Annual Report 2007

Modernization
and sustainable development

The Essence of Motion

PETROM
Member of OMV Group

Petrom at a glance

Operational results	2005	2006	2007
Total production, mn boe	77.95	73.06	70.27
Crude oil and NLG production, mn tons	5.21	4.78	4.54
Natural gas production, bcm	6.19	5.92	5.75
Crude oil processed, mn tons	6.40	6.86	5.92
Refinery capacity utilization, %	80	86	74
Petroleum products sales, mn tons	5.05	5.46	4.71
Number of operating filling stations	553	489	450
Number of employees	43,546	32,837	26,397

Financial results	2005	2006	2007
Turnover, RON mn	10,760	13,078	12,284
EBITDA, RON mn	2,775	3,596	3,111
EBIT, RON mn	1,884	2,777	1,965
Net income, RON mn	1,416	2,285	1,778
Operating cash flow, RON mn	2,771	2,955	2,486
Investments, RON mn	1,117	2,937	3,820
ROACE, %	22	21	16

Note
The financials presented in this annual report are audited and prepared according to RAS; all the figures refer to Petrom SA, unless otherwise specified.

Photo on the cover represents the blueprint of Petrom City, the future headquarters of the company, which will host approximately 2,500 employees.

PETROM

2007 ANNUAL REPORT

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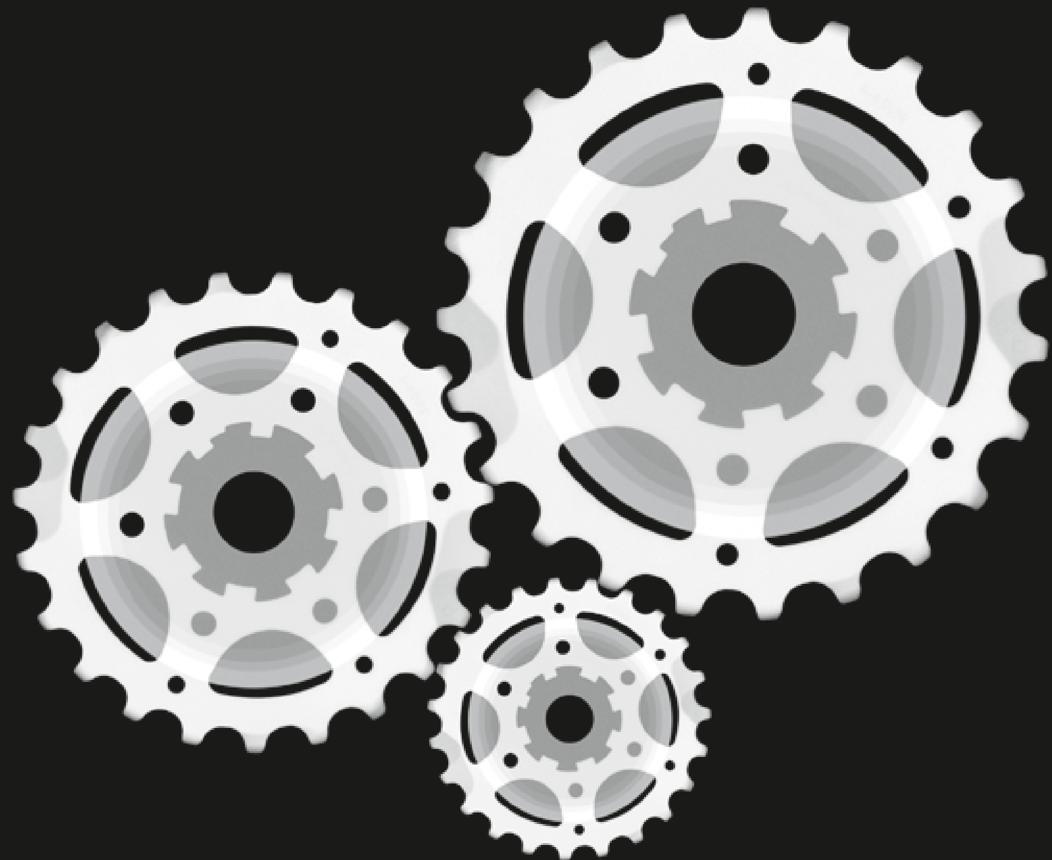
Petrom - an integrated oil & gas company



Leading oil & gas company in Romania

Petrom – an integrated oil and gas company

Exploration and Production

Our Exploration and Production business explores for and extracts oil and natural gas in Romania and in other countries in the region (Russia and Kazakhstan). Petrom is the sole crude oil producer in Romania and accounts for half of the Romanian gas production. Our domestic and international oil and gas production amounted to 72 mn boe in 2007. Our aim is to stabilize and increase the production of the mature fields we operate, through a sustained and comprehensive investment program.

Refining and Marketing

We process our produced crude oil at two refineries, Petrobrazi and Arpechim, with a total installed capacity of 8 mn tons per year. In order to improve our product quality and productivity, we have implemented a significant restructuring and modernization program, underpinned by heavy investments. We supply our products through 550 filling stations in Romania, and a further 257 stations in neighboring countries (including our affiliates). We are also the leading provider of aviation fuel services and, following the acquisition of Shell Gas Romania, the number one player in the LPG market.

Gas and Power

We are an important player in the Romanian gas market, covering all gas market segments. In order to leverage the value of natural gas, management decided to further expand the value chain by developing our power generation business. We are also a significant player in the Romanian chemical industry, with Doljchim chemical plant being an important contributor to the production of chemical fertilizers and methanol for both the home and export markets.

Highlights of 2007

2007 was a year of significant restructuring and modernization achievements and the laying of solid foundations for future growth and sustainable development

Restructuring and modernization

April

- Petrom signs an agreement to sell its entire 95% participation in Oztyurk Munai LLP in Kazakhstan to En-Gin LLP, a Kazakh oil and gas company
- Petrom signs the construction contract for Petrom City, the new headquarters which will host around 2,500 employees

June

- The environment agency suspends the operating permit of Arpechim Refinery; the shortfalls raised by the authorities were addressed during the subsequent two months, leading to full legal compliance and the restoration of the permit in August
- Petrom sets up a new petrochemical company, Petrochemicals Argeș, to which it intends to transfer the petrochemical activities of Arpechim refinery

September

- Petrom signs a EUR 328.5 mn contract for the acquisition of the oil services activities of Petromservice
- Petrom announces the establishement of a new company, Petrom Distribuție Gaze SRL, 99.99% owned by Petrom SA and reporting to Petrom's Gas division, thus complying with EU Directives and the Romanian legislation in this respect

November

- Petrom starts the construction of the Jilava fuel terminal in Bucharest, which will supply Bucharest and five neighboring counties

December

- Petrom finalizes the transfer process of all Petrom filling stations operated in Romania to the full agency administration system
- Petrom opens its 100th premium station in Romania since 2005 when the first station of this kind was opened in Bucharest. This program brings Petrom in line with the OMV quality standards

Growth and sustainable development

February

- Petrom launches the largest ecological rehabilitation project in Romania - Verde[Petrom]; approximately 200,000 square meters of land in the Straulești area will be ecologically rehabilitated within the next three years

May

- Petrom decides to exercise its pre-emption right regarding the purchase of a 55.53% stake of Shell Gas Romania SA and a 60% stake of Trans Gas Services SRL
- Petrom announces the first exploration discovery in Romania based on the application of new technologies - discovery well 570 Torcesti

June

- Petrom's Supervisory Board approves the project to build a gas fired power plant with a capacity of 860 MW at Petrobrazi
- Petrom launches "Parks of the future", a social program built under the concept "Respect for the future" and aimed at redesigning parks in five Romanian towns

July

- Petrom starts to deliver 2% biodiesel content fuel on the Romanian market

September

- Petrom announces several discoveries of new reservoirs made since the beginning of 2007, including Delta 4 and Mamu

October

- Petrom establishes a new Power division to run all the future projects in the power business
- Petrom introduces Petrom Motor Oil, a new range of motor oils, on the Romanian lubricants market

The Company's corporate governance was further strengthened by the addoption of a two-tier governance system consisting in an Executive Board and a Supervisory Board approved by the General Meeting of Shareholders on April 17, 2007

Statement of the President of the Supervisory Board

Dear shareholders,

In line with our commitment of transforming Petrom into a modern, sound company, we took the decision in 2007 to further strengthen the management by adopting a two-tier management system, comprising an Executive Board and a Supervisory Board.

The General Meeting of Shareholders held on April 17, 2007, therefore approved the amendments to the Articles of Association concerning the two-tier management system, based on which the Company is managed by the Executive Board and the Supervisory Board exercises the control over the Executive Board.

From that date, the Supervisory Board has provided the necessary support and challenge to the Executive Board and ensured that the Company will continue to create value and provide its shareholders with appropriate returns.

We also decided to reshape the Executive Board in order to reflect Petrom's increasing focus on Exploration and Production, where substantial growth and investments are planned. Therefore, on June 15, 2007, the Supervisory Board decided to appoint Mr. Johann Pleininger, an experienced E&P manager working with Petrom for the past two years, to assume responsibility for the domestic E&P business, which remains our core focus. Mr. Werner Ladwein, who had been heading Petrom E&P and had extensive experience and a strong track record in international expansion, remained in charge of Petrom's international portfolio until his retirement at the end of 2007.

The acquisition of Petromservice's oil services business will allow Petrom to undertake a significant modernization process of its oil services activities, in order to improve their quality and efficiency, and will enable the achievement of better results and E&P's strategic objectives. In order to support the integration of the newly acquired oil services, we appointed a new Executive Board member, Mr. Siegfried Gugu, to head the new Exploration and Production Services division, effective January 2008.

In line with Petrom's strategy for 2010, the Company started activities in the power sector in 2007, aimed at capitalizing on the gas and power convergence. Following the announcement of the retirement of Petrom's Deputy CEO, Mr. Werner Schinhan, and taking account of the ever increasing importance of the Gas activities, we have appointed during the same meeting another new Executive Board member, Mr. Gerald Kappes, to take over responsibility of the Gas segment and Doljchim (previously supervised by Mr. Werner Schinhan) in addition to the responsibilities for Power segment, as of January, 2008.

I take this occasion to pay a special tribute to the two former Executive Board members who retired at the end of 2007, Mr. Werner Schinhan and Mr. Werner Ladwein. They had key roles in the successful development of Petrom since its privatization and did a tremendous job in seeing the company through that challenging period.

Last, but not least, I welcome the new Executive Board members who were specially appointed to focus on the further development and expansion of the E&P, Exploration and Production Services and Gas and Power divisions. I hope you all share my conviction that the Executive Board in its new set-up has the optimum strengths and competencies to successfully achieve the Company's restructuring and growth objectives and sustainable development.

Wolfgang Ruttenstorfer

Members of the Supervisory Board

The Supervisory Board represents the interests of the Company and of its shareholders and is responsible for the overall management of the Company.

Wolfgang Ruttenstorfer – President
CEO and Chairman of the OMV Executive Board
First elected at the GMS held on January 11, 2005

Gerhard Roiss – Deputy Chairman
Deputy Chairman of OMV Executive Board and responsible for Refining and Marketing including petrochemicals and Chemicals
First elected at the GMS held on January 11, 2005

David C. Davies – Member
Chief Financial Officer of OMV
First elected at the GMS held on January 11, 2005

Helmut Langanger – Member
Member of the OMV Executive Board, responsible for Exploration and Production
First elected at the GMS held on January 11, 2005

Werner Auli – Member
Member of the OMV Executive Board, responsible for Gas
First elected at the GMS held on April 25, 2006

Kevin E. Bortz – Member
Director of Natural Resources Team within EBRD
First elected at the GMS held on April 25, 2006

Victor – Paul Dobre – Member
Secretary of State for the Relation with Prefectures, Ministry of Administration and Interior
First elected at the GMS held on November 22, 2005

Emanoil Neguț – Member
Secretary of State in the Government's Controlling Authority within the Prime Minister's Office, representing the Authority for State Assets Recovery (AVAS) in Petrom's Supervisory Board
First elected at the GMS held on April 17, 2007

Cristian Marian Olteanu – Member
Counsellor of the President of the Authority for State Assets Recovery, representative of the Property Fund
First elected at the GMS held on April 17, 2007

Statement of the Chief Executive Officer

Dear shareholders,

In 2007 we made a significant progress in restructuring and modernizing Petrom, and continued to lay the foundations for the sustainable development of the Company. The results we achieved this year are good, being not only above the budget approved by the Shareholders' Meeting, but also achieved during a period of heavy investment efforts.

The economic environment in 2007 was highly volatile and significantly impacted our operations. High oil prices positively affected our E&P results, but also led to significant cost inflation in the industry, while the refining margins decreased further. Moreover, the continuous appreciation of the RON against USD during almost all of 2007, also negatively affected our results.

Our restructuring and modernization efforts were reflected in a significant increase in our capital expenditure to RON 3,820 mn, up by 30% as compared to 2006.

The results we achieved not only enable us to invest for the Company's future sustainable growth, but also to propose to the forthcoming General Meeting of Shareholders on April 22, 2008, the payment of a dividend of RON 0.0191 per share, higher by 7% than in the previous year.

Although the more visible results of our investment program will finally start to materialize by 2011, 2007 already saw significant improvements in the efficiency of operations in all our business segments.

In 2007, we accomplished several important milestones of our strategy in both restructuring and growth:

- In Exploration and Production we succeeded in stabilizing oil production and increasing the domestic reserves replacement rate to 38% from 13% in 2006. Exploration activities stepped up as several discoveries of new reservoirs onshore and offshore were recorded, based on modern technology.
- In the Refining segment we improved the product yield and reduced our own fuel consumption and energy losses, with direct impact on our costs base.
- In the Marketing segment we succeeded in transferring all our filling stations to the Full Agency System and increased our throughput per station from 2.4 to 3.2 mn liters, above our 2010 target of 3 mn liters.
- In the Gas segment we increased the efficiency by spinning off the small gas distribution network into a wholly-owned company, Petrom Distributie Gaze.

Two new divisions were established, enhancing our scope of activities and further developing the value chain:

- The Power division, following the decision to build a 860 MW gas fired power plant at Petrobrazi, and reflecting our expectation of additional value to be generated through the expansion of the gas value chain in the downstream business.
- The Exploration and Production Services division, following the acquisition of oil service business of Petromservice for EUR 328.5 mn, which will allow us to enhance the quality and efficiency of the operations and to support the reduction of production costs and the increase of production.

Another growth project was the acquisition of Shell Gas Romania that strengthens our position on the LPG market in Romania and creates synergies with our own LPG business.

In Finance, major achievements were the centralization of accounting systems, the implementation of SAP in all business segments and the establishment of an OMV group-wide service centre for Finance and IT.

A socially responsible company

The transformation and modernization of Petrom not only encompasses the company business, but also its role in the Romanian society. Consequently, management's effort was also focused on transforming Petrom into a trully socially responsible company, involved in various areas of social development.

As a company with significant influence on the Romanian economy, acting in a socially responsible manner is a pre-requisite for our sustainable development. As an integrated oil and gas company, currently employing directly over 35,000 people (including the newly acquired oil services activities of Petromservice), and impacting the lives of many more other through its commercial operations, we want to make sure that we preserve and develop the environment in which we operate. Our platform called "Respect for the future" aims specifically at that, through various corporate social responsability programs.

We are proud of our successes registered in 2007 and in the previous years. The transformation of Petrom into a modern company committed to sustainable development would not have been possible without the strong commitment of our talented employees. We therefore place great emphasis on the continuous development of our employees and on maintaining their motivation and commitment.

We hope our achievements justify your confidence in us, and assure you that we will pursue our strategic objectives with the same commitment and determination in the years to come, in order to become the leading oil and gas company in South-Eastern Europe.

Mariana Gheorghe

Members of the Executive Board

The Executive Board is elected by the Supervisory Board and consists of seven members.

It manages the day-to-day business of the Company and supervises the management of its group companies in accordance with the law, the Company's Constitutive Act, the internal rules and guidelines as well as the resolutions of the Supervisory Board and of the General Meeting of Shareholders.

The Executive Board has the following structure as of January 1, 2008:

Mariana Gheorghe

CEO and President of the Executive Board, responsible for: Corporate Communications; Health, Safety, Security and Environment (HSE); Corporate Human Resources; Corporate Development and Investor Relations; Corporate Affairs and Compliance; Legal

Mariana Gheorghe graduated from the Academy of Economic Studies, International Relations in 1979, the University of Bucharest, Law School in 1989 and London Business School, Corporate Finance in 1995. Mrs Gheorghe worked for various Romanian companies and for the Ministry of Finance. Between 1993 and 2006 she worked for the European Bank for Reconstruction and Development as Senior Banker for South-Eastern Europe and the Caucasus Region. After the Petrom privatization in 2004, Mrs. Gheorghe became Member of the Board of Directors of Petrom as EBRD representative until June 15, 2006, when she became the new CEO of Petrom. As of April 17, 2007, she has been CEO and President of the Executive Board.

Reinhard Pichler

Chief Financial Officer, responsible for: Corporate Controlling and Accounting; IT; Taxation; Financial Administration and Services; Internal Audit; Treasury and Risk Management

Reinhard Pichler studied at the Federal College of Engineering in Austria and at the Economic Studies University in Vienna. He was Deputy Director Controlling Group OMV (1996 -2000), Director of OMV Solutions (2000–2002), Vice President and Director of Corporate Controlling and Accounting starting with 2002. He has been working in the oil and gas industry since 1990 and joined Petrom in 2005.

