Petrom Investor News

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Results[1] for Q4 and January – December 2008: improvements fostered by restructuring ensure solid position to face future challenges

- **2008 was a year of mixed results: turnover increased 36% yoy driven by the overall favorable oil price environment; operating profit (EBIT) went down by 33% yoy, due to one-off items such as provisions for litigations and restructuring and impairment of assets**
- **Q4/08 affected by sharp oil price decline and additional provisions booked: for the first time after privatization, EBIT recorded a negative RON 1,200 mn, compared to RON 332 mn in Q4/07**
- **Some of the targets for 2010 were already achieved: reserve replacement rate reached 71%, annualized throughput per filling station was 4.3 mn liters**
- **Restructuring and modernization of Petrom continued throughout 2008, with record investments amounting to RON 6,404 mn, an increase of 68% compared to 2007**
- **Outlook: Continuous screening and prioritization of investment projects and OPEX costs in order to ensure both that our strong financial position is maintained and our strategic objectives are achieved**

Mariana Gheorghe, CEO of Petrom: "Our financial performance in 2008 was affected to a large degree by one-off items such as provisions for litigations and restructuring, as well as the impairment of Arpechim refinery. Excluding these one-off items, Petrom recorded both a significant increase in turnover, due to the favorable oil price environment during the first three quarters of the year, and improved operational efficiency in all business segments. The benefits of our modernization efforts are becoming more and more visible – we have stabilized Romanian oil production, we are successfully integrating the service activities of Petromservice, which we acquired at the beginning of the year, and we have largely completed the turnaround in Marketing. As a result of this restructuring and modernization program, backed by significant investments since 2005 following privatization, and due to our low financial leverage, we are in a good position to face the challenges of a weakening market environment. With a continuous emphasis on efficiency improvement and cost monitoring, together with a conservative financial strategy in line with OMV Group, we will focus on achieving our strategic objectives and further develop our competitive position in the oil and gas industry."

Q3/08	Q4/08	Q4/07	Δ %	Key performance indicators (RON mn)	2008	2007	Δ %
643	(1,200)	332	n.m.	EBIT	1,309	1,965	(33)
1,660	(664)	754	n.m.	EBITDA	3,565	3,111	15
626	(1,269)	230	n.m.	Net profit	1,022	1,778	(43)
4,733	3,744	3,613	4	Net turnover	16,751	12,284	36
1,253	1,766	1,444	22	Investments*	6,404	3,820	68
33,656	33,311	26,397	26	Employees at the end of the period	33,311	26,397	26

**Investments also 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

The Essence of Motion PETROM
Member of OMV Group

Significant events Q4 2008

On October 3, Petrom completed a transaction with the Association of Petrom Employees for the acquisition of an additional stake of 20.9% in Petrom Aviation, increasing its participation in the company to 69.4%. The transaction value was approximately EUR 2.5 mn. A mandatory public takeover offer was launched by Petrom to the remaining shareholders of Petrom Aviation in accordance with the applicable law.

On October 15, Petrom announced the signing of a three-year credit facility worth around EUR 375 mn. The facility will be used to cover Petrom's financial needs as reflected in the existing company budget and according to current investment programs.

On November 12, Petrom announced that its Exploration and Production segment won the Excellence Award in Project Management for the well modernization project. The award was granted by Project Management Romania, a member of the International Project Management Association - IPMA.

In **November**, Petrom confirmed it was holding negotiations with Oltchim regarding the transfer of petrochemicals activities from Arpechim Pitesti. Oltchim's Extraordinary General Meeting of Shareholders held on December 23, 2008 approved the takeover of petrochemicals from Arpechim. The transaction is subject to Oltchim obtaining the necessary financing.

Also in **November**, Petrom endorsed Oltchim's decision to temporarily reduce the quantities of ethylene and propylene supplied, taking into account the latest market developments and current business environment due to the international financial crisis.

On **December 16**, Petrom's Extraordinary General Meeting of Shareholders approved the purchase of a number of its own shares for distribution to employees (100 shares per employee) according to the provisions of article 168, paragraph 5 of the Collective Bargaining Agreement. The same day, Petrom's Ordinary General Meeting of Shareholders approved the revised investment budget for the year 2008 amounting to RON 6,410 mn, up from RON 6,125 mn initially.

On **December 3**, Petrom and ExxonMobil Exploration and Production Romania Limited signed an agreement to cooperate in exploring the hydrocarbon potential of the deepwater portion of the Neptun Block offshore Romania. The Neptun Block covers an area of approximately 9,900 square km in water depths ranging from 50 m to 1,700 m.

Outlook 2009

For 2009 we expect the main market drivers (crude price, refining margins and the EUR-USD exchange rate) to remain highly volatile. Despite the sharp drop in the oil price – from a record USD 144/bbl level for Brent in July 2008 to around USD 40/bbl at the beginning of 2009 – we expect crude oil prices to stabilize in H1/09 and to recover again in H2/09. The Brent-Urals spread should narrow compared to the 2008 average level.

The average EUR-USD exchange rate for 2009 is expected to be highly volatile, overall we are anticipating a weaker EUR compared to the 2008 average rate. We expect a highly volatile but overall decreasing RON versus the USD and the EUR compared to 2008 average rates.

Refinery fuels margins are expected to weaken from the 2008 level and the petrochemicals business is anticipated to suffer from reduced market demand and lower margins caused by the economic downturn. Marketing sales volumes and margins are expected to decline.

According to the Romanian Government's estimates, the Romanian economy is expected to have grown by 7.8% in 2008, posting one of the most solid performances among EU countries. However, in 2009 the effects of the global financial crisis are expected to slow Romanian economic growth, which could come close to a halt. To support the economy, monetary policy is most likely to pursue a cycle of lowering interest rates from the current 10%. Fiscal policy has little room for manoeuvre as measures to contain the current budget deficit would curtail spending. Romania is expected to face higher borrowing costs as two of the three global credit rating agencies have placed the country's sovereign debt below investment grade. Although, at present, the capacity to roll over Romania's EUR 20 bn short-term debt appears unaffected, the Romanian authorities are currently considering to secure financing with EU institutions. As economic growth slows down markedly, consumers would become more sensitive to price changes. The depreciation of the RON against both the EUR and USD would further reduce their purchasing power.

With good operating cash flow, a solid financial structure and a low leverage, and being part of a strong OMV Group, Petrom is well positioned to cope with the challenges and opportunities in the current market. As part of a larger financing program agreed in June 2008, Petrom will continue to look for external financing, in order to support the company's development objectives. As such, we had been granted by OMV with a revolving financing facility at the beginning of 2009 and we are in discussions with international financial institutions to secure loans for our investment projects and corporate needs.

Petrom's planned investments are screened and prioritized in order to be reduced to levels appropriate to the current financing situation and challenging environment. We will continue our large investment program, however at a considerable reduced level compared to 2008, given the current unfavorable economic conditions and the oil industry in general. In order to ensure the necessary funds to finance an already reduced investment budget compared to previous year, the management's proposal is that no dividends should be distributed for 2008. Nevertheless, the Company's investment budget and dividend proposal are subject to further approval by the General Meeting of Shareholders, on April 28, 2009.

To protect Petrom's cash flow from the potential negative impact of falling oil prices, derivative instruments have been used to hedge earnings in the E&P segment for approx. 40,000 bbl/d in 2009. To achieve this goal, put spreads were used. Should average oil prices per quarter stay below USD 65/bbl in 2009, the hedge would pay out USD 15/bbl to actual oil prices. From USD 65/bbl to USD 80/bbl the hedge secures USD 80/bbl. The put spreads were financed via calls in order to avoid initial cash outlay (zero-cost structure), whereby the Company would not be able to profit from oil prices above approx. USD 110/bbl in 2009 for the above stated volume. The gain/ loss effect from these hedging instruments will be recorded in the income statement in 2009. In terms of USD currency exposure, Petrom has relatively balanced USD-denominated inflows and outflows, which create a natural hedge. As such, and taking into account the liquidity of the Romanian market, Petrom decided not to make FX hedges. However, market as well as currency risks are constantly monitored.

