- ▶ Remarkable progress in the restructuring and modernization process between 2005 and 2007

**Petrom, the largest oil and gas producer in South Eastern Europe, reviewed its strategic objectives for 2010, in the context of the latest international challenges caused by the highest ever increases of crude prices and the impact from the global financial crisis leading to inflationary pressure, including the increase of food prices.**

**This analysis re-affirmed the viability of the objectives for 2010, set by the company in 2005. Reaching these objectives will significantly contribute to the security of the energy supply in Romania and will guarantee access to quality oil products for Romanian consumers.**

**Mariana Gheorghe, CEO of Petrom: "The company's evolution in the last three years was driven by far-reaching modernization and restructuring that we are currently successfully implementing. In a volatile and, sometimes, not particularly favorable environment, we already reached a series of the objectives set for 2010, we strengthened the company's position and added value to all our activities.**

**The high prices of crude affect not only the international markets, but also Romania and, implicitly, Petrom. For an integrated company, as Petrom, these high prices have both positive as well as negative effects, taking into account the impact on the operating costs and investments. As a responsible company, we will further focus on the energy and operational efficiency and on the long term sustainable development. Considering the rules on the free European market, we will use the tools of a commercial operator, to the long term benefit of all shareholders and the Romanian market economy."**

In Exploration and Production segment, our efforts will continue to focus on stabilizing production in Romania to 210,000 boe/d and reducing of the production costs to approximately 15 USD/boe, in a high inflation industry and volatile exchange rate environment. In 2007, the crude production in Romania was stabilized to 89,000 bbl/d. The success is due to the substantial investments in E&P that materialized into modern technologies and high performance management. The estimations regarding international production in the Caspian Region in 2010 were revised to approximately



20,000 boe/d, due to the re-assessment of the profitable acquisitions opportunities in the region. The objective for the reserves replacement rate stays the same, namely 70% until 2010; the company has already reached in 2007 a reserves replacement rate of 38%, from approximately 13% in 2006.

As for the Refining business, the strategic objectives remain to increase efficiency, expand refining capacity of Petrobrazi to 6 mn tons per year (from 4.5 mn), improve product yield and significantly reduce own crude consumption. The modernization of Refining activities will be completed in 2011 and the full benefits are estimated to appear in 2012. By 2007, several important objectives were already reached: a 70% reduction of flare losses and an increase of the turnaround interval to 4 years. The fuels produced in the two refineries observe all quality standards; starting last year, the company blends diesel with biodiesel, in order to supply the market with fuels in accordance with Romanian legislation.

The restructuring in Marketing is almost completed. Major objectives set for 2010, such as the annual average throughput per station were exceeded. While in 2005 the objective concerning annual average throughput per station was 3 mn liters/year, in 2007 it reached 3.5 mn liters/year and the new objective for 2010 was set at 3.9 mn liters/year. All filling stations are currently working under the full agency system and more than 100 PETROMV premium filling stations have been built in the last years.

For the Gas and Power business, the objectives remain unchanged and aim at increasing sales volume to approximately 7 bcm/year by 2010 and at developing its own gas storage facilities.

Presently, Petrom supplies a third of the Romanian gas consumption at a price equivalent to half of the imported gas price.

Moreover, Petrom intends to become an important player in the energy market, both by capitalizing on the gas and power synergies as well as by considering projects in the renewable energy area. In this regard, the most important ongoing project is the construction of the power plant in Brazi, with a capacity of 860 MW, which will be commissioned in 2011.

In order to reach the strategic objectives for 2010, the company estimates annual investments of EUR 1.5 bn, higher than the 2005 estimate, due to acquisitions, new projects, industry costs inflation and the condition of equipment and assets that the company owned at the time of privatization.

**Mariana Gheorghe, CEO of Petrom : "The experience gained by the management team in the period following the privatization and the good results so far strengthen our belief that we can achieve our objectives for 2010 set in 2005, which we have slightly revised in order to align to the industry environment we are operating in."**

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