Johann Pleininger

Responsible for Exploration and Production

Johann Pleininger attended the Technical College for Mechanical Engineering and Economics in Vienna; he obtained the International Project Management certificate and graduated in Industrial Engineering. His positions in OMV ranged from field operator to shift foreman and then to production supervisor, Facility & Cost engineer, project manager and Head of the Investments Department. He was then appointed manager within the Project Management and Investments Department. He has been working in the oil and gas industry since 1977. He joined Petrom in 2005 and was appointed responsible for the Exploration and Production division in June 2007. Following the retirement of Mr. Werner Ladwein, the entire activity of exploration and production (E&P International included) is managed by Johann Pleininger, as of January 1, 2008.

Jeffrey Rinker

Responsible for Refining and Petrochemicals

Jeffrey Rinker graduated in Chemical Engineering in 1989 from Carnegie Mellon University. Before joining Petrom, he worked for BP in various technical and commercial management positions in the US and the UK. In the late 1990s he managed the global acrylonitrile catalyst business of BP Chemicals. As of 1999, he was responsible for starting up BP's hydrogen fuels program. Afterwards he served as Chairman of the National Hydrogen Association, a non-profit industry association based in Washington DC and later held an executive staff position at the BP corporate headquarters in London. From 2003 to 2005, Mr. Rinker had the position of Commercial/Optimization Manager for BP's Toledo Refinery, located in the US Midwest. He has worked in the oil & chemicals industry for the past 18 years. He joined OMV in 2005 and Petrom at the beginning of 2006.

Tamas Mayer

Responsible for Marketing

Tamas Mayer obtained his Master Degree at the Economic University in Budapest. He was General Director of OMV Hungary (1992–1998), General Director of OMV Bulgaria (1998–2002) and responsible for co-ordination of marketing and distribution activities, OMV Romania, Bulgaria, Serbia and Montenegro from 2003. He has worked in the oil and gas industry since 1992 and he joined Petrom in 2005.

Gerald Kappes

Responsible for Gas, Power and Chemicals (Doljchim)

Gerald Kappes graduated in Law at J. Kepler University of Linz in 1986 and Business Economics at J. Kepler University of Linz in 1989. He started his career in 1989 within the Operational planning, fertilizers department at Agrolinz GmbH. In 1990 he held the position of Manager of Trade Policy Affairs at "European Fertilizer Manufacturers Association" in Brussels. Between 1991–1993 he was area manager Western Europe for fertilizers within AMI Agrolinz Melamine GmbH. Starting with 1994 he held the position of Head of Marketing/Sales, melamine and then, Head of Purchasing and Logistics at Agrolinz Melamin GmbH in Linz, until 2000. Between 2001 and 2007 he worked for OMV Aktiengesellschaft as Senior Vice President Corporate Purchasing and from 2005 until December 2007 held the position of Head of Business Unit Purchasing within OMV Refining & Marketing GmbH, Vienna. He joined Petrom at the beginning of 2008.

Siegfried Gugu

Responsible for Exploration and Production Services

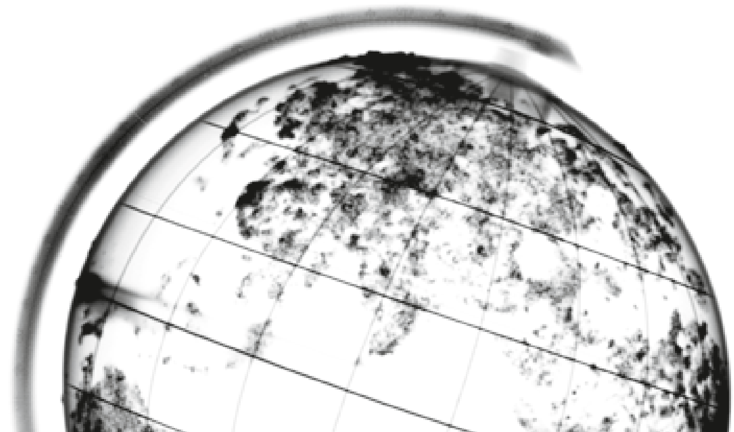
Siegfried Gugu obtained his Master and Doctoral Degree in Petroleum Engineering at the Mining University in Leoben. Since he joined OMV he has held various technical and managerial positions in Austria, UK (1995–1997) and Libya (2000–2004). Most recently he held the position of asset manager (responsible for the OMV oil production in Austria). He has worked in the oil and gas industry since 1990. He joined Petrom in 2007 and was appointed responsible for the E&P Services division at the beginning of 2008.

At the end of 2007 two Board members retired:

Werner Schinhan, who held the position of Deputy CEO between January 2005 and December 2007, with responsibilities for Corporate Affairs, M&A, Capital Market Relations, Treasury and Risk Management, Gas, Power and Doljchim.

Werner Ladwein, who was responsible for Exploration and Production between January 2005 and June 15, 2007 and for the International E&P activities until the end of 2007.

Business environment



Volatile economic environment

- Rising crude oil demand
- High oil prices and overall industry cost inflation
- Wage inflation and currency appreciation in Romania

World

In 2007 **total world crude** demand rose by 1.2% year-on-year, pushing the average volume change of global oil demand marginally higher to 1.18 mn bbl/d. The strong performance of the Chinese economy, which grew by 11%, played a large part in driving up oil prices in 2007 with the impact of global oil demand estimated of around 0.4 mn bbl/d.

World crude production rose to 85.5 mn bbl/d. Of this, OPEC crude oil production accounted for almost one third of the total, or 30.6 mn bbl/d with OPEC producers increasing only slightly their production levels. Crude oil inventories in the OECD countries fell to low levels in 2007, at around 920 mn bbl. In spite of this, they still remain well within the historical range of the last five years.

In 2007, the Brent crude oil price rose by 63% to hit an all-time-high of USD 96/bbl at the end of December. High **oil prices** were driven by spiraling oil industry costs, delays in the implementation of exploration projects, increasing geopolitical tensions and strong economic growth in Asia.

Romania

Romanian GDP grew by 6% with domestic consumption, once again, the main engine of growth. Although household consumption was on a downward trend throughout 2007, it is still expected to average 10% year-on-year. Investment was particularly strong, surging to an annualised growth rate of 25%, compared to 16% a year ago. The domestic growth potential remains high and, with Romanian productive capacity still lagging behind demand, excess demand continued to rise.

The growth rate of industrial production fell to 5.4% year-on-year, a value which appears sustainable in the medium-term. The construction sector was particularly buoyant, advancing by an impressive 35% year-on-year.

Supply side factors continued to have an impact on companies' performances. A tight domestic labour market pushed down the unemployment rate to 4% and maintained the upward pressure on labour costs. Annual nominal gross wages in the energy sector have been witnessing growth rates similar to those incurred by the industrial sector as a whole or at the economy-wide level, at around 21%.

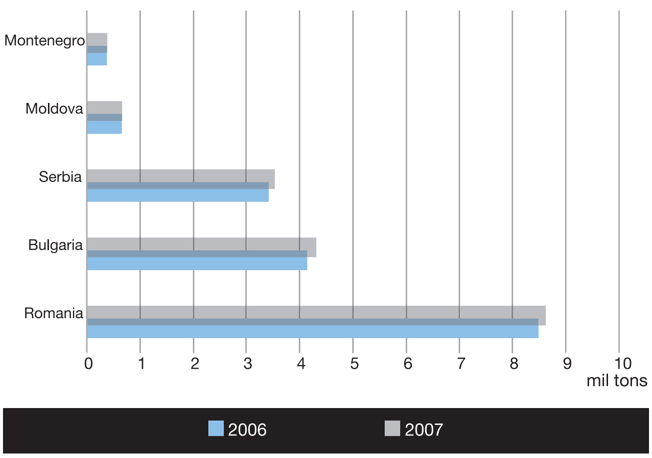
In 2007, wage inflation and currency appreciation had a negative impact on Romanian-based companies which reported their financial results in EUR or USD. Inflation and domestic currency appreciation had a cumulative effect.

Romanian **primary energy resources** were down by 0.9% compared to 2006, to 41 mn toe. Overall, imports of primary energy resources were 1% lower while domestic production fell by 0.7%. However, domestic oil production increased by 1.2% with imports falling by 1.7%, or 0.14 mn toe. A relatively mild winter and a shift away towards alternative energy resources - such as coal - lowered domestic natural gas production by 3.7%. Consequently, natural gas imports fell by 17.9% year-on-year, or 0.9 mn toe, the largest decline among primary energy resources.

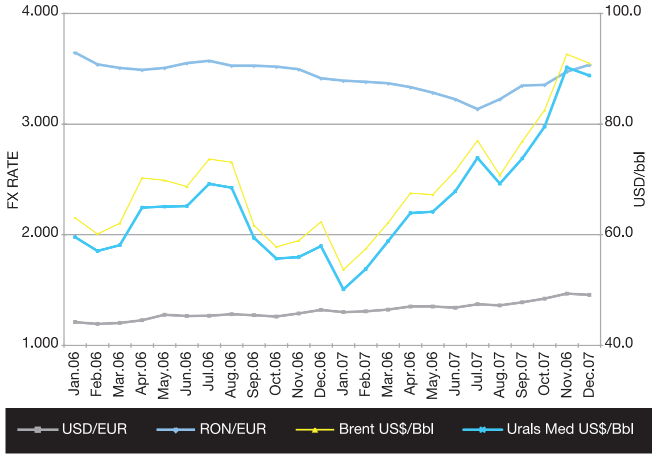
Outlook for 2008:

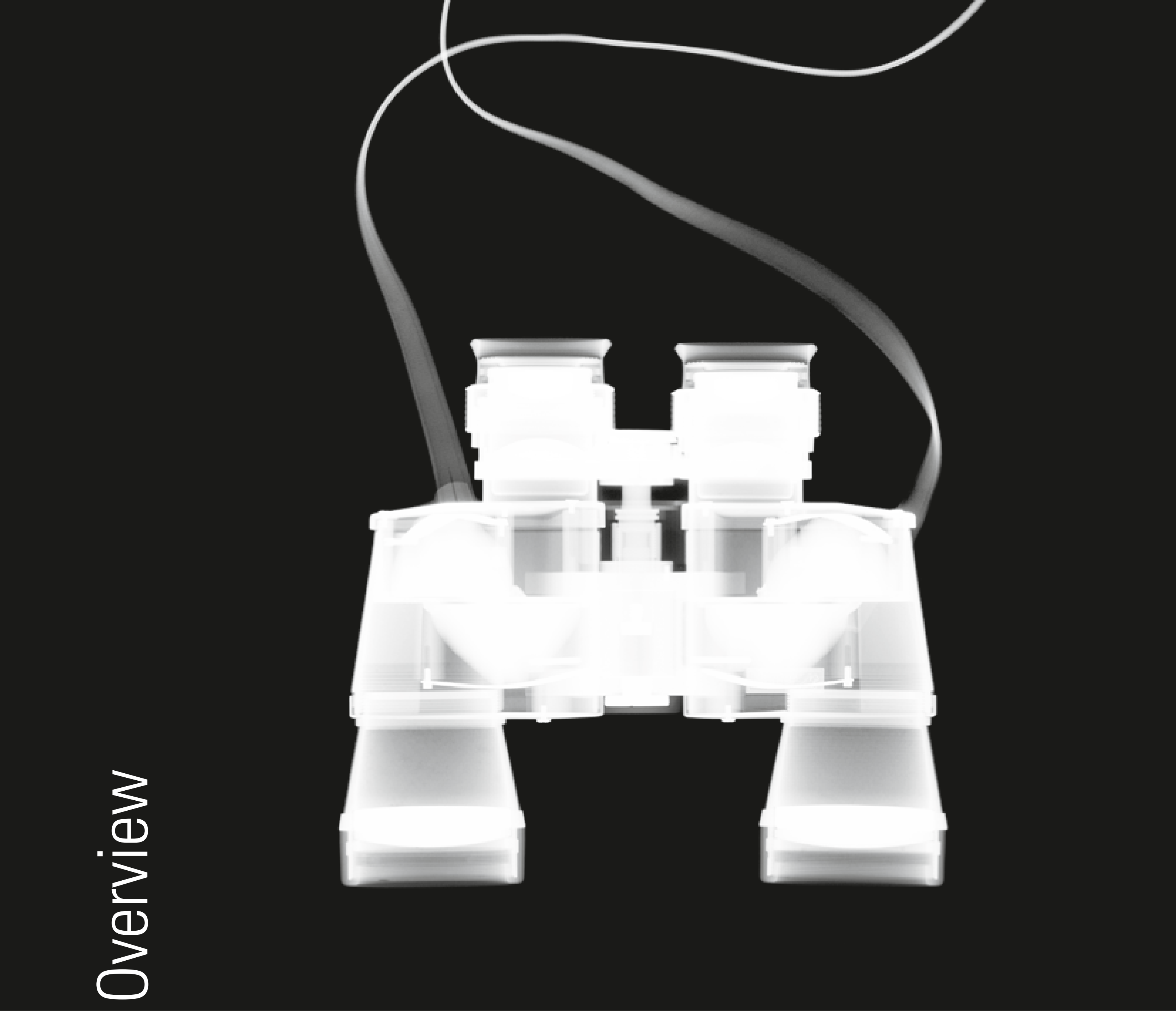
With OPEC spare capacity estimated at less than 3 mn bbl/d, an increase in oil production looks less likely. On the demand side, although some signs of economic recession are emerging from the US, in the short-term this is not expected to lead to a significant decline in economic growth rates in Asia. The combination of constrained supply growth and the persistence of high demand suggest global oil prices remain high. In Romania, the RON/EUR and RON/USD exchange rates are expected to register further fluctuations whilst the demand for fuel is expected to increase further.

Consumption of oil products

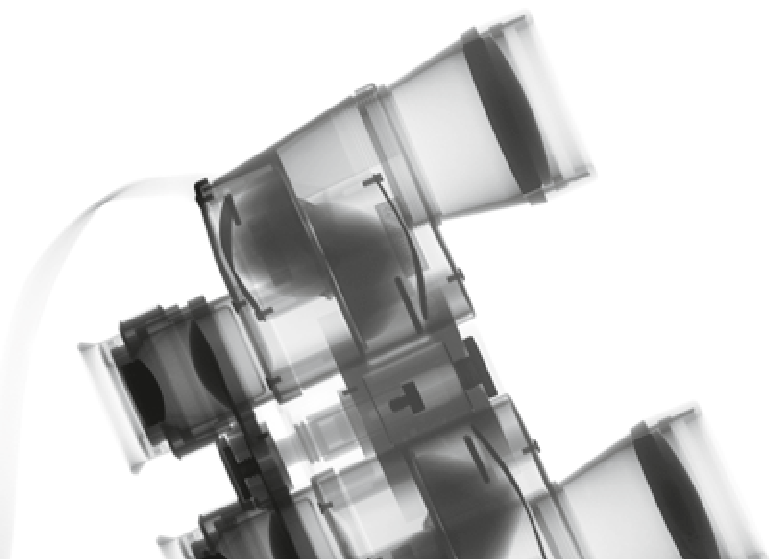


2006-2007 evolution of crude oil quotations and FX rate





Company Overview



Significant achievements in all business segments

- Operational efficiency improvement based on restructuring programs and investments
- Expanding the gas value chain by entering into power business

Achievements 2007 and strategy 2010

Overview 2007

Petrom, a member of the OMV Group, is the leading oil and gas company in Romania. Our core business segments are Exploration and Production, Refining and Marketing, and Gas. Domestic and international production is approximately 197,000 boe/d and proved reserves are around 894 mn boe. We have a maximum refining capacity of 8 mn tons per year and we operate together with our affiliates 807 filling stations in Romania, Bulgaria, Republic of Moldova and Serbia.

Significant achievement in all business segments

In 2007, we made important initial progress towards stabilizing the oil production in Romania and undertook significant expansion in exploration activities. Consequently, we achieved our first exploration successes in Romania through modern 3D seismic technology and undertook successful tests at our first offshore discovery since eight years.

Petrom continued to improve its operational efficiency, based on restructuring programs and investments in all of its business segments.

We also acquired new businesses which will further support our sustainable growth. The acquisition of the oil services activities of Petromservice will allow us directly to control the modernization of this business and to increase the quality and efficiency of the operations with a direct impact on the reduction of our production costs, as well as the increase of production. The acquisition of Shell Gas Romania strengthens our position on the LPG market in Romania and creates synergies with our own LPG business.

In Marketing segment we succeeded in transforming all our filling stations to the full agency system and increased our throughput per station to 3.2 mn liters, from 2.4 mn liters in 2006.

We base our sustainable development on three pillars

- Business sustainability
- Social sustainability
- Environmental sustainability

The growth of our business is fuelled by important investments aiming at improved efficiency and increased production. We committed ourselves to becoming the leading oil and gas company in South-Eastern Europe leveraging on our role as the OMV Group operational hub for marketing in South-Eastern Europe and for exploration and production in Romania and the Caspian region.

Good corporate governance and high standards of corporate social responsibility are the cornerstones of our culture of social sustainability. We want to become not only a role model for the business community, but also a responsible 'citizen' of the community we live in.

We are a responsible employer committed to treating every employee with respect, providing a safe, hospitable and quality working environment, and offering the means for continuous professional and personal development.

We are committed to mitigating climate change impact by increasing energy efficiency and reducing carbon emissions, as well as implementing top HSE standards.

Our objectives for 2010

- Stabilize and increase Romanian oil and gas production
- Achieve a higher reserve replacement ratio and significantly reduce production costs in Romania
- Expand international operations, especially in the Caspian region
- Sell 7 bcm/year of gas or achieve a 35% share of the Romanian market
- Maintain average filling station throughput above 3 mn liters/year and operate 250 new PetromV filling stations
- Expand capacity at the Petrobrazi Refinery to 6 mn tons/year and improve the cost base
- Building the Petrobrazi gas-fired power plant

Exploration and Production

Petrom is the sole producer of crude oil and accounts for half of the gas production in Romania. Following the increased exploration activities, which proved successful and the modernization efforts the oil and gas production decline was stabilized in 2007 and total oil and gas production was 197,000 boe/d. The total proved reserves were 894 mn boe, at the end of December 2007. The domestic reserve replacement rate increased to 38%, from 13% in 2006.