In **E&P**, the focus will be on increasing the reserves portfolio, arresting natural decline and ensuring production in the long term, as well as improving efficiency. The E&P investment program will continue in 2009, especially with focus on the drilling program and development of the most promising major fields, but the levels have been revised downward due to both the financial crisis and international oil price volatility. The gas field development Mamu as well as the offshore oil field development Delta will make considerable contributions to production on a full year basis. The Komsomolskoe oil field in Kazakhstan is expected to start production in H1/09. The efficiency increase of the integrated oil service business of Petromservice, acquired in February 2008, will be one of the key activities. The successfully completed well modernization program and the increase in operational efficiency will have a positive influence on the operating costs of Petrom in 2009. The focus will continue to be on tight cost control and project prioritization within E&P to tackle the volatile environment.

In **R&M**, the restructuring of the business and the focus on increasing the operational efficiency will continue. Within Refining, we aim to drive further incremental improvements in energy efficiency and yields development towards higher value products. Our refineries' utilization will be optimized to the existing market conditions to fulfil product demand. We are continuing to pursue our mid-term strategy focused on converting Romanian crude oil into high-quality transport fuels for the South-East European market and will continue our investments to position Petrobrazi as the leading refinery in Romania, with a planned 6 mn tons per year refinery capacity and a new grass-roots hydrocracker unit (the first in Romania). However, adapting to the current macroeconomic situation, we have deferred the completion date of the Petrobrazi modernization project to 2012 and altered our investment schedule accordingly. In addition, we aim to finalize the transaction of selling Petrochemicals Arges. Investments in the marketing business are focused on operations' optimization and efficiency increase.

In **G&P**, the focus will remain on expanding the gas value chain, by entering into the power market. As such, the construction of the power plant at Brazi continues according to plan. The trend of declining gas consumption in Romania is expected to continue in 2009 due to lower industry demand, however the impact on Petrom's own production are expected to be minor since we believe that gas imports will be predominantly affected. The distribution and sale of natural gas to households is not a core activity of Petrom. Consequently, Petrom is looking for a qualified partner to take over Petrom Distributie Gaze in order to further develop this company. This process is ongoing at the time of writing and is expected to be finalized in the course of 2009.

Exploration and Production (E&P)

Q3/08	Q4/08	Q4/07	∆ %	in RON mn *	2008	2007	∆ %
1,332	(190)	772	n.m.	EBIT	3,228	2,848	13
1,674	218	1,013	(78)	EBITDA	4,490	3,556	26
893	990	850	16	Investments**	4,524	2,465	84

** As of January 2008, E&P financials include the results of the new business division Exploration and Production Services (EPS)*
*** Investments also include increases of Petrom share participations and investments during the year in exploration wells that proved unsuccessful*

Q3/08	Q4/08	Q4/07	∆ %	Key performance indicators	2008	2007	∆ %
17.15	17.09	17.50	(2)	Total production (mn boe)	68.98	70.27	(2)
186,399	185,737	190,000	(2)	Total production (boe/day)	188,476	193,000	(2)
1,138	1,139	1,139	0	Crude and NGL production (kt)	4,541	4,541	0
8.18	8.19	8.19	0	Crude and NGL production (mn boe)	32.66	32.66	0
1,371	1,360	1,424	(4)	Gas production (mn cbm)	5,553	5,751	(3)
112.79	54.65	85.90	(36)	Average Urals price in USD/bbl	94.77	69.38	37
104.10	46.70	78.42	(40)	Average realized crude price USD/bbl	84.11	63.00	34
247.84	142.05	187.62	(24)	Average realized crude price RON/bbl	211.95	153.44	38
207.88	170.75	197.42	(14)	Regulated gas price for domestic producers in USD/1,000 cm	195.59	183.98	6
19.16	17.04	18.10	(6)	Domestic production cost, USD/boe	18.00	16.83	7
45.61	49.98	43.15	16	Domestic production cost, RON/boe	45.35	41.00	11

Fourth quarter (Q4/08) and full year 2008

- **Full year strong operating performance – EBIT up by 13% - due to favorable oil price environment; Q4/08 EBIT negatively affected by sharp fall in international oil prices and provisions**
- **Sustained investment program in Romania throughout 2008, up 84% yoy; intense drilling program and the ongoing modernization led to 16% higher investments compared to Q4/07 despite oil price volatility**
- **Throughout 2008, the level of crude oil production was successfully maintained while gas production continued to decline**
- **Well modernization program successfully completed (5,049 wells completed by end 2008)**
- **Successful integration of the services activities of Petromservice**
- **2010 reserves replacement rate target already achieved, reaching 71% in Romania**

Fourth quarter 2008 (Q4/08)

The **domestic realized crude price** decreased by 40% to USD 46.70/bbl compared to Q4/07, due to lower prevailing oil prices. In RON terms, the domestic realized crude price decreased by 24% on the same period last year, USD oil price weakness being partly offset due to appreciation of the USD against the RON.

EBIT was negative in Q4/08 [RON (190 mn)], mainly due to the significant fall in prevailing oil prices, partly mitigated by a stronger USD, and due to the booking of litigation and restructuring provisions.

Group oil and gas production fell by 2% to 17.6 mn boe compared to Q4/07 due to the lower domestic gas production. **Group oil production** reached 8.7 mn boe, up 1% compared to Q4/07, as a result of higher oil production in Kazakhstan.

Total oil and gas production in Romania amounted to 17.1 mn boe in Q4/08, 2% lower than in Q4/07.

In Q4/08, **domestic crude oil production** amounted to 1.1 mn tons. Oil production was maintained at the same level as in Q4/07 and Q3/08 thanks to improved drilling performance and the well modernization program.

Natural gas production was 1,360 mn cbm, 4% lower than in Q4/07. Compared with Q4/07, gas production was mainly affected by the shutdowns at some major customers in the fertilizer industry and a lower number of new gas wells drilled (only three new gas wells in Q4/08 compared to eight in Q4/07) and to the lower additional production achieved from these new wells.

Domestic production costs of USD 17/ boe, decreased by 6% in comparison to Q4/07, due to the USD appreciation versus the RON. Meanwhile, when expressed in RON/boe, domestic production costs increased by 16% compared to Q4/07 due to the inflation of services and higher personnel costs.

E&P investments in Romania rose by 16% compared to Q4/07, driven by increased drilling activity and well modernizations.

Petrom SA spent RON 117.2 mn on **exploration** in Q4/08, all of which was expensed; an additional RON 25.3 mn was expensed from wells, which commenced drilling in previous periods.

13 additional exploration and appraisal wells were drilled and seven spud in Q4/08. At the end of 2008, six discovery wells were in experimental production: 540 Oprisenesti, 20 Valeni, 316 Sinoe, 318 Sinoe, 70 Pitulati, and 260 Colibasi. In December, the gas well 20 Valeni was completed. Currently the well is connected into the national supply system and had an initial production rate of 1,700 boe/day.

An additional 1,417 km of seismic acquisition was recorded in Q4/08.

Compared to Q3/08, EBIT decreased dramatically as oil price plunged [over the same period, average Urals in USD lost 52% while average realized price dropped 55% when expressed in USD and 43% when expressed in RON] and because of the significant litigation and restructuring provisions booked in Q4/08. Total oil and gas production in Romania was stable compared to Q3/08. The slightly lower gas production was partly compensated by higher oil production compared to Q3/08. Domestic production costs in RON/ boe increased by 9.5% in Q4/08 compared to Q3/08 and are mainly from increases in third party service costs and consumable materials, partly offset by lower personnel costs (11% decrease when expressed in USD due to the depreciation of the RON). E&P investments in Romania of RON 990 mn increased by 11% compared to Q3/08 mainly due to increased drilling activity and well modernizations.

January – December 2008

In 2008, the **domestic realized crude price** rose by 34% to USD 84/bbl compared to 2007, due to higher international oil prices. The domestic realized crude price in RON terms increased by 38% over 2007, due to the strengthening of the USD against the RON. The 5% increase in regulated domestic gas prices for producers is not reflected in turnover as the price difference was directed to the Social Gas Fund.

EBIT increased by 13% compared to 2007, mainly due to significantly higher oil prices over the year partly offset by significant provisions related to litigation and restructuring established during 2008.

Group oil and gas production decreased by 1% compared to 2007, to 71.08 mn boe (194,224 boe /day) as a consequence of lower domestic gas production. **Group oil production** was up by 1% compared to 2007, reaching 34.4 mn boe, due to the increase in oil production in Kazakhstan.

The total oil and gas production of Petrom SA in Romania amounted to 69 mn boe, 2% lower than in 2007 due to the lower gas production.

The **crude oil production of Petrom SA in Romania** was 4.5 mn tons, at a similar level as in 2007. Stabilization of oil production was achieved through improved drilling performance and the application of new technologies related to well productivity through modernizations.

Natural gas production reached 5,553 mn cbm, lower by 3% compared with 2007. The 2008 gas production level was affected by the technical difficulties created by the pipeline pressure, the shutdown of the fertilizer industry in H2/08 and by the well workovers as a lower number of new gas wells were drilled in 2008 (11 new gas wells completed in 2008 compared with 15 in 2007).

Domestic production costs of USD 18/boe were 7% higher compared to 2007, due to industry cost inflation and increased external service costs, partly offset by the USD appreciation against RON. Expressed in RON/boe, domestic production costs increased by 11% compared to 2007.

E&P investments in Romania amounted to RON 4,524 mn, up by 84% compared to 2007. The increase is generated by the acquisition of the oil services business of Petromservice and focus on drilling activities, well modernization and efficiency programs.

Petrom SA exploration costs totalled RON 450 mn in 2008. This amount includes RON 100.2 mn recognized directly in the profit and loss account and RON 311.7 mn that was initially capitalized and subsequently evaluated as not successful and therefore expensed. Furthermore, exploration expenses also include RON 38.1 mn related to projects initiated in previous years for which the evaluation process was finalized in 2008 and subsequently classified as not successful.

Based on the results of the previous three years of 2D and 3D seismic acquisition campaigns, 28 exploration and appraisal wells were spud and 26 exploration and appraisal wells were drilled (compared with 23 wells drilled in 2007). Out of these, 11 exploration and appraisal wells recorded technical success and eight wells have proved production. A cumulative 3,599 km new 2D seismic survey was acquired in 2008.

Continuous revisions of mature fields, intensification of the drilling program combined with a diversification of recovery mechanisms applied led to achieving the 2010 reserves replacement rate target in 2008 already (71% in Romania, almost double than 38% obtained in 2007).

Turnaround program

The **well modernization program** continued throughout Q4/08 and had been successfully completed by year end. As a result, a total of 5,049 wells had been completed by the end of 2008 (of which 802 during Q4/08), with a positive impact on production costs, production volumes and operations safety.

The **2008 Drilling Optimization Program** was successful with a total of 275 wells finished and drilled (61 wells achieved in Q4/08), 48% more than in 2007.

Drilling activities at the first gas well 4335 Mamu are ongoing and will be finalized by the end of Q1/09. A second well (4338 Mamu) will be drilled in the second half of 2009 and is expected to offset the decline in other wells. At the same time, the upgrade of the existing Madulari gas treatment facilities will continue. **Development of the Delta offshore discovery** was reassessed in order to lower risks and reduce the level of investment needed. Hence, the sub-sea completion method was abandoned in favor of drilling one extended reach horizontal well (D6).

In the last quarter, **optimization of gas delivery in the Hurezani Corbu** project continued with the front-end engineering design phase. The feasibility study was finalized at the end of 2008. Preparatory work to enter the detailed engineering phase was started at the end of 2008. Project is due for completion in the first half of 2010.

At the end of 2008, most of the civil and steel construction works at the **new gas processing plant Midia and C3+** (contract signed with Linde Group in late 2006) were finalized. The commissioning and testing of the process facilities is currently ongoing. The new plant is set to increase the current gas processing capacity allowing all the gas produced offshore to be treated by the new unit. The completion and start-up of the new unit is scheduled by mid 2009.

Exploration and Production Services (EPS)

In 2008, we successfully integrated the service activities of Petromservice. The acquisition and integration of the oil services business of Petromservice into Petrom supports the strategic objectives of the E&P division: the stabilization of oil and gas production and the reduction of production costs. For the integration of the newly acquired oil services, a new division was created within Petrom: Exploration and Production Services (EPS), effective February 2008. EPS results are consolidated within the E&P segment.

The legal **transfer of the business** was completed in Q1/08 and it was followed up by a significant post merger integration process for EPS operations. All the operational divisions had to adjust to the corporate structure and ensure the continuity of service delivery. All the administrative functions and systems (including SAP) have been implemented and the set-up of the new streamlined organization has been achieved. HSEQ standards have been established and training has started. Selective investments have been added to the operational improvements.

Based on an in-depth analysis of field operations, EPS started in Q4/08 the implementation of an efficiency increase pilot project in one field cluster. This pilot project delivered operating improvements. Starting Q1/09, EPS will roll out this project within all field clusters to increase efficiency at all levels, throughout the country. This roll out will provide the basis for stabilizing EPS costs on the 2007 level thus compensating for cost inflation effects.

The EPS turnaround optimization program, which started in Q3/08, targets a production cost reduction by 1.5 USD /bbl. This shall be achieved by streamlining the organization and further increasing operational efficiency supported by moderate investments.

International E&P activities

Fourth quarter 2008 (Q4/08)

Oil and gas production in Kazakhstan in Q4/08 amounted to 560 thousand boe, 4% lower than in Q3/08 due to the fact that in November the early production by trucking from Komsomolskoe field was stopped entirely, in order to allow the permanent production facilities to be completed at the earliest possible. As compared to Q4/07, the production level was 21.5% higher

The development drilling of **Tasbulat Oil Corporation (TOC)** was resumed in December with a local contractor. The new contractor was awarded the contract following a tendering process initiated in mid-2008 to replace the old drilling contractor that failed to fulfil the committed program.

The **Komsomolskoe** field development is ongoing with drilling of four horizontal wells (batch drilling). Infrastructure and pipeline construction was finalized and the Central Processing Facility (CPF) was nearing mechanical completion at the end of 2008.

Oil continues to be trucked to the delivery point until completion of the export pipeline.

The first oil production through the permanent facilities is expected in H1/09, with an initial production of 5,000 bbl/d.

In **Russia,** two exploration wells had hydrocarbon shows in Q4/08.

January – December 2008

In 2008, **Kazakhstan oil and gas production** further increased to 5,748 boe/d (up 25% compared to 2007) due to infill drilling and successful well stimulation projects in the **TOC fields** (Tasbulat, Turkmenoi, Aktas).

OMV/Petrom continued to develop the **Komsomolskoe oil field**; the first horizontal producer and vertical gas injector wells were finalized and batch drilling is ongoing for additional four horizontal producers; infrastructure and pipeline construction was finalized and the Central Processing Facility (CPF) was nearing mechanical completion at the end of 2008.

After entering **Russia** in 2006, exploration work in the Saratov and Komi region continued in 2008. Approximately 1,500 km of 2D seismic survey were acquired in 2008. Two out of the three exploration wells drilled in 2008 in the Saratov region had hydrocarbon shows and are being tested. At year end, all licenses have been reviewed, taking into account existing and newly acquired technical data and the new economic environment. This review revealed a lower value for some licenses compared to their respective book values and consequently led to an impairment being recognized on the balance sheet as per international oil industry practice.