Our achievements in 2007

- The decline of the oil production was arrested
- The application of modern reservoir management led to an increase in the domestic reserve replacement rate to 38%
- Well modernization progress led to good results in the reduction of intervention frequencies
- Six discoveries of new reservoirs onshore and offshore as a result of the 2D and 3D seismic campaigns
- Petrom ratified contracts for three new exploration areas

Our strengths

- Largest asset base in Eastern Europe
- Not fully utilized gas fields due to distribution limitations
- Modern technology for surface and sub-surface tested and ongoing
- Dedicated workforce accepting change
- Tradition and long standing experience in the oil industry

Our strategy

- Maintaining the leading position as the largest operator in Romania
- Acceleration of exploration and development to improve reserves
- Increase reserves replacement
- Unlock gas potential
- Ambitious modernization program of downhole equipment and surface facilities underway
- Create a performance driven organization
- Growth in the Caspian Region, Russia and Black Sea

Our objectives for 2010

- Stabilize and increase production level in Romania
- Reduce production and lifting cost
- Attain a higher reserve replacement ratio
- Restructure and modernize Romanian facilities and infrastructure
- Secure exploration licences beyond 2008
- Use 3D seismic technology extensively
- Hire and secure best talents and professionals
- De-bottleneck and secure distribution of gas
- Ensure embedded HSEQ systems and processes

Refining and Marketing

Petrom is the number one downstream operator in Romania, with an installed capacity in its two refineries at Petrobrazi and Arpechim of 8 mn tones per year and operating (together with its affiliates) 550 filling stations in Romania, with another 257 stations in neighboring countries. We are also the leading supplier of aviation fuel services and following the acquisition of Shell Gas Romania the number one player in the LPG market.

Our achievements in 2007

- Energy efficiency continued to improve throughout 2007
- 50% flare loss reduction target achieved three years earlier
- Increased middle distillates yield from 32% to 35% of product
- Successful introduction of biofuel blends to the Romanian market
- Major turnaround executed at Arpechim refinery
- Rafiserv fully restructured six months ahead of schedule
- Diesel hydrotreater at Petrobrazi refinery started up on schedule
- Average sales per filling station increased in the last three years by 83%, reaching a yearly average throughput of 3.2 mn liters in 2007
- Non-oil business sales almost doubled compared to last year's level
- Full agency program successfully finished in 2007
- 100 PetromV premium stations at the end of the year
- Secondary logistics fully outsourced
- Acquisition of Shell Gas Romania (LPG)

Our strengths

- High degree of integration with domestic crude resources and regional distribution outlets
- Strong brand and leading position on the Romanian market
- High quality of services provided
- Network consisting of 35 terminals and 550 operating filling stations (Romania, Petrom and affiliates)
- Strong non-oil business segment – centralized unified operations

Our strategy

- Expansion of Petrobrazi refinery to 6 mn tons/year and addition of a hydrocracker, major site redevelopment, upgrade storage and logistics
- Efficiency improvements in Refining
- Compliance investments at Arpechim refinery
- Improve filling stations network and increase network efficiency
- Strengthen position on the LPG market

Our objectives for 2010

- Increase refining utilization rate
- Increase turnaround interval to five years
- Improve efficiency of own crude oil consumption
- Improve cost index to achieve 2nd/3rd quartile Solomon
- Increase yield of motor fuels and decrease heavy products
- Improve HSEQ to OMV equivalent level
- Maintain average throughput of fuel stations above 3 mn liters/year
- Spin off the Petrom LPG activity and merge it with Shell Gas

Gas and Power

Petrom is a powerful player on the Romanian gas market, covering all gas market segments. In order to leverage the value of natural gas, the decision was taken to move the value chain one step forward by developing our power generation business. Gas and Power also includes chemicals; Doljchim chemical plant is a representative unit of Romania's chemical industry, with an important weight in the production of chemical fertilizers and methanol for both the home and export markets.

Our achievements in 2007

- Increase of quantity sold compared to 2006 against the decreasing trend in the Romanian gas market
- The distribution activities were split from E&P, reorganized and concentrated in a separated legal entity, Petrom Distributie Gaze srl, to create an efficient and forward looking business
- Optimized business model for the gas distribution activity
- New Power division established
- Decision to build 860 MW power plant taken by the Executive Board
- First steps to move into the field of green energy (biogas)

Our strengths

- One of the leading gas marketers in Romania
- High degree of flexibility and competence, taking advantage of a vertical integrated company which is active from wellhead to burnertip
- Well trained and competent employees provide a high degree of customer orientation and creativity to move into new fields of business
- Professional integration of IT and business processes
- Cover needs of all market segments in Romania
- Best placed to further expand the gas value chain by entering power business

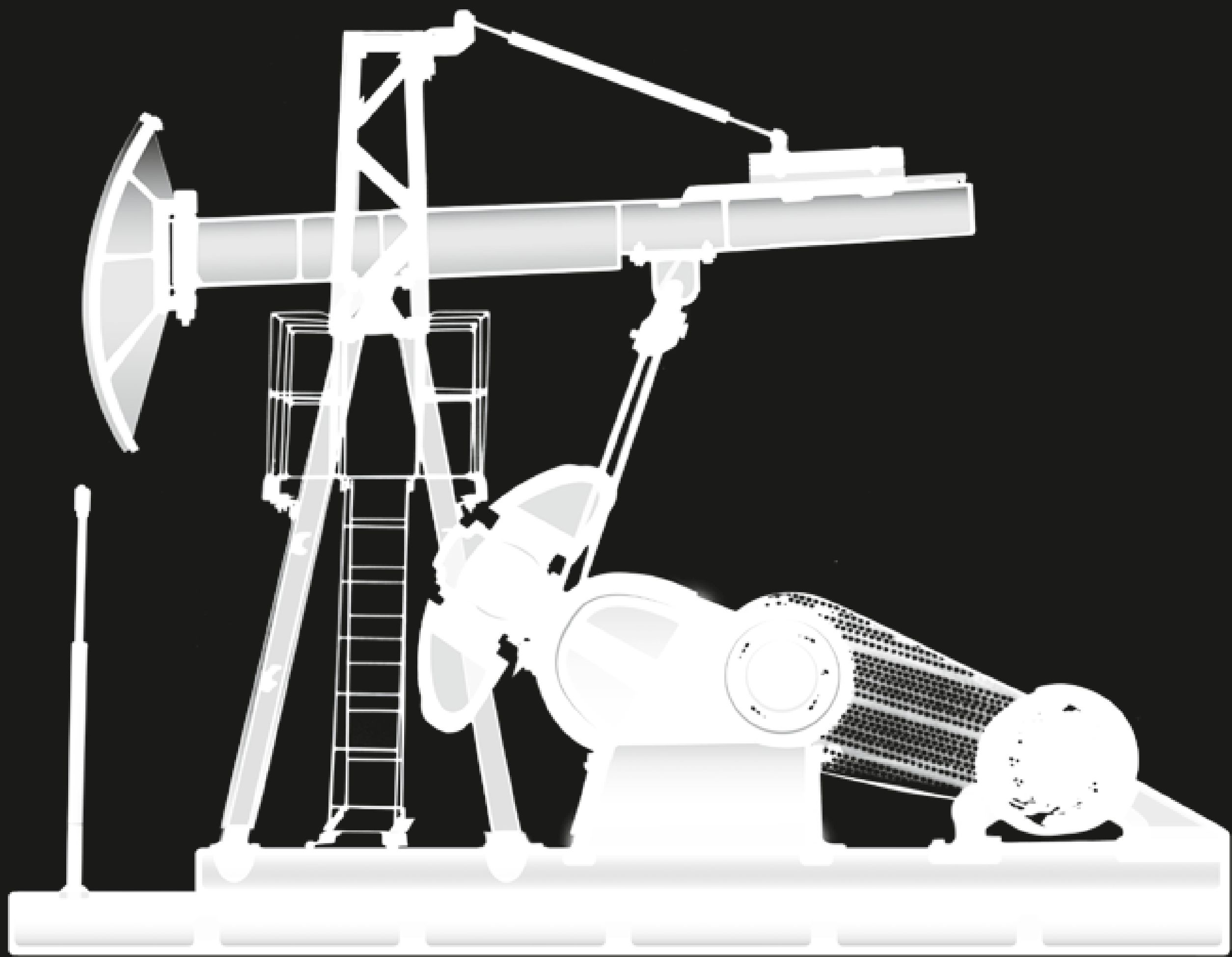
Our strategy

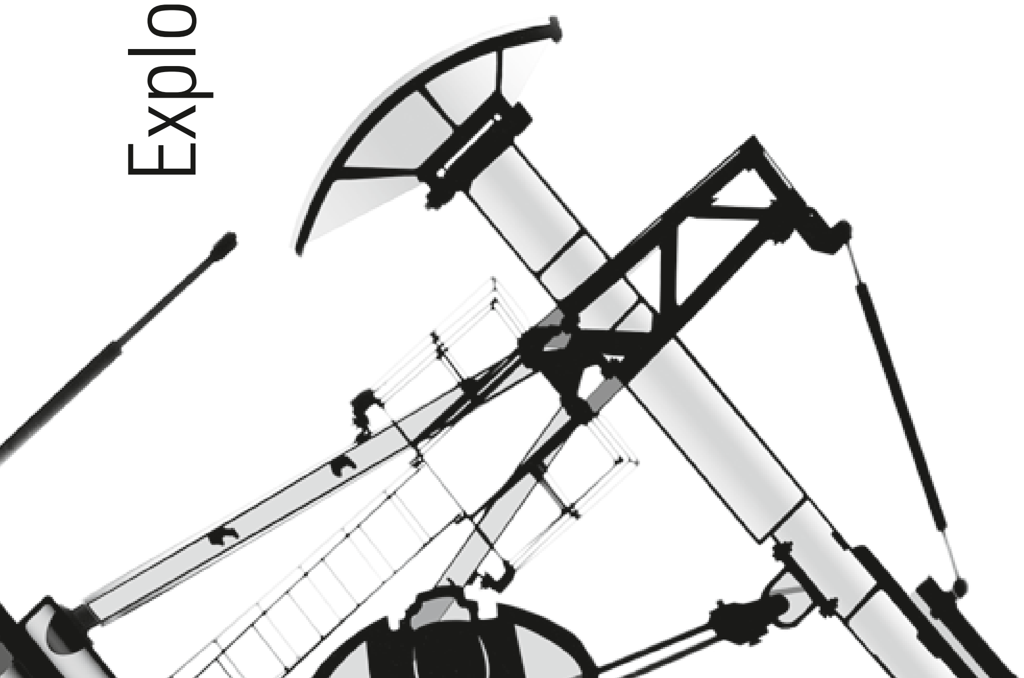
- Grow Petrom's gas business to become number one player in Romania
- Develop Petrom's gas business beyond the Romanian borders
- Develop trading business
- Work towards the alignment of the Romanian gas market with mature competitive markets in Europe
- Develop storage business
- Set up of a future oriented business model for biogas production and distribution
- Create a strategic growth path for Petrom by entering power business
- Enter power generation market by building a 860 MW gas fired power plant
- Enter renewable energies business

Our objectives for 2010

- Achieve gas marketing volume of more than 7 bcm in Romania with a market share of at least 35%
- Become a leading player in the gas market in the neighboring countries
- Prepare entry on the power market in 2011, with the construction of the Petrobrazi power plant

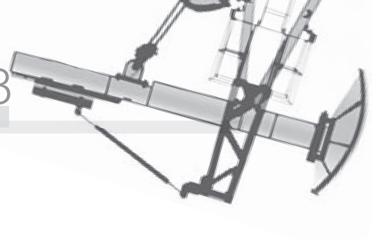
Exploration and Production





Excellent overall performance of the exploration and production activity

- Reserve replacement rate in Romania increased to 38% in 2007, from 13% in 2006
- Production decline was arrested



Exploration and Production (E&P)

In 2007 Petrom made significant progress in stabilizing the oil production. We halted the 7% average natural decline and recorded an aggregate decline of 4% with stable production levels from Q2/07 onwards. Our exploration activities stepped up and we made the first discoveries in Romania since the introduction of 3D seismic technologies. As a result, Petrom's reserve replacement rate reached in 2007 the level of 38% in Romania.

E&P at a glance

	2005	2006	2007
Total Group production (mn boe)	79.07	74.66	72.00
thereof Petrom SA	77.95	73.06	70.27
Group crude and NGL production (mn tons)	5.36	4.94	4.72
thereof Petrom SA	5.21	4.78	4.54
Gas production (bcm)	6.19	5.98	5.81
thereof Petrom SA	6.19	5.92	5.75
Domestic reserve replacement rate (%)	-	13	38
Total revenues (RON mn)	7,137	9,399	9,430
EBIT (RON mn)	2,782	3,744	2,848
EBITDA (RON mn)	3,414	4,334	3,556
OPEX (RON mn)	4,355	5,538	4,582
Exploration expenditures (RON mn)	150.6	140.9	230.0
Investments (RON mn)	530.5	1,336	2,465

EBIT of the **E&P** business of Petrom SA decreased by 24% in 2007 over 2006, mainly due to a decline in production and industry cost inflation. The appreciation of the RON also impacted EBIT negatively.

Operational highlights 2007

Exploration

Petrom holds exploration licenses for 17 onshore and two offshore blocks in Romania with a combined area of 59,450 square km. During 2007, Petrom reviewed its core exploration areas, and ratified contracts for three new exploration areas.

In 2007, a total of eight surveys based on 3D seismic technology were started (834 square km of new 3D seismic onshore were acquired) and 23 new exploration and appraisal wells based on new technology were finished (2006: four wells based on new technology).

Several discoveries of new reservoirs onshore and offshore were recorded during the year as a result of the 2D and 3D seismic campaigns realised in the past three years.

In 2007, several discoveries of new reservoirs were made. The most important of them, Delta 4, is the first successful offshore exploration since eight years. The Delta 4 well was drilled in the Histria XVIII exploration block, located in the Black Sea. Tests confirmed a daily flow rate of up to 357 tons of oil and 35,000 cbm of gas, in total approximately 2,800 boe/d. The further appraisal and development of this discovery are under review. The new discovery is expected to come on stream by mid-2008.

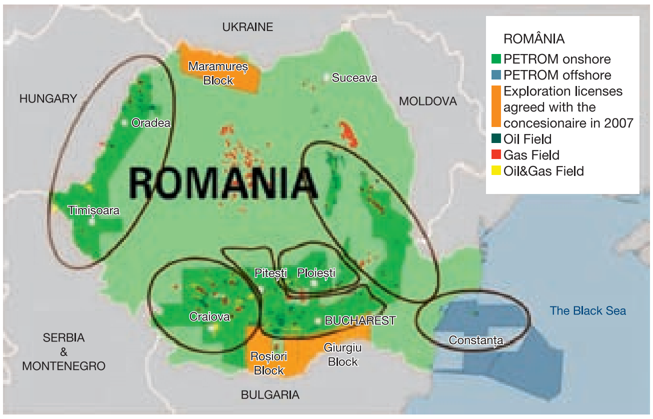
In 2008, a further increase in exploration activities including five new 3D seismic surveys (730-1,300 square km), eight new 2D seismic surveys (5,527 km) and the drilling of about 30 exploration and appraisal wells are planned in Romania.

The first well of the Torcesti discovery was put on stream and started producing in experimental mode. Production testing in Q1/07 confirmed flow rates of 130,000 cbm of natural gas and 11 tons of condensate per day (approximately 900 boe/d).

Reserve replacement rate

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

The application of modern reservoir management enabled a revision of reserves and 12 mn boe of new reserves from exploration and appraisal activities which were booked led to an overall increase of the domestic reserve replacement rate to 38% in 2007 from 13% in 2006, while the Group reserve replacement rate reached 35% in 2007.



Production

Total oil and gas production in Romania amounted to 70.27 mn boe or 193,000 boe/d in 2007 (4% lower than 2006) due to natural decline and external factors. Domestic oil production was affected by the natural decline and the shutdowns necessary to the modernization program. The decline in oil production was nevertheless halted in Q2/07. Overall gas production was negatively impacted by temporary shutdowns at some of the major customers, network limitation and by reduced demand due to the mild winter in Q1/07.

Investments

E&P investments in Romania increased to RON 2,465 mn, up by 85% as compared to 2006. The investments' step increase over previous years reflects Petrom's commitment to drilling, modernization and efficiency programs.

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

Modernization and turnaround programs

The downhole technology modernization program/well modernization has led to excellent results in the reduction of intervention frequencies per well per year.

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

The **anti corrosion project** has been slowed down due to the long delivery time requested by suppliers. In 2008 this project will be integrated with downhole technology modernisation program in order to assign better responsibilities to suppliers and capitalize on the project management capabilities demonstrated by the downhole technology modernisation team.

The **optimization of surface equipment and production systems (OSPS)** project has already defined the scope of work and Front-End Engineering and Design (FEED) contract for park downsizing and modernization was concluded. The commissioning of the modernized tank farm Albotesti, the downsizing of 50 parks to manifolds, the awarding of Enhancement Production Contract (EPC) contract(s) for parks modernization and FEED contracts for tank farm modernization are planned for the coming year.

The **drilling campaign** continued in 2007, with a total number of 163 production wells with finished drilling works realized. To improve the efficiency of the drilling process a project was launched in 2007 aimed at reducing the time from "intention-to-drill" to "start-production" by cutting design and preparation time and reducing other delays. An improvement is also expected from the quality and efficiency of drilling (e.g. shallow wells) and improved selection, management and monitoring of drilling contractors.