Refining and Marketing (R&M)

Q3/08	Q4/08	Q4/07	Δ %	in RON mn	2008	2007	Δ %
(710)	(993)	(474)	n.m.	EBIT	(1,895)	(1,065)	n.m.
(65)	(903)	(323)	n.m.	EBITDA	(1,055)	(736)	n.m.
250	611	487	25	Investments	1,297	1,004	29

Q3/08	Q4/08	Q4/07	Δ %	Key performance indicators	2008	2007	Δ %
1,605	1,551	1,422	9	Crude input (kt)	6,121	5,917	3
526	493	349	41	thereof imported crude (kt)	1,831	1,570	17
80	77	71	8	Utilization rate (%)	77	74	4
0.01	3.95	1.61	-	Refining margin indicator (USD/bbl)	1.43	3.56	(60)
1,365	1,388	1,351	3	Marketing sales (kt)	5,210	4,707	11
384	416	484	(14)	thereof export (kt)	1,649	1,476	12

Fourth quarter (Q4/08) and full year 2008

- **The steep decline of crude and products prices during Q4/08 had a negative impact in our results due to substantial negative inventory effects, wiping out the positive effects accumulated during the rising market and forcing lower refinery utilization**
- **Good returns from operational improvements made in our refineries throughout the year were able to partly offset the significant negative inventory effects**
- **Throughput per filling station improved due to the implementation of the full agency system and higher domestic demand, reaching 4.3 mn liters – 34% above 2007 level**
- **Marketing result benefited from increased sales volumes in retail and good margin environment; retail sales volume went up by 40% in Q4/08 compared to Q4/07 and by 29% in 2008 compared to 2007**
- **Domestic marketing volumes increased by 12% compared to Q4/07, despite overall higher fuel prices**

Fourth quarter 2008 (Q4/08)

EBIT of the R&M business was significantly lower compared to Q4/07, reflecting the booking of provisions for litigation and impairment for our petrochemicals business as well as the steep decline of crude prices; the latter led to significant negative inventory effects only partly compensated by lower cost of own crude consumption in Refining and higher Marketing sales volume.

During Q4/08, Refining continued to return good results on operational improvements, as energy efficiency maintained its improvement trend and product yields were further upgraded.

The total quantity of **crude processed** in Q4/08 amounted to 1,551 thousand tons, higher by 9% compared to Q4/07, of which imported crude oil represented 32%. The increase is due to lower utilization at Petrobrazi in 2007 after the two weeks refinery stop in November 2007, for diesel hydro treating unit tie-ins.

Refining margins were higher than the comparable period of last year due to the mixed effect of favorable middle distillates spreads and the relative lower cost of own crude consumption positively influenced by the sharp decline in crude prices. The **refining margin indicator**[2] for Q4/08 was USD 3.95/bbl, vs. USD 1.61/bbl in Q4/07. **Diesel cracks** were USD 204/t in Q4/08, that is

[2] The refining margin indicator is based on the international quotations for products [Augusta] and Urals crude and a standardized yield set typical for Petrom's refineries

USD 17/t higher than Q4/07 but the **gasoline cracks** further deteriorated, now having a value of USD 79/t, USD 71/t less than the level of Q4/07.

As a consequence of the economic decline, in mid-November we halted operation of the steam cracker unit in Arpechim and consequently the petrochemicals downstream. The unit remained offline for the rest of the quarter and, absent feasible commercial agreement for our products, there is an uncertain outlook for future operations of the Steam Cracker. This led to a significant drop in **petrochemical and special product sales** by 47% compared to the Q4/07 level.

On October 17, a technical incident occurred at Arpechim in the gasoil hydrotreater, which resulted in a fire. The fire was immediately extinguished and nobody was injured. We optimized our refineries' production plan to fulfil the product demand and to cope with this constraint until the unit was back on-stream.

In December we obtained the revised integrated permit for Arpechim, according to the Integrated Pollution Prevention and Control (IPPC) Directive.

Marketing results significantly improved compared to Q4/07, driven by higher margins and the increase in non-oil business contribution.

Total marketing sales increased by 3% compared with Q4/07, driven by a 40% increase in retail sales against the same period of 2007. This was supported by warm weather conditions and, most importantly, by the improved management of the filling station network.

White product sales on the domestic market were 14% above Q4/07 level, driven by higher demand, the upgrade of the filling station network and improved retail station management. **Domestic gasoline sales** were up by 19% compared to Q4/07, while **domestic diesel sales** increased by 13% against the same period of 2007. Sales of aviation fuels recorded a 4% increase over Q4/07.

Retail sales increased in comparison with Q4/07 by 40% to 581 mn liters (466 thousand tons equivalent), while **total commercial and export sales** (922 thousand tons) decreased by 9% due to lower demand for fuels on the domestic and external markets. **Commercial domestic sales** amounted to 506 thousand tons, representing a decrease of 5% compared to Q4/07.

Exported quantities were 14% lower in Q4/08 compared to Q4/07, mainly due to a decrease of 47% of exported diesel quantities.

Petrom, through its subsidiaries, sold 370 mn liters of fuel to retail customers in Q4/08, of which international sales represented 60%. Compared to Q4/07, retail subsidiaries sales were 8% higher.

The **non-oil business** also registered a significant increase. The total turnover increased to RON 120 mn, 30% higher compared to Q4/07, due to portfolio and purchase process optimization.

At the end of Q4/08, Petrom SA had 448 filling stations, while Petrom Group operated a total of 819 filling stations, of which 550 are in Romania and another 269 abroad: 115 in the Republic of Moldova, 95 in Bulgaria and 59 in Serbia.

R&M investments increased to RON 611 mn, up by 25% compared to Q4/07.

In Refining, we progressed with the construction of the EUR 90 mn fluid catalytic cracking (FCC) gasoline post treater project in Petrobrazi, which is to be commissioned in early 2009. This project enables production of EUR V gasoline at the site.

In Marketing, the investments were mainly focused on reconstructing and modernizing the remaining, old-style Petrom filling stations (26 were opened in Q4/08) and on the rebuilding of the main terminals within Integrated Logistics.

Compared to Q3/08, diesel cracks were USD 54/t lower in Q4/08, and the gasoline cracks were USD 86/t lower. The refinery utilization rate decreased by 3% against the previous quarter, down to 77%, which is largely related to the conditions of the current economic environment. Despite a worsening economic environment in Q4/08, total marketing sales increased by 2% compared to Q3/08, driven by higher retail and commercial export sales.

January – December 2008

EBIT at the R&M business decreased compared to 2007, being negatively affected by the impairment of Arpechim fuels refinery's book value in Q3/08, the booking of provisions for litigation and the impairment for our petrochemicals business. Furthermore, the effects of the significantly weakened economic environment could only partly be offset by the improved operations of our refineries (both in product yield and energy efficiency increases) and improvements in the marketing business (higher sales in both domestic and foreign markets, higher non-oil business, purchase process optimization and reduced costs).

The total quantity of **crude processed** in 2008 amounted to 6,121 thousand tons, a 3% increase compared to 2007; imported crude oil represented 30% of the total quantity of crude processed in 2008 compared to 27% in 2007.

Overall, for 2008 the **refining margin indicator** dropped to USD 1.4/bbl, which is USD 2.2/bbl lower than the 2007 level, mainly due to the high absolute level of crude prices (yearly average), which triggered higher cost of own crude consumption.

Middle distillates were among the only products with better margins than in the previous year, with **diesel cracks** at USD 250/t, which is USD 97/t higher than the 2007 level. With USD 148/t for 2008, **gasoline cracks** were USD 31/t below 2007. During 2008, we maintained a relatively low utilization rate of our refineries at 77%, optimizing the imports of expensive crude in the current margin environment.

Petrochemical and special product sales were 14% lower than in 2007, reflecting mainly the lower utilization of the steam cracker unit Arpechim.

Total marketing sales of 5,210 thousand tons increased by 11% in comparison with 2007.

White product sales on the domestic market were 14% above the 2007 level, driven by higher demand, the upgrade of the filling station network and also the improved retail station management. **Domestic gasoline sales** were up by 12% compared to 2007, while **domestic diesel sales** increased by 16% compared to 2007. Aviation fuel sales increased by 12% compared to 2007.

Retail sales increased in comparison with 2007 by 29% to 1,967 mn liters, while **commercial domestic sales** amounted to 1,985 thousand tons, in line with the 2007 level.

Exported quantities were 12% higher in 2008 compared to 2007, mainly due to exporting heavy fuel oil, which could not be sold locally.

In 2008, the **non-oil business** registered a 45% increase of turnover, compared to 2007 due to portfolio and purchase process optimization.

The average **throughput per filling station** is continuously improving, mainly as a result of the implementation of the **full agency system**. We obtained an annualized throughput per filling station of 4.3 mn liters, 34% higher than 2007 of 3.2 mn liters, hence achieving our 2010 target.

R&M investments increased by 29% compared to 2007.

In the Refining division, investments in 2008 were mainly related to the FCC (fluid catalytic cracking) gasoline post-treater project in Petrobrazi and other projects within the modernization program of Petrom refineries.

In line with our mid-term objectives, the Front-End Engineering and Design (FEED) phase for the major Petrobrazi modernization investments advanced and orders for the long lead items, such as the hydrocracker reactors, were placed.

In Marketing, the focus of investments was on the modernization of the existing filling station network, with a total of 41 filling stations being reconstructed and modernized as well as two new greenfield stations being built. A significant increase in investment was registered in Supply and Logistics where construction commenced on a new storage facility. Marketing investments during 2008 also included the acquisition of an additional stakes in Petrom Aviation.

Gas and Power (G&P)

Q3/08	Q4/08	Q4/07	Δ %	in RON mn	2008	2007	Δ %
57	18	43	(58)	EBIT*	104	123	(15)
80	89	28	218	Investments*	386	32	-

As of January 1, 2008 Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, previous period's numbers have not been restated.

Q3/08	Q4/08	Q4/07	Δ %	Key performance indicators	2008	2007	Δ %
1,109	1,393	1,499	(7)	Consolidated gas sales*, mn cbm	5,297	5,546	(4)
1,023	1,342	1,398	(4)	thereof Gas sales Petrom SA, mn cbm	4,944	5,156	(4)
207.88	170.75	197.42	(14)	Regulated gas price for domestic producers in USD/1,000 cbm	195.59	183.98	6
495.00	495.00	470.00	5	Regulated gas price for domestic producers in RON/1,000 cbm	492.90	448.00	10
480	540	315	71	Import gas price in USD/1,000 cbm	440	293	50
124	104	136	(24)	Sales Doljchim (kt)	503	688	(27)

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 (Q4/08) and full year 2008

- **Lower gas sales volumes in Q4/08 compared to Q4/07 due to reduced market consumption**
- **Doljchim methanol plant temporarily shut down due to low market demand and high inventories**
- **Construction site for power plant Brazi opened in December 2008**

Fourth quarter 2008 (Q4/08)

The gas sales of Petrom SA decreased in Q4/08 by 4% compared to Q4/07, mostly due to the decline of total gas consumption in Romania by 21% over the same period, which was largely caused by the partial shut-down of major fertilizer producers.

EBIT generated by the G&P business of Petrom SA cannot be directly compared to Gas EBIT in Q4/07 [RON 43 mn], as Doljchim results were only consolidated in G&P from the start of 2008. G&P EBIT in Q4/08 is lower than the consolidated result for Q4/07 [the aggregated result of Gas and Doljchim in Q4/07 was RON 34 mn] mainly because the Doljchim result in Q4/08 was negatively affected by the litigation provision.

The **average regulated domestic gas price for producers** in Q4/08 was USD 171/1,000 cbm (RON 495/1,000 cbm), a 14% decrease compared to Q4/07 (5% higher in RON terms).

The total volume of natural gas in storage at the end of December was 318 mn cbm, compared to 209 mn cbm at the end of 2007.

The divestment process of Petrom Distributie Gaze is ongoing but suffering delays as compared to the initial schedule due to the financial crisis. The divestment process is expected to be finalized in 2009, depending on the offers received.

In Q4/08, the Doljchim result was affected by the booking of litigation provisions and by lower sales. Compared to Q4/07, Doljchim sales volumes decreased 24%, due to reduced demand, both domestic and international.

Export sales represented around 48% of total sales. In Q4/08, Doljchim's products were exported mainly to neighboring countries such as Hungary and Bulgaria, but also to markets further afield like Germany, Austria, Turkey, Macedonia and UAE.

Investments in G&P in Q4/08 amounted to RON 89 mn, significantly higher than in Q4/07, mainly relating to the Brazi power plant (RON 84 mn), consisting of payments for the lump sum turnkey contract (LSTK) signed with the GE-Metka Consortium for the construction of the new power plant.

Compared to Q3/08, gas sales volumes in Q4/08 were seasonally higher by 31%. The slightly lower average import quota of 27% to some extent mitigated the increased import price.

The EBIT recorded by G&P in Q4/08 was lower compared to Q3/08 due to the litigation provision booked and due to the lower sales at Doljchim on account of reduced demand, both domestic and international.

January – December 2008

The gas sales of Petrom SA decreased by 4% compared to 2007, while total gas consumption in Romania in 2008 decreased by 5.4% as compared to 2007.

EBIT generated by the G&P business of Petrom SA was lower compared to the EBIT recorded in 2007, mainly as the Doljchim result was burdened by provisions for litigation, impairment of assets, the overhaul of the methanol plant in Q2/08 and reduced demand in Q4/08.

The **average regulated gas** price for Romanian producers was USD 196/1,000 cbm (RON 493/1,000 cbm), up by 6% compared to 2007 (10% in RON terms).

The regulated end-user gas price for households and industrial customers in Romania increased by 12.5%, as of July 1st, 2008. However, this had no impact on the domestic gas price. In accordance with the agreement with the Romanian government in March 2008, Petrom contributed RON 80 mn in 2008 to the newly established Social Gas Fund. The Social Fund was set up to distribute grants to alleviate the burden of gas price increases on low-income Romanian households who rely on gas for domestic heating.

Petrom injected 441 mn cbm into storage in 2008. The total volume of natural gas in storage at the end of December was 318 mn cbm.

EBIT recorded by Doljchim in 2008 was negative (RON 79 mn) due to the booking of the provision for litigations, asset write-offs and the major refurbishment of the methanol plant in Q2/08.

The volume of Doljchim sales decreased by 27% to 503 thousand tons. The decrease was mainly due to the major maintenance shutdowns undertaken at the fertilizer plants, the ammonia plant in January and February and the methanol plant in May to June; and also due to reduced demand in Q4/08. In the second half of the year, the chemicals and fertilizer markets were severely hit by the economic crisis. Demand in domestic as well as in international markets slowed down substantially due to the lack of demand and increasing difficulty of financing products. Therefore, Doljchim was forced to temporarily reduce, then close down production.

Export sales represented around 44% of total sales.

The investments in Doljchim totalled RON 40 mn while Power related investments stood at RON 346 mn.

Status of Brazi power plant construction

The construction of Brazi power plant is advancing according to the schedule and within the budget approved last year. In Q4/08, the Power division made further steps in advancing the project and two new milestones were reached:

- The Urbanism Certificate for OHTL (Overhead Line) was obtained
- Official site opening in December 2008

The following contracts were signed in 2008:

- Lump sum turnkey (LSTK) contract for building Brazi power plant signed with a Consortium formed of General Electric and Metka
- Long Term Service Agreement (LTSA) for CCPP Brazi with General Electric International Inc.
- High voltage connection LSTK contract with Siemens for the evacuation of energy generated by Brazi power plant
- Contract with Itochu-Toshiba (Japan) for Brazi Vest substation extension
- Contract with ESBI (Ireland) for owner's engineering services.

Financial highlights 2008

Profit and loss account

Fourth quarter 2008 (Q4/08)

The Company's **net turnover** in Q4/08 increased by 4% to RON 3,744 mn compared to Q4/07, mainly driven by higher quantities sold through filling stations, higher non-oil sales, which compensated lower exports and petrochemical sales.

Operating expenses in Q4/08 increased by 57% compared to Q4/07, to RON 5,131 mn. Provisions for risks and charges increased, as Petrom booked additional provisions in Q4/08 for litigation and restructuring. Since the end of 2007, Petrom has been involved in litigation initiated by a number of former and current employees based on differing interpretations of the Petrom's Collective Bargaining Agreement. As Petrom has continued to receive new claims from both current and former employees with regards to differing interpretations of some of the clauses of the Collective Bargaining Agreement, an additional provision of RON 860 mn was booked in Q4/08 to cover this potential risk. Petrom assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows. The provision for restructuring amounted to RON 180 mn. These provisions impacted the results of all segments.

EBIT recorded a negative RON 1,200 mn, considerably below that for Q4/07 [RON 332 mn], significantly impacted by the substantial provisions booked as well as the lower oil prices and the negative inventory effects in Refining.

E&P segment recorded a negative result of (190) mn RON in Q4/08, lower than the result in Q4/07 by 962 mn RON. This negative development was due to the booking of the litigation provision and to the sharp oil price decline in Q4/08. In addition, the contribution to the Social Fund, based on the protocol signed in March 2008 by Petrom with the Ministry of Economy and Finance is also worthy of mention. The contribution was established at RON 80 mn, payable in 11 equal monthly instalments of RON 7.27 mn, which was fully funded by E&P.