In September 2007, a comprehensive **turnaround program** was launched in Petrom E&P focusing on ten projects that will contribute to achieving the strategic targets for 2010. This program is focussed on de-bottlenecking the gas distribution system, re-developing major fields and fast-tracking field developments. Further focus will be on process optimization, diligent cost-control and efficiency enhancement.

International E&P operations

In **Kazakhstan** the average production from existing fields increased to 4,600 boe/d (2006: 4,400 boe/d) despite the sale of the Sinelnikovskoe field. The Komsomolskoe oil field development commenced, infrastructure was put in place and plant and pipeline constructions were carried out. Eight wells were tested and prepared for production and a drilling campaign for new horizontal wells commenced. For two discoveries in the Jusaly exploration block a pilot production phase was agreed with the Kazakh authorities.

In **Russia** three additional exploration licenses were awarded bringing the total number of licenses to nine in the Saratov region and two in the Komi region. A shallow exploration well in the Karamansky license, Saratov region, only recorded oil shows. Three further exploration wells were spudded in the Saratov region at the end of 2007. 4,100 km of new 2D seismic were shot and 3,400 km were re-processed and re-interpreted in both regions.

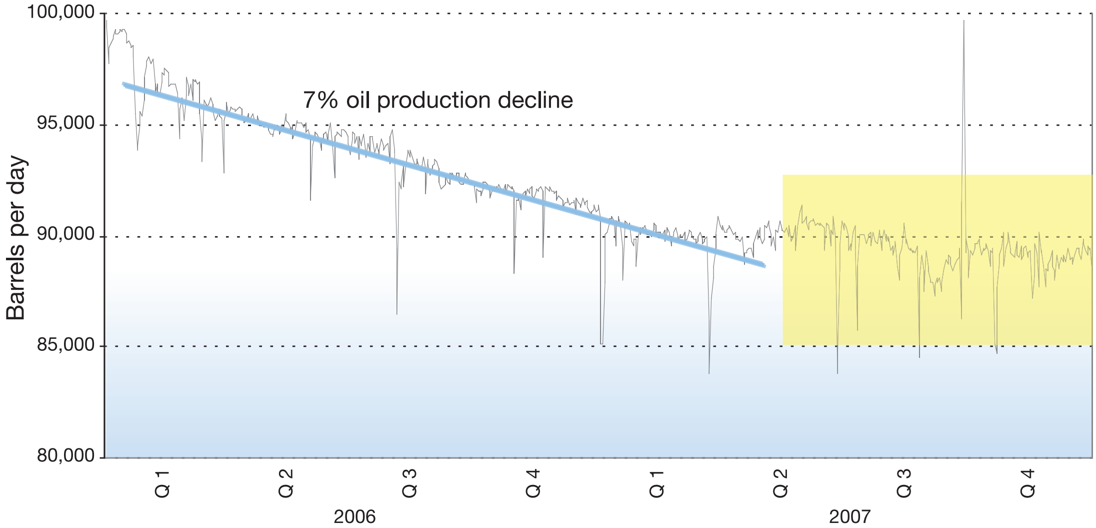
Outlook for 2008

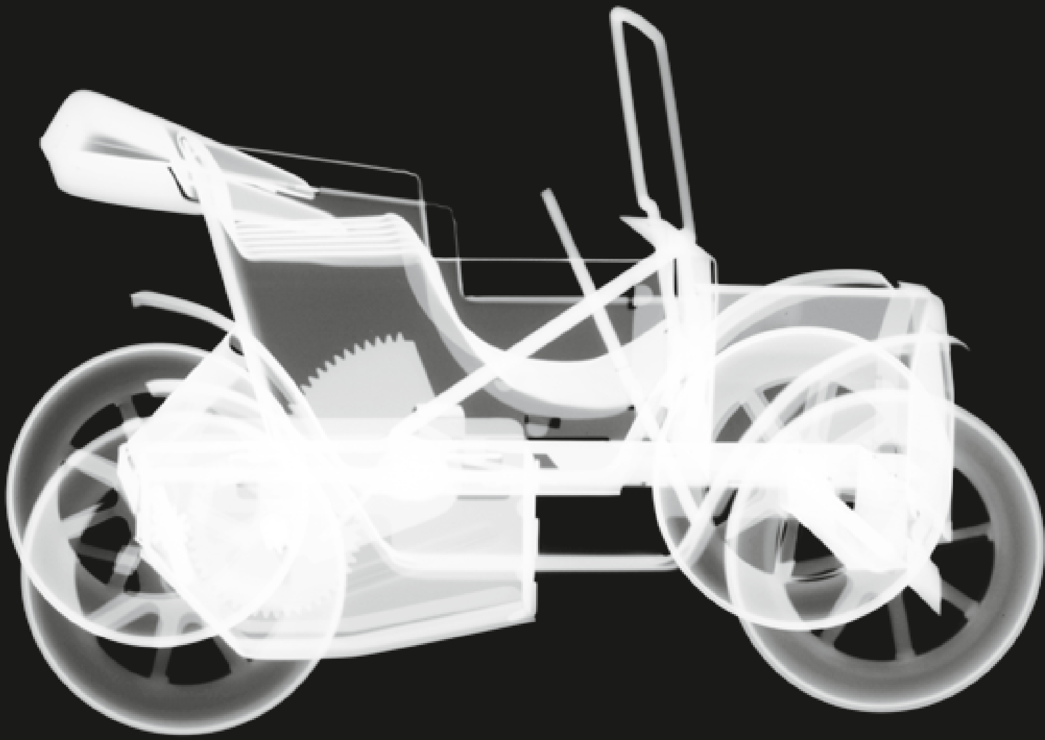
The results of the modernization efforts are already visible and we expect production volumes to increase in 2008. The well modernization program will continue, together with efforts to further enhance production efficiency. We will also continue to maximize the production level in Romania through an intensive drilling program combined with field re-development of 50 major fields and the continuation of our successful well re-completion program. The newly discovered offshore field Delta 4 is expected to commence operations in mid-2008. Through the use of 3D seismic technology we continue our efforts to increase the reserve replacement rate and to accelerate the conversion of probable into proved reserves.

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

Chart: "Crude oil production stabilization in 2007"

Petrom E & P Romania Crude Oil Achievement

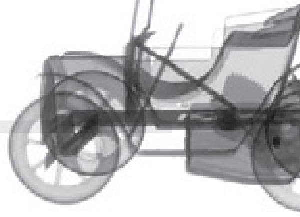




Refining and Marketing

Modernization and restructuring programs yield results

- Improving energy efficiency and yield structure
- Filling stations' transformation and modernization completed



Refining and Marketing (R&M)

In 2007, the Refining business realized the first positive effects of its restructuring efforts, delivering a significant improvement in the underlying performance. The results for 2007 were adversely impacted by the deteriorating margin environment, especially due to rising feedstock and energy costs. The Marketing business saw an impressive increase in throughput per filling station and the complete transfer of the filling stations network to the full agency system.

R&M at a glance

	2005	2006	2007
Crude input (kt),	6,400	6,863	5,917
thereof imported crude (kt)	1,404	2,138	1,570
Utilization rate	80%	86%	74%
Sales (kt)	5,046	5,465	4,707
thereof: Gasoline	1,849	2,120	1,587
Diesel	1,581	1,794	1,835
Total revenues (RON mn)	8,914	10,923	10,574
thereof external sales (RON mn)	8,752	10,792	9,566
EBIT (RON mn)	(914)	(1,136)	(1,065)
EBITDA (RON mn)	(662)	(914)	(736)
OPEX (RON mn)	12,926	15,660	11,639
Investments (RON mn)	585	1,298	1,004
Number of operating filling stations	553	489	450

Figures in the above table refer only to Petrom SA

EBIT of the R&M business improved compared to the previous year notably thanks to the better contribution from Refining resulting from the upgraded product yield (with a higher share of diesel), the progress in reducing own-energy consumption and positive inventory effects.

The 2007 results were adversely impacted by the deteriorating margin environment, on account of rising feedstock and energy costs and lagging product prices. **The refining margin**[1] **environment** was, on average, USD 0.45/bbl less favorable compared to 2006, with especially low levels during the second half of 2007.

Gasoline cracks were higher by USD 12/ton yoy at USD 179/ton, while **diesel cracks** remained USD 3/ton weaker at USD 153/ton compared to 2006. The average Urals quotation was 13% higher in 2007 than in 2006, which hit our refinery result especially hard due to our relatively poor energy efficiency.

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

The overall **utilization rate** fell to 74%, from 86% in 2006 due to optimization of refinery throughput to minimize low margin export sales. In addition, there was a shutdown at Petrobrazi for two weeks in November as well as the Arpechim turnaround in the spring period (6 weeks). The impact of these shutdowns on R&M results, however, was low due to the weak margins.

Crude oil processed

Crude oil, kt	2005	2006	2007
Arpechim	3,290	3,437	2,798
Petrobrazi	3,110	3,426	3,119
Total*	**6,400**	**6,863**	**5,917**

* Procesed crude oil figures include condensate and natural gas-associated liquids

Sales

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

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

Retail sales reached 1,533 mn liters, up by 22% higher compared to 2006. As a result of the implementation of the **full agency system**, the **yearly throughput per filling station** improved considerably in 2007, reaching 3.2 mn liters per year, compared to 2.4 mn liters in 2006.

According to Petrom's estimates the retail market share was about 32% in 2007.

The **non-oil business** also registered a significant increase. Total

[1]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.

turnover increased to RON 318 mn, 74% higher than last year's level thanks to portfolio reorganization and purchase process optimization.

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

Product, kt	2005*	2006	2007
Gasoline	2,308	2,094	1,570
Diesel	1,617	1,794	1,726
Kerosene	132	192	187
HFO	1,124	753	737
LPG total	200	305	248
Bitumen	139	166	129
Petroleum coke	153	196	176

* 2005 production includes internal transfers

Operational highlights 2007

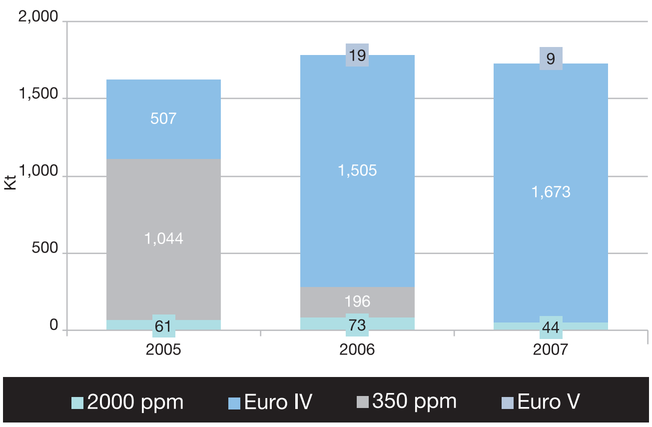
Refining

During 2007, **we improved the yield structure** in our refineries, increasing the middle distillates yield from 32% of products to 35% and reducing own-fuel consumption and losses by 1.5% points of total inputs compared to 2005.

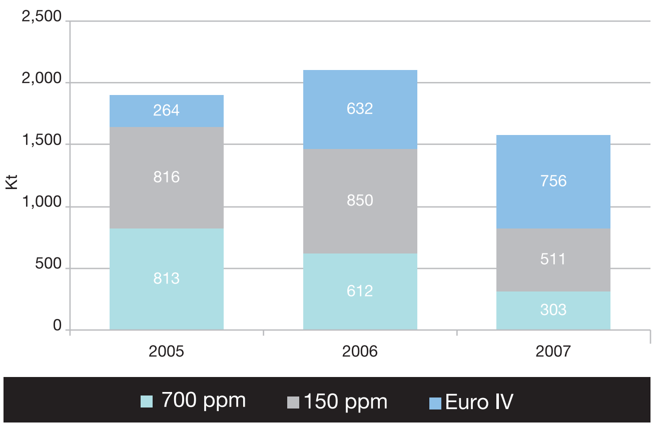
Flare losses were reduced by 50% from the 2005 baseline, three years ahead of our 2010 target date.

In line with EU specification and market demand, we are now producing Euro IV quality range for gasoline and diesel and we have the capability to produce sufficient Euro V (10ppm) fuel to meet domestic market demand.

Diesel quality improvement



Gasoline quality improvement



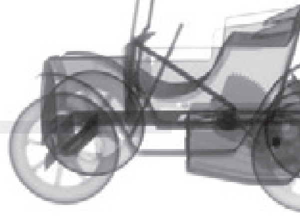
In the first half of 2007, we performed a six-weeks major maintenance turnaround at the Arpechim refinery, which has positioned it for uninterrupted operation until 2011. Petrobrazi was also stopped for two weeks in November to allow for mechanical inspections and tie-ins of a new diesel hydrotreating unit. As a consequence, the overall utilization rate dropped to 74%.

We also completed, six months ahead of plan, the **restructuring and selective outsourcing of activities performed by our maintenance services company** (Rafiserv). The outcome of the process started in February 2006, is that all maintenance services for Petrom refineries are now provided by international frame contractors at competitive rates relative to Western European level.

The remaining **uncompetitive petrochemicals operations** were shut down in 2007 and we established a new petrochemical company, **Petrochemicals Arges**, into which we will transfer the remaining olefins, polyolefins and aromatics activities of Arpechim refinery. In line with our long-term objectives, we have initiated discussions with third parties interested in acquiring this business from Petrom.

In May 2007, the Arpechim refinery's operating permit was suspended by the Environmental Protection Agency because of its failure to complete the compliance schedule. The shortfalls were addressed during the subsequent two months, leading to full legal compliance and the restoration of the operating permit in August.

We continued to improve HSEQ performance toward OMV Group HSEQ standards and our Integrated Management System (IMS) was certified under ISO 9001, 14001 and 18001 standards.



Marketing

As part of our strategy to provide customers with better products and services, we introduced the **PetromV** premium concept for filling stations, in the autumn of 2005. By the end of 2007 we had established a network of 100 Petrom V filling stations, built and operated at highest Western standards.

Following the reorganization process begun in 2005, **the full agency system** for the administration of the filling stations was defined and introduced, replacing the old COCO system (company owned, company operated). Under this concept, the filling stations are managed by a dealer selected by Petrom, who is remunerated via sales-based commission. The dealer is responsible for the personnel of the filling station and has to adhere to strict Petrom rules. In 2007, Petrom finalized the transfer of **all of its filling stations to the full agency administration** system.

Within the Marketing division a strong **commercial department** is dedicated to wholesale clients for oil products, LPG, lubricants and jet fuel. Commercial fuel sales were aided by the introduction, in 2005, of the **Petrom Card** system, offering an efficient fleet control and consumption monitoring tool for corporate customers. In order to better meet customer needs, a centralized key account management system was established.

The retail and commercial segments are supported by the **supply and logistics activity**, which consists of storage facilities and all means of transportation. Supply and logistics is undergoing a major restructuring process. The **closing of storages** facilities began in 2005 and continued in the following years, with ten terminals closed in 2007. So far, 111 out of 146 old storages have been closed, VRUs (Vapour Recovery Units) have been modernized, reconstruction of Jilava (main terminal) and preparation works to re-construct eight other terminals have begun. The re-engineering process for the entire primary logistic chain has been completed and the secondary logistic chain was fully outsourced to four hauliers in 2007.

Affiliated companies

Petrom acquired Shell Gas Romania and increased its stake in Trans Gas Services to 80%, following Shell's decision to exit its LPG business in Romania. This acquisition will allow Petrom to increase its market share, strengthen its position on the LPG market in Romania and realize synergies with its own LPG business.

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

Following its strategy, in 2007 Petrom further strengthened its retail presence in the neighbouring countries (Bulgaria, Republic of Moldova and Serbia), with a total number of filling stations of 257, and increasing retail market share (31% in the Republic of Moldova, 18% in Bulgaria and 13% in Serbia).

Investments

Capital investment projects in the Refining segment were pursued, with the new hydrogen plant commissioned at Arpechim and the completion of a new, high efficiency, high pressure steam boiler. At Petrobrazi, we have commissioned the new diesel hydrotreater (HDS) unit and begun the construction of the new fluid catalytic cracker (FCC) gasoline hydrotreater unit, scheduled for start-up in early 2009. These two investments will enable the production of Euro V fuels at the site.

The investments in the Marketing segment were focused mainly on reconstructing and modernizing the existing filling stations, but also on green-field construction and the supply and logistic projects. The highlight was, however, the Shell Gas Romania acquisition and the increased stake in Trans Gas Services.

The 23% yoy decline in investment in the R&M business compared to 2006 is explained by the exceptionally high capital expenditures recorded in 2006 due to the acquisition of the OMV retail networks in Romania, Serbia and Bulgaria.

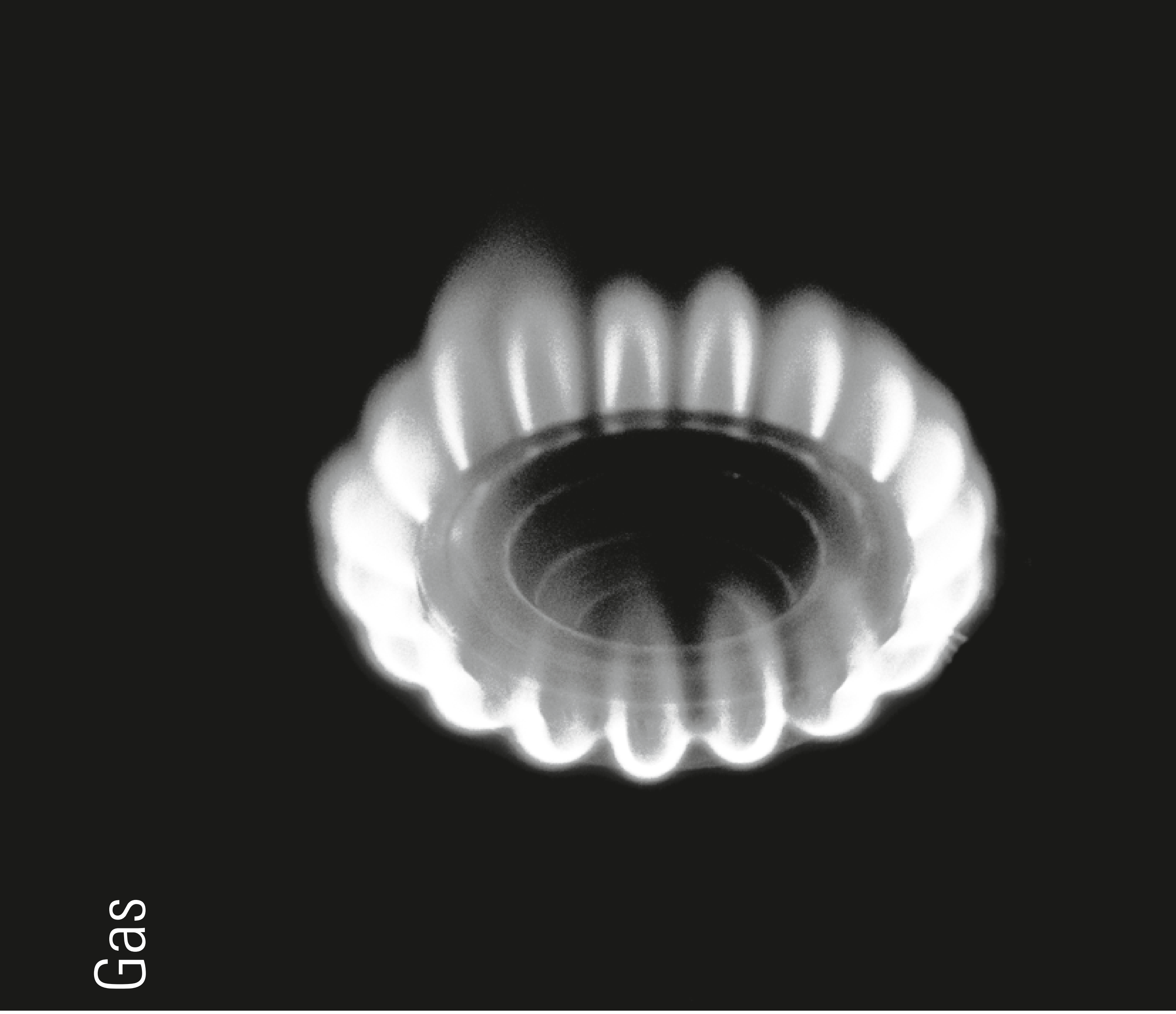
Outlook for 2008

Energy efficiency and yield improvement efforts will continue with a particular focus on reducing heavy fuel oil yield. Mechanical availability benefits will be realized from improved maintenance services under the new frame contracts.

We are pursuing our 2010 strategy focused on converting Romanian crude oil into high quality transport fuels for the South-East European market. We continue our investments to position Petrobrazi as the leading refinery in Romania, with 6 mn tons per year refinery capacity and a new grass-roots hydrocracker unit (the first in Romania).

During 2008 we plan to complete the Front-End Engineering and Design (FEED) phase for the Petrobrazi repositioning investments and advance construction of the FCC gasoline hydrotreater project to meet the scheduled start-up in early 2009.

In Marketing our main focus will be to continue to modernize the filling station network. At the same time, we plan to demolish 45 old filling stations and 35 old storages. We also plan to consolidate Petrom Aviation and complete the integration of the newly acquired Shell Gas Romania into Petrom's LPG activity.



Gas

Expanding the gas value chain

- Reorganization of the distribution business successfully completed
- Flexibility in meeting short-term demand leading to improved results
- Power project approved: the construction of a 860 MW gas fired power plant will start in 2008

Gas

2007 saw the establishment of an effective gas marketing business. The small gas distribution network was spun off into a wholly-owned company, Petrom Distributie Gaze srl, achieving compliance with the EU unbundling regulations. Petrom aims to leverage the electricity industry liberalization and enter the power generation market by building an 860 MW gas fired-power plant at Petrobrazi.

Gas at a glance

	2005	2006	2007
EBIT (RON mn) *	-	117	123
Investments (RON mn) *	-	1	32
Consolidated gas sales, mn cbm **	5,612	5,242	5,546
thereof Petrom SA	5,321	4,863	5,156

* Gas results were separated from E&P and started to be reported in 2006.

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

The **EBIT** generated by the Gas business of Petrom SA in 2007 amounted to RON 123 mn, slightly better than in 2006 and mainly thanks to an increase in quantities sold. The integration of the natural gas distribution activities into the Gas division and the related re-evaluation put a financial burden on the result. The costs related to re-evaluation, depreciation and consultancy costs amounted to some RON 30 mn.

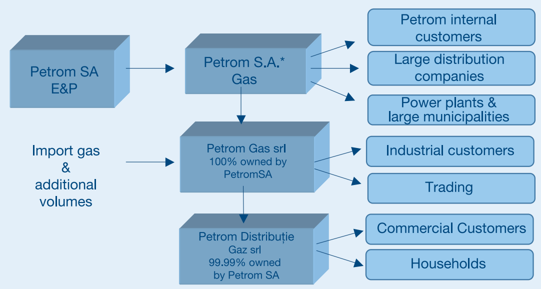
The **gas sales volume** of Petrom SA increased by 6% compared to 2006 due to our flexibility in meeting short-term demand surges from power plants. This was achieved despite the fact that the total natural gas consumption in Romania in 2007 fell by 5.5% (or 900 mn cbm) compared to 2006. Petrom's share in the Romanian gas market therefore increased to 34%.

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

Operational highlights 2007

The Gas business division of Petrom SA, formed in 2006, successfully established itself in the Romanian gas market. Along with the 100% Petrom affiliate Petrom Gas srl, the Gas business division supplies all Romanian market segments with natural gas.

Business model:



* Petrom SA is buying gas from other domestic producers as well

As part of an unbundling process, all the distribution activities were spun off from E&P and concentrated in a newly created subsidiary – Petrom Distributie Gaze srl (PDG), thereby achieving compliance with the EU Directive in this regard as well as Romanian legislation. The subsidiary is 99.99% owned by Petrom SA and reports to the Gas division of Petrom. The new company meets the challenges of the liberalized gas market as it provides a more flexible and efficient structure to deal with the steadily increasing number of clients. Petrom Distributie Gaze commenced operations in October 2007.

Via our own pipeline network of some 950 km we supplied gas to over 14,000 households and commercial customers.

Main industrial customers

The main eligible third party customers were Distrigaz Sud, E.ON Gas, Electrocentrale Bucuresti and Termoelectrica. Petrom also supplied two significant natural gas consumers within its business units, i.e. Doljchim, and Arpechim.

Gas storage

Each year, during the summer period, Petrom stores part of its natural gas production in underground storages owned and operated by Romgaz, for additional deliveries during the winter and added security of supply for Romania. The total volume stored at the end of December 2007 amounted to 209 mn cbm.

The Romanian power market is currently undergoing a major structural change and Petrom is in an excellent position to benefit via its investment in a gas-fired power plant. This entry will add sustainable value to Petrom and sets the strategic growth path for the company.

Power division set up

In 2006, Petrom considered entering the power sector. The strategy is to generate additional value through the expansion of the gas value chain in the downstream business, and to supply the refinery through an own power plant.

As a next step, Petrom initiated the development of a project to build an 860 MW gas-fired heat and power plant at the premises of the Petrom refinery, Petrobrazi. The plant is designed to enter the Romanian power market as a mid-size player and to provide the captive consumers of Petrom with electricity and steam. The full production capacity of the plant will be delivered to the Romanian power grid by end of 2011. The feasibility of this first proposed project was tested and confirmed. As a consequence, the Supervisory Board therefore approved the project in June 2007, as well as the establishment of a new Power business division within Petrom.

The main activities in 2007 related to obtaining site construction and public approvals and the preparation of the international tender for a lump-sum turnkey contract and a long term service agreement (LTSA) with EPC (Engineering, Procurement, Commissioning) contractors. The tender is expected to be finalized and the contract awarded at the beginning of 2008.

Outlook for 2008

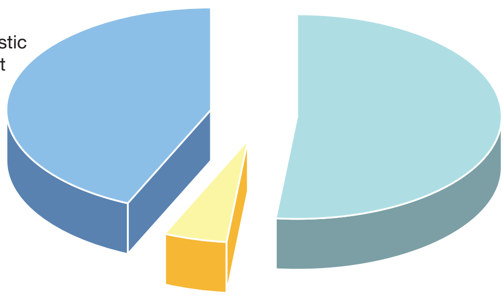
The focus in 2008 will be the construction of the 860 MW gas-fired power plant. In this context, Petrom will have to reach important milestones in order to keep the project timeline on track, notably concluding the tender negotiations, signing the lumps-sum turnkey and long-term service contracts and signing of an Owner's Engineer Contract.

Another important milestone for 2008 will be the launch of the electrical overhead line for the power plant and commencing the actual construction works for the plant.

Doljchim

The Doljchim chemical plant is an important part of the Romanian chemical industry, and a significant contributor to the production of chemical fertilizers and methanol for both the home and export markets.

2007 Sales structure



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

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

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

Doljchim therefore achieved record production levels of fertilizers, stimulated by these higher domestic sales.

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

At Doljchim, the focus will be on improving the financial results and increasing fertilizer production while assuring environmental and legal compliance and improving the safety process.

Doljchim at a glance

	2005	2006	2007
Sales (kt)	617	601	688
EBIT (RON mn)	17	51	59
Investments (RON mn)	1.6	5.5	16

Corporate functions

Strategic support for the modernization and restructuring process

- HR: value added services focusing on increasing employees performance and talent management
- Finance and IT: efficient processes and state of the art IT infrastructure
- HSE: modern HSE management and steady investments
- CSR: contributing to the sustainable development of the communities in which we operate

Human resources (HR)

During 2007, the HR department went through a transformation, focusing less on basic administrative activities and getting closer to the business, in order to add greater value to that business. This new approach is reflected in the difference between the "basic HR operational processes approach" – standard, business-enabling services and the "business differentiating" approach, focused on performance management, strategy and organizational change, talent management.

2007 key achievements

The 2007 stage of the HR structure reorganization was successfully completed: the concept of the new HR organization was implemented by redesigning the core HR processes and structure. Petrom's HR organization now has the attributes of a more efficient, flexible organization, with clear roles and responsibilities, as well as a more customer-orientated approach, in line with the organization's needs.

The reorganization process continued throughout 2007, ensuring a smooth transition for all parties involved, especially the employees. Projects were funded by Petrom to ensure better workplace accessibility and new business opportunities for employees.

The Human Capital Management survey – the group-wide management tool to manage human resources, corporate development and change processes – ran as a pilot among 3,000 employees who had the opportunity to proactively contribute to the year-round improvement process. The survey revealed important aspects of co-operation, strengths and areas in need of improvement. Action plans were drawn up to reflect these findings, thereby contributing to the continuous enhancement of staff satisfaction.

Management By Objectives (MBO) system – an ongoing project based on defining objectives for first and second level management and measuring their performance in relation to the established objectives – was successfully implemented in on-line form. The benefits included simpler administration, both for managers and employees and better integration and alignment with the OMV Group system.

Main HR programs developed in 2007

Performance Development System (PDS) was intensively prepared for launch in 2008. It is designed as a strategic tool to improve individual and organizational effectiveness in meeting the Company's objectives and desired outcomes. PDS will be a continuous process requiring clear performance definition, periodic feedback, coaching and instruction and recognition for improvement and contribution.

Career Succession Planning (CSP) was fully implemented in line with OMV Group requirements. Its strategic goals are to generate knowledge, identify talent, develop potential talent group-wide, and contribute to attractiveness of Petrom as the 'employer of choice' through future career opportunities. The operational long-term goals are key positions planning, filling key positions internally, and increasing mobility between business units.

Career Model is a competency model implemented at Petrom Solutions, E&P, R&M, which identifies both technical and soft skills to serve as the base for the skill standards required for success in the workplace. It enables businesses to ensure that training and development inititatives are aligned with organizational values and objectives, ensures continuous professional motivation, and focuses on the knowledge, skills and abilities that have the most impact on efficiency and productivity.

Training and development – the approach focused on divisional talent management programs: TOPEP (TOP E&P), ROPE (ROtation Program PEtrom in R&M), leadership and management programs – Management Development Program (Petrom Solutions), comprehensive training programs at European standards for existing and future managers – over 5,000 employees participated in 40 different courses, in which individual training needs were taken into account.

Outlook for 2008

In 2008, HR will pursue its new approach in improving its role, tools, service design and delivery. The new model for increasing HR effectiveness will strive towards results-based and portfolio-driven solutions, developing a deep understanding of the business units' needs and priorities. This workforce portfolio will involve improved learning and development, performance management implementation, and various projects designed to improve productivity, reduce costs and enhance the quality of the workplace.

HR will continue to implement and run the performance development, career succession planning and training and development programs initiated in 2007.

Headcount as of December 31

Activity	2005	2006	2007
E&P	22,598	18,604	16,520
Refining	6,492	4,893	4,001
Marketing	12,285	6,465	3,001
Doljchim	1,588	1,534	1,313
Corporate *)	583	1,341	1,562
TOTAL	43,546	32,837	26,397

*) In 2007, Corporate headcount also includes Petrom Solutions' employees (939) and Gas Headquarters' employees (18).

Finance and IT

Finance & Controlling

The Finance and Controlling department is acting as a corporate function and has the instruction right for all accounting, tax and controlling related issues and is therefore also responsible for issuing accounting, tax and controlling related directives and standards for all business divisions, including Petrom Solutions and other Petrom Group companies in order to ensure adherence to statutory and international standards. It ensures monthly, quarterly and yearly reporting according to RAS/ IFRS rules and according to OMV Group guidelines as well as legal and fiscal requirements. Finally, the preparation of yearly consolidated financial statements for Petrom Group is also in the responsibility of Finance & Controlling.

In 2007, quality and speed of quarterly closing was further improved substantially. Besides all the operational activities, the Finance & Controlling department is also involved in important finance related projects like the acquisition and integration of Petromservice.

2007 key achievements of Finance & Controlling

- EU accession successfully supported, employees trained and all related IT changes supervised for a smooth transition
- New companies integrated according to Petrom standards and rules (e.g. chart of accounts) like MPP Aviation, MOL filling stations and others
- Petrom Group and budget planning successfully implemented
- Redesign of databases for controlling finalized
- Further reduction and automation of reporting structures achieved
- Organizational structure adapted and aligned with new centralized functions
- First time consolidation of Petrom Group based on IFRS for 2006 including the comparatives for 2005
- Implementation of an accounting procedures database

Petrom Solutions – Transformation into a group-wide service provider

Since 2006 the transactional finance functions of Petrom were step by step centralized and concentrated together with IT services in Petrom Solutions in Bucharest, the service organization for accounting and IT for the whole Petrom.

Petrom Solutions Finance provides all transactional services for accounting and payroll and is organized along six main processes. These are accounts payable, accounts receivable, general ledger, fixed assets, cost accounting and payroll. Since 2007 Petrom Solutions (Finance & IT) is part of the OMV group-wide service organization OMV Global Solutions.

During 2007, the centralization of all transactional finance activities into Petrom Solutions in Bucharest was successfully finalized. In addition, a project has been set up to transform the two service organizations OMV Solutions, Vienna and Petrom Solutions, Bucharest into one service organization in order to deliver the services from both locations.

2007 key achievements Petrom Solutions Finance

In parallel with the integration of the remaining branches (e.g. Doljchim), Petrom Solutions Finance further optimized the processes, increased the transparency and efficiency. Faster closing procedures could also be achieved. Another major project in 2007 was the preparation of the acquisition of Petromservice and the integration of further new employees into the Petrom Solutions organization in Bucharest.

In terms of the integration of OMV Solutions Finance and Petrom Solutions Finance, first steps towards harmonization have been defined and are currently being implemented. In the future further transactional services for OMV Vienna will be delivered by the organization in Bucharest. A team with dedicated employees with advanced language capabilities is currently being prepared and trained.

Other important achievements in 2007:

- Implemented increased efficiency and reduced headcount
- Established a continuous improvement program
- Stabilized the Petrom Solutions Finance organization, developed individual retention programs
- Supported the integration with OMV Solutions
- Successfully supported several further SAP implementation projects

2008 objectives for Petrom Solutions Finance:

- Further streamlining of the process landscape
- Integration and harmonization of the latest acquisitions like Petromservice
- Further harmonizing the organizations of OMV Solutions and Petrom Solutions Finance
- Modernization and further automation by implementing modern tools like scanning software, electronical archiving and workflow
- Optimizing the split of responsibilities and activities between Finance & Controlling (HQ) and Petrom Solutions to further speed up at month end and quarterly closings

IT – A key change and innovation driver

IT enables business transformations such as the ongoing Petrom reorganization program by providing an efficient and reliable backbone for new business processes. Rather than being a passive tool, IT allows us to consider business challenges from entirely new perspectives and serves as a **key change driver**.

IT is also one of the most important **innovation drivers**. The implementation of advanced applications for the business divisions leads to significant cost savings and performance improvements, for example by enabling new or streamlining and integrating existing business processes or by new ways of managing business data.

IT is an essential tool for managing and improving the business, with the following main functions:

- Align application development and service management with the businesses to meet ongoing and strategic needs

- Achieve synergies through global IT services
- Maintain a state-of-the-art environment for critical business applications (data center)
- Provide reliable and high quality telecommunication services
- Ensure high quality IT services to meet growing requirements of end-users

2007 key IT achievements

Successful integration of Petrom Solution IT into a global IT Service Center

2007 was a transition year. After integrating IT into all aspects of Petrom's businesses we successfully shifted the overall IT focus from rapid delivery to cost-efficiency and quality improvements. We made an important step towards an IT service organization.