EBIT of **R&M** decreased in Q4/08 compared to Q4/07 by RON 519 mn, from RON (474) mn in Q4/07 to RON (993) mn in Q4/08 mainly due to inventory effects. This negative impact is compensated by process optimization, reduced costs and higher deliveries due to the development of the retail segment. In the **G&P** segment, EBIT for Q4/08 was RON 18 mn lower than the result recorded in Q4/07 [RON 34 mn, aggregate results of Gas and Chemicals in Q4/07],

The Company's **financial result** decreased in Q4/08 to RON (41) mn from RON 19 mn in Q4/07, mainly due to impairment losses for the investment of Ring Oil in Russia and exchange rate losses partly compensated by dividends received.

The corporate tax charge decreased by RON 94 mn in Q4/08 compared to Q4/07, reaching RON 27 mn, due to the decrease in gross profit partly compensated by a significant increase in non-deductible expenses related to impairments and provisions

Net profit decreased significantly in Q4/08 compared with Q4/07 as a consequence of losses from both operating and financial activity, and also due to the high level of non-deductible expenses.

Petrom contributed RON 1,448 mn for the State budget in Q4/08, only 1% less than in Q4/07. In Q4/08, income tax stood at RON 27 mn, royalties amounted to RON 177 mn and social contributions paid totalled RON 87 mn. Petrom's contribution to the State budget via indirect taxes was mainly represented by excise (RON 904 mn) and VAT (RON 112 mn).

Compared to Q3/08, Petrom's net turnover decreased by 21% amounting to RON 3,744 mn, mainly driven by the significant decrease in selling prices. Only G&P recorded a positive trend both due to seasonality. Operating expenses in Q4/08 increased by 18% compared to Q3/08, to RON 5,131 mn. Provisions for risks and charges increased in Q4/08 due to restructuring provisions and additional provision for litigation concerning former and current employees. On the other hand, operating expenses were lower compared to the previous quarter due to the impairment booked in Q3/08 for the Arpechim refinery. Consumption of raw materials decreased, as a result of lower prices of imported crude oil and a decrease in quantities. EBIT was considerably below the RON 643 mn result recorded in Q3/08 mainly due to the steep oil price decline in Q4/08, the aforementioned booking of provisions and negative inventory effects.

The Company's financial result was below the positive result of RON 139 mn recorded in Q3/08, due to exchange rate losses from Romanian currency depreciation partly compensated by dividends received. The corporate tax charge decreased by RON 128 mn compared to Q3/08 [RON 155 mn], mainly due to the decrease in gross profit.

Net profit decreased significantly in Q4/08 compared with Q3/08 as a consequence of lower operating and financial results. Petrom's contribution to the State budget was 19% less in Q4/08 than in Q3/08.

January – December 2008

The Company's **net turnover** increased by 36% to RON 16,751 mn compared to 2007 driven by the higher crude price levels, fuel sales (both domestic and export sales) and higher non-oil business sales.

Operating expenses increased by 53% compared to 2007, to RON 16,090 mn, mainly due to the increase in raw material costs caused by higher prices of imported crude oil and materials (mainly biofuels) and higher staff costs. Provisions for risks and charges increased compared to 2007, as Petrom booked significant provisions for litigation. Operating expenses also increased due to higher depreciation, as a result of greater investment and impairment booked for the Arpechim refinery.

EBIT amounted to RON 1,309 mn, 33% below the RON 1,965 mn result in 2007.

E&P segment made a positive contribution with an EBIT, which increased to RON 3,228 mn in 2008, a RON 380 mn increase compared to 2007. This was driven by favorable crude oil price development. This positive impact was partly offset by the contribution to the social fund, of RON 80 mn, fully supported by E&P.

EBIT of **R&M** reflects operational improvements as a result of process optimization, reduced costs and higher deliveries to both domestic and foreign markets. Despite these improvements, however, the R&M result in 2008 was lower compared to 2007 because of the impairment recorded in Arpechim. This was the major factor behind the decrease of EBIT in R&M by RON 830 mn, from RON (1,065) mn in 2007 to RON (1,895) mn in 2008.

G&P EBIT was RON 104 mn, lower than the result recorded in 2007 of RON 182 mn [aggregate results of Gas and Chemicals] mainly because the result in 2007 benefited from the reversal of the Doljchim environmental provision at an amount of RON 120 mn. As of 2008, Doljchim is reported under G&P segment.

The Company's **financial result** improved to RON 296 mn from RON 185 mn in 2007, mainly due to higher dividends received and foreign exchange gains.

Although gross profit decreased in 2008 by RON 544 mn to RON 1,605 mn, the **corporate tax charge** increased due to significant non-deductible expenses related to impairments and provisions.

As a result of the business activities, Petrom contributed RON 6,476 mn to the State budget, 14% higher than in 2007. Income tax stood at RON 583 mn, royalties amounted to RON 725 mn and social contributions reached RON 509 mn. Petrom's contribution to the State budget via indirect taxes was mainly represented by excise [RON 3,325 mn] and VAT [RON 691 mn].

Net profit decreased by 43% in 2008 compared with 2007 mainly due to the special charges like litigation provisions and the impairment of Arpechim.

Balance sheet

Total assets amounted to RON 25 bn as of December 31, 2008, up by 18% compared to the end of 2007 [RON 21 bn], mainly as a result of the increase in tangible, intangible, financial assets and inventories, offset by a decrease in accounts receivable and a lower net cash and bank position. The higher cash outflows for investments, loans granted to subsidiaries and dividend payments to the State, OMV and minority shareholders led to a lower net cash position at December 31, 2008.

Non current assets increased by 21% to RON 20 bn, mainly driven by significant investments related to E&P: the acquisition of the oil services business of Petromservice, the development and modernization of wells, surface facilities and production equipment partly offset by a decrease in financial assets mainly resulting from the disposal of the umbrella funds [investment in mutual funds and other financial instruments through umbrella funds].

Inventories increased compared with the previous year because of higher materials and gas quantities.

The increase in inventories was surpassed by the decrease in current assets such as cash and receivables. As a consequence, **total current assets** including prepayments increased by 7% to RON 5,121 mn compared to the end of 2007 [2007: RON 4,785 mn].

The economic environment for the last months of 2008 brought a decrease in receivables compared to the same period last year. The main influence is the decrease in price accompanied by a decrease in quantities.

Total liabilities increased by 42% to RON 11,358 mn as of December 31, 2008, mainly due to an increase in long and short terms loans and higher provisions.

Shareholders' equity amounted to RON 13,569 mn as of December 31, 2008, up by 3% from the end of 2007[RON 13,184 mn], as a result of net profit RON 1,022 mn generated in the current year, effect from strategic hedge operation RON 518 mn, the reduction attributable to distributed dividends RON 1,082 mn and the reversal of the fair value related to the umbrella funds sold in Q1/08 amounting RON 74 mn.

Investments

Q3/08	Q4/08	Q4/07	∆ %	in RON mn	2008	2007	∆ %
893	990	850	16	Exploration & Production	4,524	2,465	84
250	611	487	25	Refining & Marketing	1,297	1,004	29
80	89	28	218	Gas & Power*	386	32	-
29	76	77	(1)	Corporate & others (including Petrom Solutions)	197	303	(35)
1,253	**1,766**	**1,444**	**22**	**Total investments**	**6,404**	**3,820**	**68**

* As of January 1, 2008, Chemicals are included in the G&P segment. As the contribution of Chemicals was not considered material, Chemicals' 2007 related investments were not restated in the G&P line, however they are included in total investments.

Fourth quarter 2008 (Q4/08)

The total investments in Q4/08 were RON 1,766 mn, 22% up on Q4/07.

Investments in E&P represented 56% of the total for Q4/08, and were 16% higher than in Q4/07, mainly due to the well modernization program and the continued focus on development and production drilling. Approximately 35% of total investments were allocated to R&M. In Refining, investments were mainly related to the fluid catalytic cracking (FCC) gasoline post treater project in Petrobrazi. The marketing division investments focused on the rebuilding of the main oil products terminals and on the demolition and reconstruction of several old-style Petrom filling stations. Investments in G&P mainly comprised investments in the Brazi power plant.