In 2005 and 2006 our focus was on improving, integrating, centralizing and consolidating Petrom's distributed IT function. In 2007 we started to transform this domestic organization into a global IT Service Center – one service, two locations (Bucharest and Vienna). Here, business and IT alignment is key, and we have installed a common IT management team responsible for both locations.

Another key achievement was the finalization of the SAP Finance roll-out in line with our ambitious plans. We have also defined a clear focus on strategic business applications to strengthen Petrom's market position and significantly improved the overall application landscape.

We have already rolled out numerous new standard IT infrastructure components such as 10,000 personal computers and laptops, 8,000 mobile phones and 2,500 devices and data cards for mobile internet and email access.

Major IT investments for 2008 are planned in the following areas:

- Ongoing SAP support (Finance, Logistics, HR) as well as new SAP projects (E&P plant maintenance, archiving and workflow)
- Continuous IT Infrastructure management improvement initiatives, in particular data center, network and telecommunications as well as IT service management
- IT security initiatives focusing on infrastructure protection and risk management
- IT infrastructure for PetromCity
- Integration of E&P Services (former oil business of Petromservice)
- Strategic business applications such as TAS, downstream applications for retail and commercial, data management and E&P specific applications and a company-wide document management system

Outlook for 2008

The strategic imperatives for 2008 are 'Optimize', 'Integrate' and 'Realize Synergies'.

We will further develop a single IT service organization across countries, aligned to business needs and user requirements. Standardizing processes and information technology is an important target, as is creating an IT governance structure to ensure continuous improvement in IT service delivery.

Our IT strategy will continue to focus on using and strengthening our own IT capabilities and on achieving economies of scale in terms of people, infrastructure and applications and on using external service providers for commodities and enhancing customer service.

Health, safety, security and environment (HSE)

In 2007, the HSE aspects of our activity remained a high priority while our Company continued to improve its HSE standards. We focused on investing in infrastructure, technology, equipment, implementing modern HSE management, and increasing HSE awareness across Petrom. Our efforts generated good results relative to our objectives.

Health

The priority for 2007 was the implementation of the **Petrom health concept**, aimed at offering employees state-of-the-art medical services (occupational health, preventive and curative, and health management). These will be provided by PetroMed Solutions SRL, an independent medical company created by Petrom in December 2007 and entirely dedicated to it. The medical personnel of the new company was assessed in line with OMV's health standards and participated in an intensive specialist training program (first-aid provision, occupational health management), launched in 2007 and which will continue throughout 2008. At the same time, the rehabilitation (modernization) process of the medical clinics has started, and will also continue in 2008, when the clinics will be provided with high standard medical equipment.

Petrom also developed for its employees a number of sickness prevention programs which include flu vaccination, hepatitis vaccination (a pilot in Moinesti area), diabetes early detection, and the prevention and early detection of obesity and lung diseases. Additionally, our employees benefited from various programs on medical topics such as first-aid provision, sanitary education, healthy nutrition and hypertension risk factors.

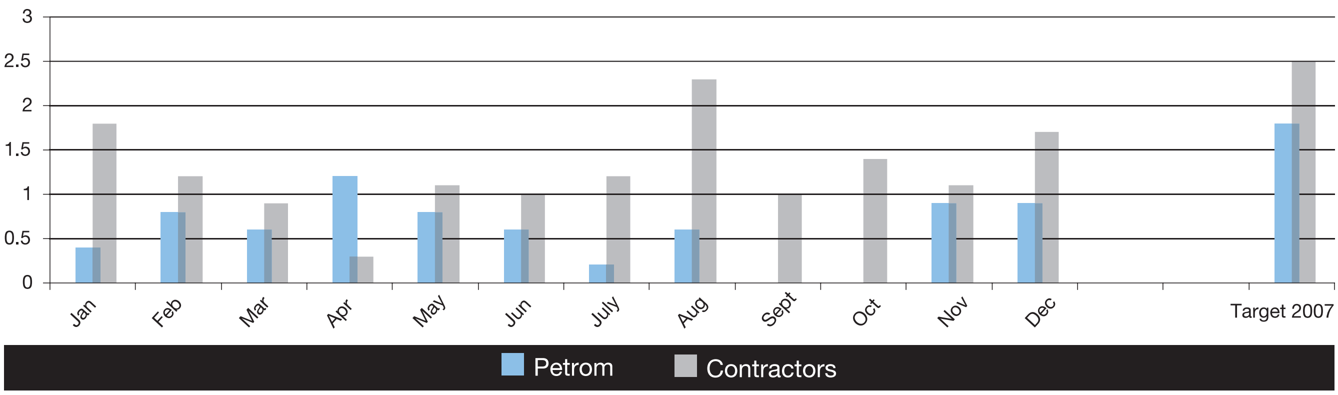
Safety

While strongly believing that all accidents can be prevented, Petrom pursued measures aimed at minimizing risks as much as reasonably practical: flame resistant protective equipment (NOMEX) was provided to employees in compliance with EU standards, workplaces were provided with high-standard safety equipment (e.g. personnel safe transfer devices between the ship and the offshore platform), risks at the workplaces were assessed and adequate steps were taken to mitigate/eliminate such risks.

Special attention was extended to improving the quality of incident reporting and investigating, and to sharing the lessons learnt from incidents. Improvement of the safety culture continued in 2007, including extensive training programs for both our employees and contractors. Refining obtained the ISO 18001 certification for its safety and occupational health management system.

Statistical results in the safety area shown in the diagram below indicate that the LTIR (Lost Time Injury Rate) was below the target rate for 2007. Although such results are encouraging, we deeply regret the loss of three colleagues from Petrom and five of our contractors in fatalities. We will continue to focus our efforts to make Petrom a safer company for all parties involved.

2007 Lost Time Injury Rate



LTIR = average injury frequency with one or more lost workday related to the working time performed

Security

The challenge for 2007 was to continue the implementation of the Minimum Operating Security Standards (MOSS) of OMV in order to bring our company into line with the international security requirements of the industry. A security organizational structure was thus implemented at Petrom and every employee vested with specialty responsibilities participated in a MOSS seminar. In addition, representatives of security services contractors for Petrom benefited from a seminar on human rights-related topics, organized by our Company. The security management system was improved by issuing corporate directives governing aspects of crisis and emergency situations, accidents and access to Petrom office buildings. Regulatory measures were accompanied by measures aimed at improving the physical security of our sites (e.g. provision of new surveillance equipment or rehabilitation of the existing ones). Regarding emergency situations, the framework of a modern notification system was designed and practical exercises were carried out in various risk areas at Petrom.

Environment

Examples of our efforts in this respect during 2007 include the gasoline storage tanks modernization in the refineries in order to reduce VOC (Volatile Organic Compounds) emissions, the modernization of heaters by fitting them with low NOx (Nitrous Oxides) burners, soil remediation and infrastructure improvement works in Petrobrazi, increasing the aeration capacities of the waste water treatment plants of Arpechim and Doljchim, and the installation of overfilling protection systems on all storage tanks in the operational storage terminals of Marketing. In both refineries, the hazardous waste storage elimination concept was implemented and specialized treatment services companies were contracted. In E&P, waste management was also a priority, and by the end of 2007, five temporary storages for non-hazardous waste were built, a public bidding process for oil sludge treatment was initiated and the design and bidding process for five bio-remediation units for polluted soil was finalized.

Efforts to apply international environmental management accounting standards (EMA) continued in 2007 and resulted in the approval of the relevant corporate standard and the implementation of an environmental expenditure evaluation pilot for all Petrom divisions. To increase awareness of the importance of environmental issues, environmental training courses were conducted across Petrom as well as an awareness campaign on energy efficiency, waste management and oil spills reduction.

Outlook for 2008

In 2008, Petrom will pursue its efforts to improve its HSE performance.

- Health: The new medical company will become operational and the implementation of the minimum health standard applicable across the OMV Group will be initiated
- Safety: Minimization of risks at the workplace and improvement of the incidents management system
- Security: Implementation of the minimum operating security standard adopted at OMV as well as improvement of crisis and emergency situations management
- Environment: Monitoring of the environmental performance progress key indicators and focusing on the priority environment programs

Corporate social responsibility (CSR)

We developed our **CSR strategy**, with the aim of helping society develop in a sustainable way, taking into consideration three main dimensions, based on the impact of our business: the economic, the environmental and the social dimensions. Given Petrom's importance to the Romanian economy, being responsible means our activity has to be viable and financially profitable both now and in the long term, in order to assure the well-being of our shareholders, our employees and their families. Furthermore, since we operate in an industry that has an impact on the environment, we take all possible precautions to mitigate that impact.

In order to enforce our social responsibility message, we created in 2007 a platform named "Respect for the future" under which we develop all our CSR programs. Being socially responsible is part of our business and everything we do in terms of CSR falls under one of the four key pillars defined in our strategy.

The four pillars of the CSR strategy:

- Petrom employees
- Environment
- Education
- Local communities

Main CSR programs developed in 2007

In 2007 our main projects targeted both the internal culture and the external activities of the Company:

Code of Conduct and Company values – a set of rules and principles outlining proper practices, provides support for employees in making business decisions and improving day-to-day conduct in the workplace.

"Parks of the future" – a program aimed at reconfiguring **urban green areas** in communities where we operate, and bringing them up to European standards, with respect to environmental protection and the use of alternative energy resources. During the first stage of the project three parks (Bucuresti, Pitesti and Moinesti) were rehabilitated in 2007 representing an investment of over EUR 1 mn. The project also has an educational dimension: each project was awarded based on the results of a contest open to young architects and landscape designers.

"Resources for the future" – Petrom is the first private company in Romania to launch an educational campaign of this scale, addressing the subject of **rational use of resources**. Awareness generation had, as its first target, Petrom's own employees, through an extensive internal communications campaign. To generate (external) public awareness we developed projects like the "Andrei" TV spot and an educational pilot program on recycling in primary schools.

"EuroHabitat 2007" – Petrom was actively involved in the largest volunteer project in Europe, developed in Rădăuţi by the non-profit association **"Habitat for Humanity"**. As part of this project, between September 1-9, 2007, 650 European volunteers built 27 houses for needy families, each named after an EU member state. Petrom funded the construction of "House of Romania" and its employees participated as volunteer brick-layers. In addition, we donated trees and plants for all 27 houses, bringing color and beauty to the new housing complex.

Disaster Preparedness Campaign – in partnership with the **Romanian Red Cross** we drilled three water wells in Dolj County during the Summer drought period, giving access to drinking water to more than 9,000 people. We also initiated an educational campaign on natural disasters with a focus on earthquake preparedness in Bucharest.

Outlook for 2008

We intend to reinforce the "Respect for the future" message and consolidate our position as a role model in terms of CSR. In the second phase of the "Parks of the future" we will rehabilitate two parks in Timisoara and Ploiesti

Report of the Supervisory Board

Strengthening of the Company's corporate governance

Principal activities

Petrom SA is an integrated oil and gas company, operating mainly in Romania but also in Kazakhstan and Russia (E&P) and in the neighboring countries of Bulgaria, Republic of Moldova and Serbia and Montenegro (Marketing business).

Business review

In this report, the Supervisory Board aims to present an overall assessment of Petrom's position in both its financial and non-financial reporting to the shareholders and other stakeholders. Our corporate website, www.petrom.com has a section dedicated to Investor Relations, containing information for both institutional investors and retail shareholders. Shareholders seeking information may contact the Company directly. They also have an opportunity to ask questions in person at the General Meeting of Shareholders.

Corporate governance

Petrom strongly believes that high corporate governance standards are essential tools to achieving business integrity and performance. This report sets out the policies and practices that Petrom applied during the year.

Given that OMV Aktiengesellschaft has committed itself to fully observing the Austrian Code of corporate governance and because such a Code is not yet available in Romania, Petrom voluntarily adopted a corporate governance policy that outlines the governance principles and structures, focusing on the long term interests of shareholders and ensures the integrity of the governance process.

Governance structures

In order to improve its corporate governance, on April 17, 2007, the General Meeting of Shareholders of Petrom approved the amendments to the Articles of Association, to adopt a two-tier board system, with a Supervisory Board (SB) which supervises the management of the Company on behalf of the shareholders and an Executive Board (EB) that manages the company.

The SB members are elected by the General Meeting of Shareholders to promote their interests by actively and transparently monitoring the activity of the Petrom EB. In the interest of transparency and independence, according to the Articles of Association, four of the nine members of the SB shall in any case be independent of the Majority Shareholder (Independent Members of the SB). Also, the independence criteria in relation to the majority and significant shareholders, set out in the Companies Law, are met by one of the SB (as law requires) of the four Independent Members.

Also, strong rules with regard to the confidentiality of privileged information and insider dealings have been incorporated into the Internal Regulations.

The members of the EB are appointed by the SB and cannot be members of the SB at the same time.

Supervisory Board members

The Supervisory Board's members, proposed by the Company's majority and significant shareholders were appointed on April 17, 2007.

Consequently, Petrom's Supervisory Board is formed of nine members: Mr. Wolfgang Ruttenstorfer (President), Mr. Gerhard Roiss (Deputy Chairman), Mr. David C. Davies, Mr. Helmut Langanger, Mr. Werner Auli, Mr. Kevin Bortz, Mr. Victor-Paul Dobre, Mr. Emanoil Negut and Mr. Cristian Marian Olteanu. Their biographies can be found within the dedicated section "Members of the Supervisory Board".

Executive Board members

Following the changes, Petrom's Executive Board is currently formed of seven members, namely Mrs. Mariana Gheorghe (President of the Executive Board, CEO), Mr. Reinhard Pichler (CFO), Mr. Johann Pleininger (in charge of domestic E&P, appointed with effect from July 15, 2007 and all E&P activity with effect from January 1, 2008), Mr. Siegfried Gugu (in charge of Exploration and Production Services, appointed with effect from January 1, 2008), Mr. Jeffrey Rinker (in charge of Refining and Petrochemicals), Mr. Gerald Kappes (in charge of Gas, Power and Chemicals , appointed with effect from January 1, 2008) and Mr. Tamas Mayer (in charge of Marketing). Their biographies can be found within the dedicated section "Members of the Executive Board".

There are several changes decided by the SB in 2007 aimed at strengthening the Executive Board team and at addressing the impending retirement of two of its members, effective end of 2007: Mr. Werner Schinhan, former Deputy CEO and responsible for Gas, and Mr. Werner Ladwein who was in charge of E&P International at the time of his retirement.

Supervisory Board's activity during 2007

On April 17, 2007, the Supervisory Board and Executive Board Internal Rules were approved, according to article no. 19 of the Articles of Association. The Supervisory Board and the Audit Committee began a comprehensive work program supporting the sustainable development of the Company. Five Supervisory Board and two Audit Committee meetings were held during the year 2007.

The Supervisory Board was kept constantly informed by the Executive Board regarding the major company management activites. The Supervisory Board was also informed at each meeting on deposits validly existing and new guarantees, HSEQ issues and other material, specific issues, arisen during the management of the company during 2007. Information regarding related-party transactions was provided and any necessary motions were approved in compliance with article no. 19.2 c) and 21 of the Articles of Association and the Internal Rules, respectively.

As part of its supervision activities, the Board noted that the investments made have already started to show the first visible results, with efficiency improvements recorded in all business areas.

The Supervisory Board had detailed and frank discussions of upcoming projects with the Executive Board. Moreover, the Supervisory Board also approved specific motions related to company's major projects and investments.

Also, the Supervisory Board recognizes and pays close attention to the general importance of risk management.

The Supervisory Board has determined that:

- The management of the Company acted during 2007 in line with the Articles of Association and any relevant decisions of the General Meeting of Shareholders and Supervisory Board
- The management of the Company was performed according to the general interest of shareholders; the business and management decisions were taken in good faith and the members of the EB fulfilled their duty of care and loyalty
- The EB decisions were taken in accordance with and within the limits set by the EB Internal Rules

Annual financial statements and dividend

Following thorough examination and discussions with the auditors within the Audit Committee and plenary meetings, the Supervisory Board verified the Directors' Report and the Company's financial statements for 2007 prepared according to the Company's law no 31/1990 (as subsequently amended) and to the Capital Market Law no 257/2004. The Supervisory Board has accepted the Executive Board's proposal to pay a dividend of RON 0.0191 per share. The proposal is subject to the approval of the forthcoming General Meeting of Shareholders on April 22, 2008.

Audit Committee

The Supervisory Board established an Audit Committee to assist it in fulfilling its responsibilities in relation to internal control and financial reporting and to carry out certain oversight functions on its behalf. Among other things, the Audit Committee is responsible for reviewing and preparing the adoption of the annual accounts, proposing the distribution of profits, and the consolidated accounts, risk management policies, management letters and the internal audit program, and making recommendations to the Supervisory Board, in cooperation with the auditors and the Corporate Internal Audit department. It also prepares the proposal for the appointment or reappointment of the independent financial auditor to the Supervisory Board and the Annual General Meeting.

The Audit Committee consists of 4 members: Mr. David C. Davies, Mr. Gerhard Roiss, Mr. Emanoil Negut and Mr. Kevin Bortz.

External Auditor

Deloitte Audit SRL was Petrom's independent auditor throughout 2007 and a resolution for their reappointment will be submitted to the General Meeting of Shareholders.