January – December 2008

The investments for Petrom SA for 2008 amounts to RON 6,404 mn, a 68% increase compared to 2007.

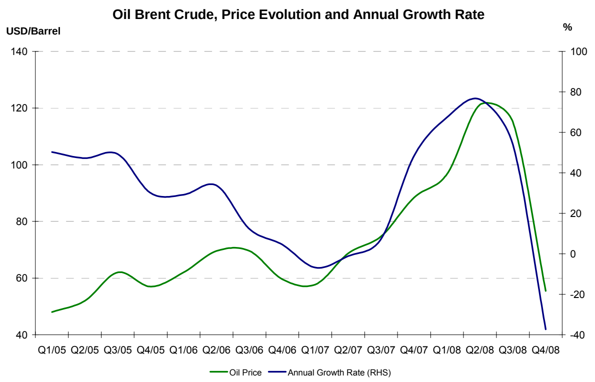
Investments in E&P represent 71% of the total figure for 2008, mainly due to the continued focus on development and production drilling and to the ongoing well modernization program but also as a result of the acquisition of the oil services business of Petromservice. Approximately 20% of the total investments were allocated to R&M. In Refining, investments were mainly related to the fluid catalytic cracking (FCC) gasoline post treater project in Petrobrazi.

The marketing division investments focused on the modernization and extension of the filling stations network and oil terminals. Investments in G&P mainly comprised investments in the Brazi power plant.

Business environment

The global financial crisis continued to deepen during Q4/08, dragging down global economic growth. The slowdown in economic activity and the deteriorating conditions in global credit markets impinged on **world crude oil demand,** which dropped by 0.2% to 85.8 mn bbl/d in 2008.The main factor behind this trend was a 3.4% drop in industrial countries' demand. By contrast, non-OECD consumption continued to expand, climbing by 3.7%.

Although **world oil production** declined in Q4/08, it recorded an increase for the whole year of almost 1 mn bbl/d to 86.6 mn bbl/d, thus exceeding global demand and resulting in increased reserves. In 2008, average global spare capacity stood at 2.4 mn bbl/d. Spare capacity could increase further on the back of lower oil demand and subdued refining costs. Pressures on OPEC members to make further cuts in oil production would increase in the near future, given that current oil prices are lower than the expected benchmark oil prices envisaged to finance their government budgets and current account deficits.. OPEC boosted its market share to 42.8%, producing 32.1 mn bbl/d of crude oil and 5.0 mn bbl/d of NGL. OECD oil production contracted by 2.6%, and Russian output declined for the first time since 1996. Saudi Arabia, Iraq and Angola accounted for most of the overall increase in supply.



The average **Brent price** in 2008 stood at USD 97/bbl, around 34% higher compared to 2007. Until mid-July the oil price climbed to successive record levels reaching its all-time high on July 3, at USD 144/bbl. This peak was, however, followed by a sharp decline and, by year end Brent had reached USD 37/bbl — a level last seen in July 2004. The average **Urals price** in 2008 was USD 95/bbl, 37% higher compared to 2007. Meanwhile, the Brent – Urals differential continued to fall, being quite volatile throughout the year, with an average value of USD 2.5/bbl.

Initial estimates for 2008 Romanian **GDP growth** put this figure at 7.8%. After advancing by an impressive 8.9% in the first nine months of the year, economic growth is expected to decelerate sharply in Q4/08. Domestic credit has slowed down markedly, due to increasing borrowing costs and the restrictions introduced by the National Bank of Romania (NBR). This, in turn, has dampened demand and private consumption.

Excess demand continued to moderate in Q4/08 with the trend in the exports growth rate continuing to outpace the growth rate of imports.

However, November data showed an abrupt fall in **industrial production** output, which decelerated to an annualised rate of 2.5% from 4.7% at the end of Q3/08. This is in line with developments in most of the EU countries where a collapse in demand, triggered by increasingly risk averse consumers, has led to adjustments in industrial output levels.

Consumer Price Index (CPI) annual **inflation** rate fell to 6.3% at the end of December, although the average annual inflation rate stood at 7.9%. The Producer Price Index (PPI) recorded a significant fall in Q4/08, as global energy and commodity prices were undergoing a readjustment triggered by lower demand. End year PPI **inflation** dropped to 7.8% from 18.6% at the end of Q3/08.

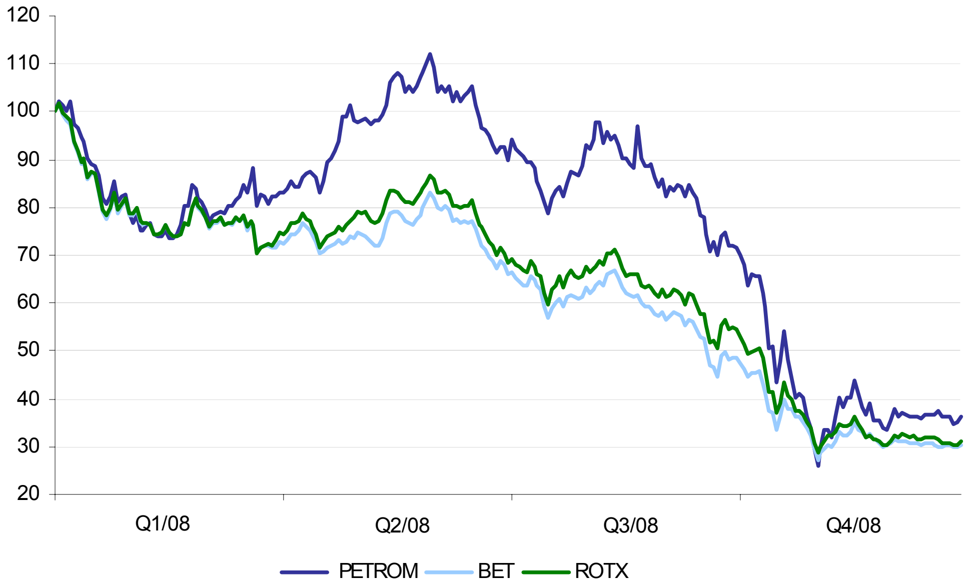
The NBR benchmark **interest rate** remained unchanged in Q4/08 at 10.25%. During the fourth quarter of 2008 the pressures on the RON had intensified, affected by uncertainties regarding the overheating of the Romanian economy, the future stance of domestic fiscal policy as well as investors' risk reassessment of the region as a whole. The **RON** fell against both the EUR and the USD by 10% and 3%, respectively, on an annual basis. In the fourth quarter of 2008, the **average USD/RON rate** was almost 22% lower compared to the average value recorded during the fourth quarter of 2007, while the **average EUR/RON rate** depreciated at a slower rate, 10.5%, over the same period. On a quarterly basis the RON fell by 6.8% against the EUR and by 21.9% against the USD.

Q3/08	Q4/08	Q4/07	Δ%	Average FX-rates	2008	2007	Δ%
3.576	3.818	3.454	11	Average EUR/RON FX-rate	3.683	3.335	10
2.378	2.899	2.381	22	Average USD/RON FX-rate	2.520	2.436	3
1.504	1.317	1.449	(9)	Average EUR/USD FX-rates	1.471	1.371	7

Stock watch

Evolution of Petrom share price, BET and ROTX indices

January – December 2008



Petrom shares fell 43% in Q4/08 compared to end of Q3/08, being affected by the international and national financial markets and by the 52% decrease in oil price. BET-NG, the energy sector index, also declined, losing 42% in Q4/08. The BET index lost 32% during the same period.

The highest share price recorded by Petrom in Q4/08 was RON 0.3300/share (on October 1), while the lowest was on October 27 (RON 0.1290/share).