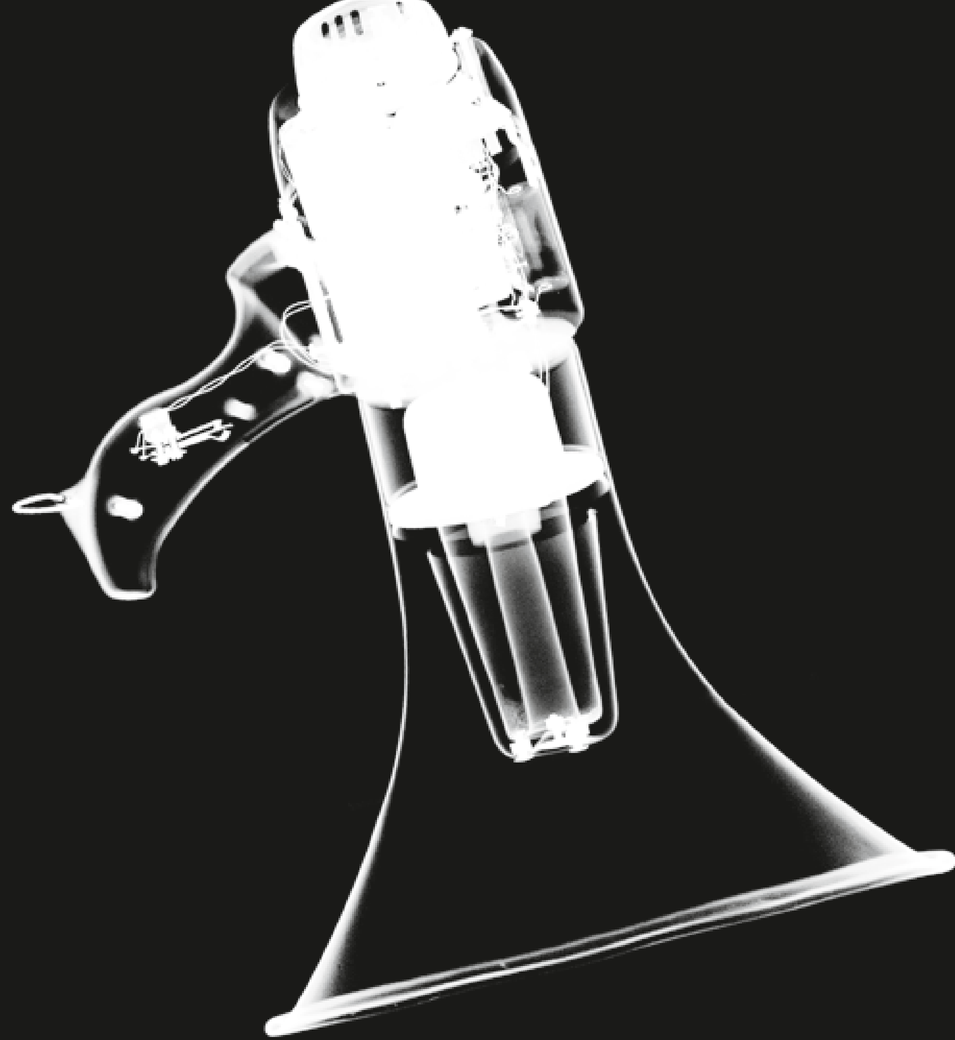
March 18, 2008

Bucharest

Wolfgang Ruttenstorfer

President of the Supervisory Board

Directors' Report



Continuous improvements in operational efficiency

Financial highlights

Petrom SA financials	2006	2007	%
EBIT, RON mn	2,777	1,965	-29%
EBITDA, RON mn	3,596	3,111	-13%
Net income, RON mn	2,285	1,778	-22%
Turnover, RON mn	13,078	12,284	-6%
Net cash generated by operating activities, RON mn	2,954	2,485	-16%
Investments*, RON mn	2,937	3,820	30%
Employees as of December 31	32,837	26,397	-20%

*the investments include increases of Petrom share participations

In 2007, the restructuring process at Petrom continued as planned. The results were in line with management's expectation, despite the mixed impact of the volatile macroeconomic environment, increasing international oil prices and supply costs. Petrom succeeded in arresting the production decline in the second quarter of the year and continued to improve operational efficiency, based on the ongoing restructuring programs and heavy investment activities in all business segments. In the finance function major achievements were the centralization of accounting systems, implementation of SAP in all business segments and establishment of a group-wide service centre for finance and IT.

In 2007, for the first time investments were higher than cash flow generated from operating activities. Compared to the previous year capital expenditure was up by 30%, and investments increased markedly in the second half of 2007.

Profit and loss

Summarized profit and loss (RON mn)	2006	2007	Δ (%)
Net turnover	13,078	12,284	(6)
Change in inventory – Credit Balance	(75)	121	261
Revenues from non-current assets production	26	22	(15)
Other operating revenues	386	58	(85)
Operating revenues – total	**13,415**	**12,485**	**(7)**
Expenses with raw materials and consumables	3,651	3,158	(14)
Other expenses with materials	73	43	(41)
Expenses with utilities	507	450	(11)
Cost of merchandises sold	199	396	99
Personnel expenses	1,745	1,658	(5)
Adjustments on the value of tangible and intangible assets	819	1,146	40
Adjustments on the value of current assets	1	(35)	-
Other operating expenses	3,674	3,746	2
Adjustments of the provisions for risks and charges	(31)	(42)	(35)
Operating expenses – total	**10,638**	**10,520**	**(1)**
Operating profit	**2,777**	**1,965**	**(29)**
Financial result	**(231)**	**185**	**180**
Gross profit	**2,546**	**2,150**	**(16)**
Income tax	261	372	43
Net profit	**2,285**	**1,778**	**(22)**

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

Other operating revenues decreased in 2007 due to lower asset sales, partly compensated by revenues resulting from stock movements.

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

Petrom's EBIT was down by 29% to RON 1,965 mn, compared to RON 2,777 mn recorded in 2006. This was mainly due to the weaker result generated by the E&P segment following the negative impact of the RON appreciation by 13% against the USD, the production decline which was arrested in the second quarter of 2007, and also higher year-end inventories of oil products in segments other than E&P.

The Exploration and Production (E&P) business of Petrom SA registered a strong year-on-year decrease in EBIT by 24% to RON 2,848 mn, mainly due to the the production decline and oil industry cost inflation, and also to the adverse impact of RON appreciation against the USD.

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

Production costs of USD 16.83/boe were 23% higher compared to 2006, mainly driven by the strengthening of the RON against the USD by 13%, lower production volumes and higher salaries and service related costs. In real terms, the production cost expressed in RON/boe increased by only 6%, a clear indication of the significant impact of RON appreciation against the USD.

In Refining and Marketing (R&M), EBIT improved versus 2006, to minus RON 1,065 mn, particularly due to the better contribution from Refining as a result of the better product yield (with a higher share of diesel), the progress in reducing own energy consumption and positive inventory effects. These positive developments were partially offset by higher repair expenses incurred during the turnaround at Arpechim. The 2007 results were adversely impacted by the deteriorating margin environment, on account of rising feedstock and energy costs and lower product prices. The refining margin environment was on average 0.45 USD/bbl less favourable compared to the previous year, with very low levels during the second half of 2007.

During 2007, Petrom's refineries processed a volume of crude oil of 5.92 mn tons, 14% lower than in 2006. Within this total, the imported crude oil volume processed by the two refineries decreased by 27% in 2007 in comparison with 2006 to 1.6 mn tons. The overall refinery utilization rate decreased to 74%, from 86% in 2006. The lower utilization was caused by the shutdown at Petrobrazi for two weeks in November, as well as the Arpechim turnaround in spring (6 weeks). However, the overall impact of these shutdowns on R&M results was low due to the weak margins.

In Marketing, the implementation of the full agency system was successfully completed in 2007 and retail sales increased significantly by more than 30% to 3.2 mn litres per station. At the end of 2007 all Petrom SA filling stations were running under full agency system. The number of premium stations stood at 100 at the end of 2007. In 2007 the secondary logistics was successfully outsourced and 111 out of 146 storage facilities were closed. Additionally, construction works started for one new terminal.

In the Gas segment of Petrom SA, EBIT increased by 5% to RON 123 mn, mainly due to higher sales than in 2006, supported by the purchase of additional volumes from third parties. The gas sales volume of Petrom SA increased by 6% compared to 2006 due to flexibility in meeting short-term demand surges from power plants. This was achieved despite the fact that the total natural gas consumption of Romania in 2007 dropped by 5.5% (or 900 mn cbm) compared to 2006. In 2007, the Gas segment of Petrom injected a total volume of 299 mn cbm of natural gas into storage, compared to 540 mn cbm in 2006. This was due to higher quantities being sold on the market instead of being injected in storages.

In the Chemicals segment (Doljchim) EBIT in 2007 was up by 16%, compared to 2006, to RON 59 mn due to higher sales volume. The sales volume generated by Doljchim in 2007 increased by 14%, to 688 kt, of which export sales represented approximately 54%. Doljchim's products were exported mainly in the neighbouring countries of Hungary, Bulgaria, and Serbia but also to Slovakia, Austria, Macedonia, Italy, Spain and Turkey.

In 2007, Doljchim also stepped up its efforts to increase domestic market sales, especially fertilizers.

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

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

Balance sheet

Summarized balance sheet (RON mn)	2006	%	2007	%
Assets				
Non-current assets				
Tangible and intangible assets	8,561	44	10,868	51
Investments in associate and other financial assets	4,531	23	5,508	26
Current assets				
Inventories	1,465	8	1,922	9
Accounts receivables and other assets	1,452	7	2,109	10
Cash at bank and cash in hand	3,451	18	753	4
Total assets	**19,460**	**100**	**21,160**	**100**
Equity and liabilities				
Equity	12,325	64	13,184	62
Non-current liabilities				
Other non current liabilities	124	1	200	1
Provisions	4,754	24	5,196	25
Current liabilities				
Trade payables	1,256	6	1,786	8
Other current liabilities	1,001	5	794	4
Total equity and liabilities	**19,460**	**100**	**21,160**	**100**

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

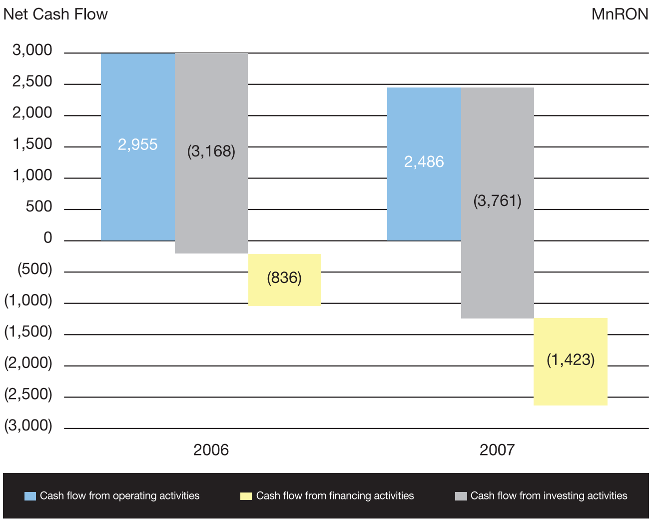
Non current assets increased by 25% to RON 16,376 mn, mainly driven by significant investments related to E&P with respect to well modernization program, the Midia terminal and production equipments.

Despite the increase in both inventories (both volumes and price effect) and receivables (mainly due to higher turnover in December 2007), **total current assets** recorded a 25% decrease to RON 4,784 mn over 2006 mainly due to the decrease in cash and bank accounts.

Total liabilities increased in 2007 by 12%, amounting to RON 7,976 mn mainly due to an increase in trade payables.

The shareholders' equity was RON 13,184 mn per year end 2007, up by 7% from 2006, as a result of the net profit for 2007 of RON 1,778 mn partly offset by the dividend distributed for 2006, which amounted to RON 1,014 mn.

Cash flow



The cash flow statement of Petrom was prepared using the indirect method, whereby adjustments were made for other noncash transactions.

Cash flow from operating activities decreased by RON 469 mn or 16% from RON 2,955 mn to RON 2,486 mn.

The reconciliation of net income for the year to net cash from operating activities (before changes in working capital) resulted in a net upward adjustment of RON 725 mn for 2007 (2006: RON 427 mn). Depreciation and amortization added RON 860 mn (2006: RON 846 mn), and gains on disposal of fixed assets provided another RON 15 mn (2006: RON (197) mn loss on disposal) to the cash flow.

Higher net allowances for impairment of assets (mainly increase in impairment for fixed assets and lower allowances for receivables, inventories and financial assets) resulted in an increase of RON 116 mn (2006: RON 84 mn). Lower net long-term provisions (primarily lower restructuring and environmental expenditure and higher litigation provisions) resulted in a decrease of RON 21 mn (2006: RON 31 mn). Operating cash outflows were also generated by payments of income tax of RON 263 mn (2006: RON 642 mn).

Funds invested in working capital as of December 31, 2007 decreased by RON 362 mn (2006: increase of RON 398 mn) as a result of higher inventories and receivables that were not fully compensated by higher payables.

Net cash outflow from investment activities was RON 3,761 mn (2006: RON 3,168 mn).

The increase was mainly due to capital expenditure for tangible and intangible assets amounting to RON 3,638 mn (2006: RON 1,920 mn) compensated by lower investments in financial assets RON 359 mn (2006: RON 1,657 mn) representing shares and other financial instruments totaling RON 172 mn (2006: RON 1,014 mn) and loans given to group companies of RON 187 mn (2006: RON 643 mn). Investment outflows for non-current assets were partly offset by inflows from proceeds from the sale of non-current assets amounting to RON 235 mn (2006: RON 410 mn).

As a result, cash outflows for capital expenditure for tangible/intangible assets, shares and other financial instruments amounted to RON 3,810 mn (2006: RON 2,934 mn). This was RON 10 mn (2006: RON 3 mn) lower than the capital expenditure presented for each segment in the table below due to non-cash land titles transactions.

Capital expenditure

Investments (RON mn)	2006	2007	%
Exploration and Production	1,336	2,465	85%
Refining and Marketing	1,298	1,004	-23%
Gas	1	32	-
Chemicals	5.5	16	191%
Corporate (incl. Petrom Solutions)	297	303	2%
Total investments	2,937	3,820	30%

Capital expenditure presented in the table above include acquisitions of tangible and intangible assets and acquisitions of financial assets representing shares in other companies and other financial instruments.

The total capital expenditure in 2007 was RON 3,820 mn, exceeding by 30% the amount performed in 2006.

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

E&P investments in Romania increased by 85% as compared to 2006, due to drilling, modernization and efficiency programs. In 2007, drilling works were completed at 163 production wells compared to 158 in 2006. Additionally, the technology roll-out (the Downhole Technology and Well Modernization Program) returned excellent results in terms of reduced intervention frequencies per well per year.

Exploration activity in Romania was successful, with several new discoveries reported during the year. In 2007 a number of eight 3D seismic surveys were started (834 square km of new onshore 3D seismic were acquired) and 23 new exploration and appraisal wells based on new technology were finalized, as compared to 4 in 2006. The E&P segment of Petrom SA spent RON 335 mn on exploration activity in 2007 of which RON 230 mn was expensed, and RON 105 mn was capitalized.

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

In December 2007, R&M also acquired Shell Gas Romania and increased its stake in Trans Gas Services to 80%. The acquisition will allow Petrom to strengthen its position on the LPG market in Romania and realize synergies together with its own LPG business.

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

Cash outflows from financing activities amounted to RON 1,423 mn (2006: RON 836 mn).

In 2007 cash outflows from financing activities were fully represented by dividend payments amounting to RON 1,423 mn (2006: RON 396 mn). In 2006 the Company had also repaid loans amounting RON 478 mn and increased its share capital with RON 38 mn.

In conclusion, during the year ended December 31, 2007 positive cash inflows from operations were fully used to cover significantly higher investments and to pay higher dividends, which resulted in a decrease of the net cash position at the end of the year.

Risk management

Petrom Group, as an integrated oil company, is exposed to many different risks, including those related to the international economic climate and other factors that are specific to the oil and gas business.

The principal approach is, firstly, to identify all possible risks and secondly to quantify each risk according to its possible impact on the EBIT of Petrom by combining the estimated adverse impact with the probability distribution of each risk.

The results constitute the input for the Risk Monitor, a tool for reporting, aggregating and analyzing the risk exposures of Petrom as well as OMV. Thus for Petrom Group more than 80 risks have been evaluated and about ten key risks comprise nearly two-thirds of the total exposure. Petrom Group is mainly exposed to different market price and margin risks, USD currency risk as well as to risks of major hazardous incidents (although the probabilities of the later are very low, the theoretical impact of any such incident is high). Likelihood and impacts of risks are continually monitored as well as methodically optimized under the OMV Risk Management approach.

Risk awareness within the Petrom Group and its subsidiaries is reflected in an integrated report which is prepared twice per year, each May and October. The findings are reported to the management, and the parameters of all risks are part of the OMV wide simulation model.

As Petrom moves forward, the focus will be to incorporate the risk management process so that risk awareness, risk analysis and risk control measures form part of the daily work of each business area and can support the Group strategy and business targets.

A continuing focus going forward is evaluating the risks associated with climate change during the planning phases for major projects and when strategic business decisions are formulated. Another focus will be to apply consistent methodologies for risks arising from new affiliates which need to be aligned with Petrom's overall risk framework, using insurance as mitigator, whenever necessary.

Subsequent events

Several changes were made to Petrom's organizational structure, effective as of January 1, 2008.

- Mr. Johann Pleininger, already an EB member, responsible for E&P Romania, took over the entire exploration and production activity (E&P International included), following the retirement of Mr. Werner Ladwein, at the end of 2007. Mr. Ladwein had been in charge of Petrom's E&P international activities since June 2007 until the end of 2007.
- Gas and Chemicals activities were bundled with the new Power activities under Gas and Power division, reporting to Mr. Gerald Kappes, with effect from January 1, 2008.
- A new business division was created in Petrom, called Exploration and Production Services, for the integration of the newly acquired oil services activities of Petromservice, effective January 2008. The E&P Services division is consolidated under the E&P division. Mr. Siegfried Gugu is in charge of the new division with effect from January, 1, 2008.

Petromservice integration

Subsequent to the Competition Council's approval, the closing of transaction related to the Petromservice oil services activites acquisition took place on February 1, 2008.

Gas

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

Outlook 2008

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

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

In **Exploration and Production**, the results of the modernization efforts are already visible and we expect production volumes to increase in 2008. The well modernization program will continue, together with the efforts to further enhance production efficiency. In 2008, the focus in E&P will be on reducing production costs through the integration of the oil service business of Petromservice and the initiation of a cost cutting program.

In **Refining** the restructuring program will continue in 2008, focusing on energy efficiency and product yield improvements and is expected to have a positive effect on margins. During 2008, we plan to complete the Front-End Engineering and Design (FEED) phase for all major investments in Petrobrazi and advance construction of the FCC gasoline hydrotreater project to meet the scheduled start-up in early 2009. In **Marketing** we expect a slightly better margin environment than in 2007. The demand for fuel is expected to increase further, while the Company will continue its efforts to improve the quality of the filling stations network, including the rebuilding of around 75 filling stations. As a consequence of these factors, we expect a further increase in sales and an increased contribution from the non-oil business.

In the **Gas** segment we expect the business to grow despite the volatility of the business environment. While the development of the regulated gas prices and the impact of potential changes in the fertilizer industry remain uncertain, we expect increased demand from the gas fired power plants. For **Power**, the focus in 2008 will be on preparing for the construction of the 860 MW gas fired power plant in Petrobrazi. This will be an important milestone as we expect additional value to be generated through the expansion of the gas value chain in the downstream business. The Power activities will be consolidated under the Gas and Power division. Chemicals activities will be also reported under the Gas and Power division.

The activities and costs of the corporate functions and services were analyzed in 2007 – with the target of reducing complexity as well as costs. The costs that relate to pure corporate functions which are carried out within Petrom will now be reported separately in the Corporate and Other line starting in 2008, and will no longer be absorbed by the businesses. The internal service centre Petrom Solutions, established in 2006, has been integrated into the OMV Global Solutions framework which will provide group-wide services. Activities performed by this service center will continue to be charged to the businesses.

March 18, 2008

Bucharest

Given the changes in the Company's management system, the Directors' Report will be signed off as follows:

- for the period January 1, 2007 – April 17, 2007:

Wolfgang Ruttenstorfer

Board of Directors' Chairman

- for the period April 17, 2007 – December 31, 2007:

Mariana Gheorghe

Executive Board President

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

Petrom's participations

UPSTREAM	
Tasbulat Oil Corporation	100%
Kom Munai	95%
Ring Oil	74.90%
Petrom Exploration & Production limited	100%
MD India	0.01%

DOWNSTREAM	
Rafiserv Petrobrazi	99.94%
OMV Romania Mineraloel	99.9%
OMV Bulgaria	99.9%
OMV Srbija	99.9%
Rafiserv Arpechim	99.78%
Petrom Nadlac	98.51%
MP Petroleum Distributie	95%
Aviation Petroleum	95%
ICS Petrom Moldova	65%
Petrom LPG	99.99%
Petrochemicals Arges	95%
Petrom Aviation Otopeni-Ilfov	48.5%
Brazi Oil & Anghelescu Prod Com	37.7%
Fontegas Peco Mehedinti	37.4%
Deem Algocar Buzias	27.92%
GTI Oil Co	13%
Prima Petrol	11.98%
Air Total Romania	6.41%
Butan Gas Romania	6.07%
Benz Oil	0.48%

GAS	
Petrom Gas Bucuresti	100%
Petrom Distributie Gaze	99.99%
Congaz Constanta	28.59%

CHEMICALS	
Poliflex Romania	96.84%
Robiplast Co Bucuresti	45%
Beyfin Gaz	40%

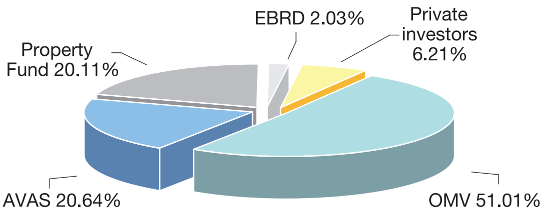
OTHERS	
Petromed Solution	99.99%
Trans Gas Services	80%
Societatea Romana de Petrol	49%
Franciza Pitesti	40%
Bursa Maritima si de Marfuri Constanta	20.09%
Asociatia Romana pentru Relatia cu Investitorii	20%
Bursa de Marfuri Oltenia	2.63%
Telescaun Tihuta	1.68%
Agribac	0.79%
Credit Bank	0.22%
Institutul Roman pentru Asigurari	0.1%
Oficiul Patronal Judetean Mures	0.01%

Petrom shares

Shareholding

According to the provisions of the E.G.O. no 101/2006, on February 26, 2007, Depozitarul Central SA (the Central Depository) transferred the Petrom shares owned by the Ministry of Economy and Commerce in the account of the Authority for State Assets Recovery (AVAS).

Subsequent to the transfer, AVAS owns 17,481,773,996 shares representing 30.862% of the Petrom share capital.



On July 11, 2007, in compliance with the stipulations of the Government's Emergency Statutory Order no. 81/2007, Depozitarul Central transferred 5,791,079,578 shares, representing 10.223% of Petrom's share capital, held by AVAS, into the account of Fondul Proprietatea SA (the Property Fund).

Subsequent to the transfer, AVAS owns 11,690,694,418 shares representing 20.64% of the share capital and Fondul Proprietatea SA owns 11,391,130,186 shares, representing 20.11% of the share capital.

Following the Decision no. 2844 dated September 28, 2007, by which the High Court of Cassation and Justice irrevocably rejected the final appeal of Mr. Dan Paul Viorel, the National Securities Commission released the Certificate no. 338 on October 12, 2007 unlocking the shares subscribed based on Decisions 2, 3 and 4 of the Extraordinary General Meeting of Shareholders held on November 22, 2005. The execution of the National Securities Commission's decision was performed accordingly by Depozitarul Central SA.

Shares

During 2007, BET Index, which comprises the ten most liquid blue chip stocks listed on the BSE, increased by 22%. The BET C (BET Composite) index, which includes all companies listed on the BSE, except for the SIFs, increased by 33%. Vienna Stock Exchange's ROTX Index which consists of the seven most liquid blue chip stocks traded at the BSE, increased by 23% in 2007.

Since April 2006, Petrom has had a share capital of RON 5,664 mn, divided into 56,644,108,335 shares with a nominal value of RON 0.1.

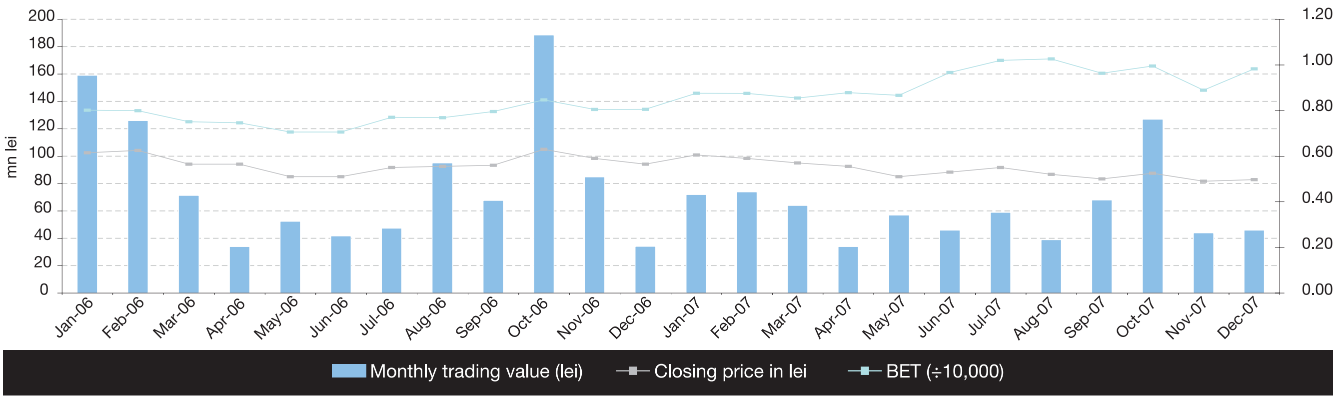
Petrom shares symbols	
ISIN	SNPPACNOR9
Bucharest Stock Exchange	SNP
Bloomberg	SNP RO
Reuters	SNPP.BX

At a glance	2005	2006	2007
Number of shares	56,000,506,078	56,644,108,335	56,644,108,335
Market capitalization, RON mn [1]	26,712	32,004	28,152
Market capitalization, EUR mn [1]	7,264	9,077	8,056
Year's high, RON	0.5300	0.6550	0.6200
Year's low, RON	0.2760	0.4410	0.4790
Year end, RON	0.4770	0.5650	0.4970
EPS, RON/share	0.0253	0.0405	0.0314
Dividend per share (RON)	0.0130	0.0179	0.0191 [2]
Dividend yield [1]	2.4%	3.2%	3.8%
Payout ratio	52%	44%	61%

[1]Calculated based on the share price as of the last trading day of the respective year

[2]Proposed dividend

Evolution of Petrom share price and BET



General Meeting of Shareholders

On April 17, 2007, Petrom's Extraordinary General Meeting of Shareholders approved the change of the Company's management system into a dual board structure, whereby the Company is managed by an Executive Board, which is supervised by a Supervisory Board, consisting of nine members.

Petrom's Annual General Meeting on April 17, 2007 approved the payment of a dividend of RON 0.0179 per share (RON 1,013.9 mn in total) to its shareholders for 2006.

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

Investor Relations

After each interim results announcement, Petrom conducted a conference call where analysts and investors had the opportunity to address questions directly to the company's management. In addition to these conference calls, Petrom organized a series of one-to-one meetings with different analysts and institutional investors during 2007, both from Romania and abroad.

Dividends

On March 18, 2008, the Supervisory Board decided to propose to the forthcoming General Meeting of Shareholders on April 22, 2008 the payment of a dividend of RON 0.0191 per share, resulting in a payout ratio of 61%.

Own shares

During 2007, Petrom did not repurchase or hold, at any moment, any of its own shares.

All important information and news for shareholders and analysts regarding Petrom is posted on our corporate website at www.petrom.com, Investor Relations section.

2008 Financial Calendar

Financial events	Date
The presentation of the results for January-December and Q4 2007[1,2]	February 26, 2008
Publication of the Annual Report 2007	April 22, 2008
The General Meeting of Shareholders	April 22, 2008
The presentation of the results for January-March 2008	May 7, 2008
The presentation of the results for January-June and Q2 2008	August 6, 2008
The presentation of the results for January-September and Q3 2008	November 6, 2008

[1]According to Romanian Accounting Standards

[2]Approved by the Executive Board and to be submitted for the GMS approval

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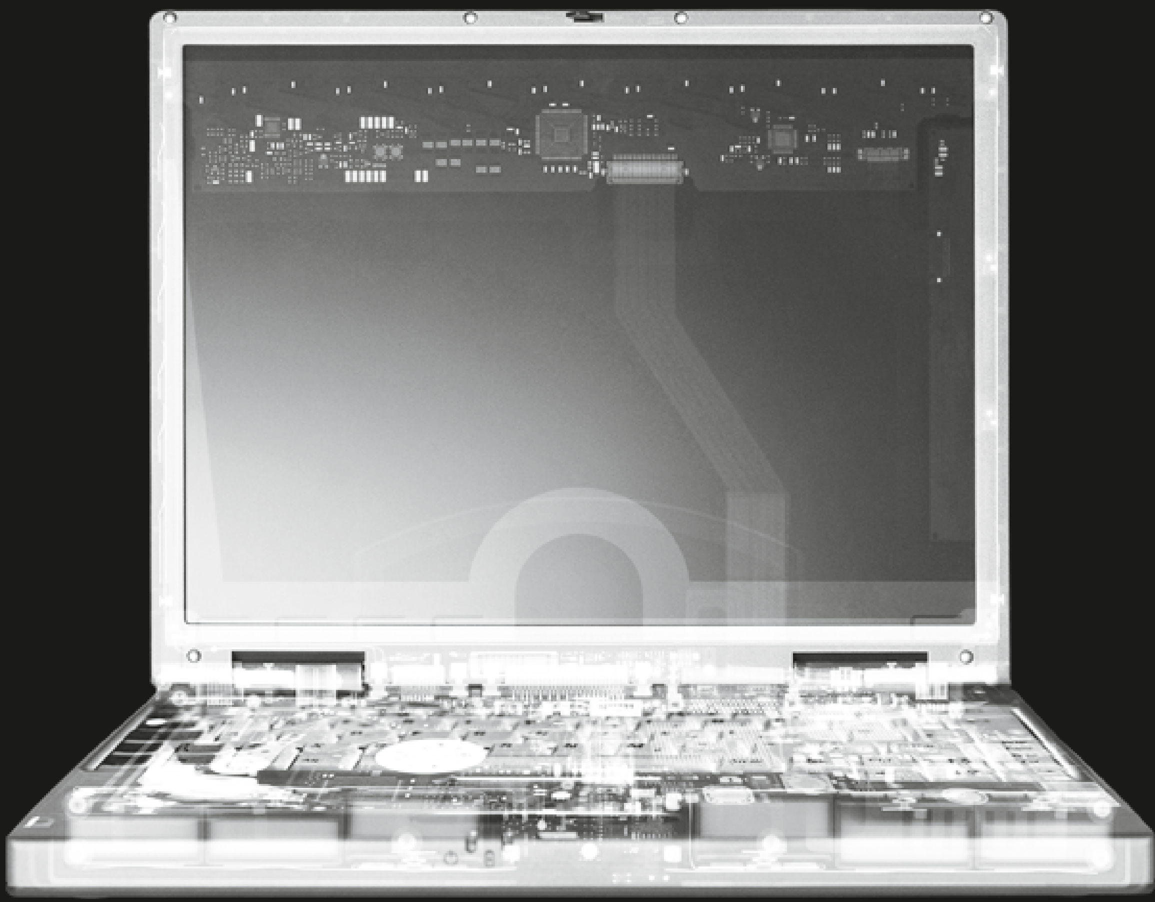
To obtain quarterly and annual reports in Romanian and English, please e-mail to investor.relations.petrom@petrom.com or use the ordering service under www.petrom.com.

Glossary

AVAS	The Authority for State Assets Recovery
bbl	Barrel
bcm	Billion cubic meters
bn	Billion
boe	Barrels of oil equivalent
boe/d	boe per day
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditures
Capital employed	Equity + (Financial Current liabilities + Financial Non-current liabilities – Cash)
cbm	Cubic meter
CSR	Corporate social responsability
Current ratio	Current Assets / Current Liabilities
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBRD	European Bank for Reconstruction and Development
FCC	Fluid Catalytic Cracker
FEED	Front-End Engineering and Design
FX	Forex (Foreign Exchange)
GHG	Green House Gas
GMS	General Meeting of Shareholders
HSE	Health, Safety, Security and Environment
HSEQ	Health, Safety, Security, Environment and Quality
HFO	Heavy Fuel Oil
IT	Information Technology
kt	Thousand tons
LFO	Light Fuel Oil
LPG	Liquefied Petroleum Gas
mn	Million
MTBE	Methyl Tertiary-Butyl Ether
NGL	Natural Gas Liquids
NOPAT	Net Operating Profit After Taxes = Net income + (Interest Expense - Interest income)*(1-tax rate)
OPEX	Operating expense
ppm	Parts per million
Quick ratio	(Current Assets - Inventories) / Current Liabilities
RAS	Romanian Accounting Standards
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed
ROE	Return On Equity = Net Profit / Average Equity
ROFA	Return On Fixed Assets = NOPAT / Average Fixed Assets
RON	New Romanian leu
RTC	Railway Truck Cars
t	Tons
toe	Tons of oil equivalent
yoy	Year-on-year

Independent Auditor's Report and Financial Statements



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

Free translation from the Romanian version which is the original

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

[1]TRANSLATOR'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
Deloitte Audit SRL
Bucharest
March 18, 2008

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

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**

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

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

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**

Free translation from the Romanian version which is the original
Notes on pages 59 to 83 form integral part of these financial statements.

(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	-	-

(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

(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

(all amounts are expressed in RON, unless otherwise specified)

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	**-**	**-**

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 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**

Free translation from the Romanian version which is the original
Notes on pages 59 to 83 form integral part of these financial statements.

(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.

(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.

(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.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

ACUMULATED IMPAIRMENT	Balance as at	Increase		Decrease		Balance as at
LOSSES	1.01.2007	out of which	Transfers	out of which	Transfers	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**

(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**

(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 Oztyurk 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.

(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 Kazahstan	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	Polyetilene 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	-

(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**

(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS

PROVISIONS FOR RISKS AND CHARGES	Balance at 01.01.2007	Increase	Decrease	Balance at 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.

(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**

(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**	**-**

(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") AMMENDED 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 ('Petrom' 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.

(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**

(all amounts are expressed in RON, unless otherwise specified)

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 Kazahstan. 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.

Free translation from the Romanian version which is the original

(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**

(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 Petrobrazi 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 Brazi SRL	-	55,184
Beyfin Gaz SRL	-	117,105
Borealis AG	-	11,536,492
Congaz SA	-	27,844
Linde Gaz Brazi SRL	-	2,948,988
Petrom Nadlac SRL	-	5,574,414
Total	**338,302,436**	**2,801,402,931**

(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 Petrobrazi 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 Brazi 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
Brazi 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 Brazi 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**

(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**

(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.

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