ISIN: ROSNPPACNOR9	Market capitalization (December 23*)	RON 10.2 bn
Bucharest Stock Exchange: SNP	Market capitalization (December 23)	EUR 2.6 bn
Reuters: SNPP.BX	Closing price December 23, RON/share	0.1810
Bloomberg: SNP RO	Year's high (June 2), RON/share	0.5600
	Year's low (October 27), RON/share	0.1290
	Number of shares	56,644,108,335

***** *December 23, was the last day of trading on BSE*

Subsequent events

Changes in shareholder structure

According to the provisions of Law no 308/30.12.2008 regarding the rejection of the Government Emergency Ordinance no 101/2006, on January 15, 2009 the Central Depositary performed the transfer of the Petrom shares owned by the Authority for State Assets Recovery (AVAS) into the account of the Ministry of Economy.

As a result of this transfer, the Ministry of Economy owns 11,690,694,418 shares representing 20.63% of Petrom's share capital.

Petrom Aviation MTPO

Following the completion of the mandatory public take over, Petrom increased its participation in Petrom Aviation to 93.14%.

New member of the Supervisory Board

On February 12, 2009 Mr. Marian Turlea was appointed as interim member of the Supervisory Board with effect until the next General Meeting of Shareholders. The new representative of the Romanian State in the Supervisory Board was appointed following the nomination made by the Ministry of Economy in its capacity as Petrom shareholder.

Mr. Turlea has replaced Mr. Victor-Paul Dobre who resigned from this position following his election as member of the Romanian Parliament.

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Next release:

The next results announcement for January – March, 2009 will be released on May 8, 2009.

Abbreviations

ANRE	Romanian Energy Regulatory Authority
bbl	Barrel
boe	Barrel of oil equivalent
bn	Billion
CIS	Commonwealth of Independent States
cbm	Cubic meters
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
E&P	Exploration and Production
EPS	Exploration and Production Services
FCC	Fluid Catalytic Cracking
FEED	Front-End Engineering and Design
G&P	Gas and Power
GDP	Gross Domestic Product
HSE	Health, Safety, Security and Environment
HSEQ	Health, Safety, Security and Environment and Quality
kt	Thousand tons
LSTK contract	Lump sum turnkey contract
mn	Million
NGL	Natural Gas Liquids
n.m.	Not meaningful
OECD	Organisation for Economic Co-operation and Development
OPEX	Operating Expense
RON	New Romanian Lei
R&M	Refining and Marketing
t	ton
UAE	United Arab Emirates
yoy	Year-on-year

Profit and Loss Account for the year ended December 31, 2008

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

RON	December 31, 2007	December 31, 2008
1. Net turnover	12,284,378,408	16,750,726,457
Sales of production	11,795,873,413	15,795,814,081
Sales of merchandise	488,504,995	954,912,376
Interest income- from lease companies	-	-
Interest from subsidies related to net turnover	-	-
2. Movements in stocks of finished goods		
Credit balance	120,783,952	366,871,954
Debit balance	-	-
3. Own work capitalized	22,145,515	142,029,297
4. Other operating revenues	57,638,849	139,996,979
TOTAL OPERATING REVENUES	**12,484,946,724**	**17,399,624,687**
5. a) Raw materials and consumables expenses	3,157,730,454	5,112,307,267
Other materials expenses	42,880,206	54,885,214
b) Other utilities expenses (energy and water)	450,008,740	538,886,526
c) Purchase of goods for resale	395,873,972	874,769,042
6. Salary expenses, of which:	1,657,798,742	2,328,955,335
a) Salaries	1,276,888,854	1,820,059,602
b) Social security contributions	380,909,888	508,895,733
7 a) Adjusting the value of tangible and intangible assets	1,146,101,922	2,256,092,738
a.1) Expenses	1,167,435,970	2,268,743,945
a.2) Revenues	21,334,048	12,651,207
b) Adjusting the value of current assets	(35,304,253)	143,291,376
b.1) Expenses	180,519,872	288,238,885
b.2) Revenues	215,824,125	144,947,509
8. Other operating expenses	3,747,555,913	4,137,052,619
8.1 Third parties services	2,722,199,495	2,896,215,547
8.2 Other taxes, duties and similar expenses	601,895,562	828,870,302
8.3 Other operating expenses	423,460,856	411,966,770
Interest related to refinancing activities	-	-
Adjustments for provisions for risks and charges	(42,297,402)	644,151,339
Expenses	460,666,444	1,547,984,039
Revenues	502,963,846	903,832,700
TOTAL OPERATING EXPENSES	**10,520,348,294**	**16,090,391,456**
OPERATING RESULT:		
- Profit	**1,964,598,430**	**1,309,233,231**
- Loss	-	-
9. Income from investments	35,417,362	175,686,353
- out of which, within the group	26,142,904	174,153,842
10. Income from other financial investments and receivables , part of financial assets	-	-
- out of which, within the group	-	-
11. Income from interest	233,590,275	135,263,405
- out of which, within the group	74,674,023	87,520,178
Other financial revenues including forex gain	229,289,327	1,620,812,172
TOTAL FINANCIAL REVENUES	**498,296,964**	**1,931,761,930**
12. Adjustment of financial assets and investments held	(85,928,284)	133,753,212

RON	December 31, 2007	December 31, 2008
Expenses	114,827,010	180,604,658
Revenues	200,755,294	46,851,446
13. Interest expenses	-	23,563,439
- out of which, within the group	-	-
Other financial expenses including forex loss	399,196,650	1,478,115,170
TOTAL FINANCIAL EXPENSES	**313,268,366**	**1,635,431,821**
FINANCIAL RESULT		
- Profit	185,028,598	296,330,109
- Loss	-	-
14 Current result:		
- Profit	**2,149,627,028**	**1,605,563,340**
- Loss	-	-
15. Extraordinary revenues	-	-
16. Extraordinary expenses	-	-
17. Extraordinary result:	-	-
- Profit	-	-
- Loss	-	-
TOTAL REVENUES	**12,983,243,688**	**19,331,386,617**
TOTAL EXPENSES	**10,833,616,660**	**17,725,823,277**
Profit before tax:		
- Profit	**2,149,627,028**	**1,605,563,340**
- Loss	-	-
18. Tax on profit	371,584,727	**583,175,877**
19. Other tax expenses not shown above	-	-
20. NET RESULT OF FINANCIAL YEAR:		
- Profit	**1,778,042,301**	**1,022,387,463**
- Loss	-	-

Balance Sheet as at December 31, 2008

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

RON	31/12/2007	31/12/2008
A. Non current assets		
I Intangible assets	303,556,285	1,129,715,521
II Tangible assets	10,564,332,777	13,655,674,197
III Financial assets	5,506,940,916	5,021,081,500
Total non current Assets	**16,374,829,978**	**19,806,471,218**
B. Current assets		
I. Inventories	1,922,375,343	2,394,434,361
II. Receivables	2,015,809,727	1,704,211,989
III. Short term investments	7,616	724,024,630
IV. Cash and bank accounts	752,634,771	261,438,312
Total Current Assets	**4,690,827,457**	**5,084,109,292**
C. Prepayments	95,376,124	36,865,667
D. Payables within one year	2,580,025,427	3,446,027,370
o/w Interests bearing liabilities	-	300,526,268
E. Current assets, less current liabilities	2,042,617,251	1,546,602,219
F. Total assets less current liabilities	18,417,447,229	21,353,073,437
G. Payables in more than one year	**28,982,010**	**1,504,095,402**
o/w Interests bearing liabilities	-	1,486,003,422
H. Provisions for risks and charges	5,196,454,236	6,262,466,399
I. Deferred income	171,453,281	146,258,559
1. Investments subsidies	7,892,378	17,913,189
2. Deferred income	163,560,903	128,345,370
J. Share capital and reserves		
I. Share capital	5,664,410,834	5,664,410,834
Out of which:		
- subscribed and paid in share capital	5,664,410,834	5,664,410,834
- subscribed and not paid in share capital	-	-
- patrimony	-	-
II. Premium related to capital	-	-
III. Revaluation reserves	57,417,759	50,904,252
IV. Reserves	5,792,755,272	6,315,308,717
V. Retained earnings		
Credit balance	1,521,411	587,632,269
Debit balance	-	-
VI. Profit for the period		
Credit balance	1,778,042,301	1,022,387,463
Debit balance	-	-
Profit appropriation	110,028,972	72,045,088
Total Shareholders' Equity	**13,184,118,605**	**13,568,598,447**
Public patrimony	-	-
Total equity	**13,184,118,605**	**13,568,598,447**