

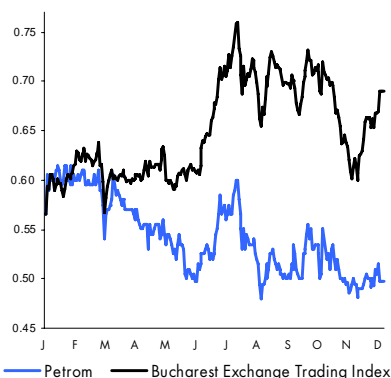
# Company Update

January 3, 2008

Oil & Gas/Romania

## Hold

Price 20.12.07	0.5150
Price target	0.5220
Volatility risk	medium
Year high/low	0.6150/0.4800
Currency	RON
RON/EUR	3.52
ADR rate	n.a.
Market capitalisation in EUR mn	8,295.7
Free float	6.2%
Free float in EUR mn	514.3
Avg. daily turnover (12 m) in EUR mn	0.7
Index	BETI
ISIN code	ROSNPPACNOR9
Bloomberg	SNP RO
Reuters	SNPP.BX
Datastream	RM:SNP
www.petrom.com	



Source: Raiffeisen Centrobank

**Analyst:** Philipp Chladek

Tel.: +43 1 51520 - 175

e-mail: chladek@rcb.at

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A-1015 Vienna, Tegetthoffstrasse 1

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## Petrom

### It's a long way to modernisation

Petrom fared better than expected in 3Q 07, reflecting the positive business environment and first tangible results of the restructuring. However, the road to modernisation is still a long one. We believe that it will take considerable time until Petrom can catch up with the technical standard of its Western peers.

**Looking back to 3Q 07:** Petrom's greatest woe was the weak USD compared to the RON, burdening upstream results despite gains from crude price increases. The restructuring of the refineries is slowly making progress, but a lot remains to be done, especially regarding the energy efficiency. Inventory gains were offset by growing feedstock costs, both caused by high crude prices. The completion of filling station refurbishment is showing effect in first-ever positive retail results. Profitability in the gas business grew thanks to better prices and higher demand.

**Outlook:** As it will take several more years to complete the refineries' turnaround, we think that Petrom's short-term success will depend increasingly on its upstream business in Romania and Kazakhstan. We deem the planned gradual remount of crude production feasible; however dependency on FX-rates and refinery feedstock prices could continue to dampen results. Regarding Romanian politics, we expect authorities to refrain from renegotiating privatisation agreements like the selling price or upstream royalties, given the general potential negative impact of such decisions on FDI in Romania.

**Valuation:** Romanian demand and prices will continue to be very favourable in the near future; however, Petrom will not be able to fully profit from it due to the continuing adverse impact of the RON FX-rates. Comparison with peers brings a positive impression that we don't want to overestimate due to the considerable remaining investment needs. Compounding all estimates, we settle on the confirmation of our "hold" recommendation while raising the price target to the result of our DCF model of RON 0.522 (previously RON 0.510).

### Key ratios

RON	12/2005	12/2006	12/2007e	12/2008e	12/2009e
EPS reported	0.025	0.041	0.032	0.052	0.045
PE reported	18.9	13.8	16.0	9.8	11.4
Adjusted EPS diluted	0.025	0.041	0.032	0.052	0.045
Adjusted PE diluted	18.9	13.8	16.0	9.8	11.4
Operating cash flow per share	0.049	0.053	0.035	0.066	0.073
Price cash flow	9.6	10.7	14.7	7.8	7.0
Book value per share	0.192	0.220	0.233	0.262	0.267
Price book value	2.5	2.6	2.2	2.0	1.9
Dividend per share	0.000	0.018	0.023	0.040	0.035
Dividend yield	0.0%	3.2%	4.4%	7.7%	6.9%
EV/adjusted EBITDA	7.0	6.7	7.4	4.9	5.3

Source: Petrom, Raiffeisen Centrobank estimates

## Changes to our estimates: Higher prices at unbroken demand

The main change is a significant increase of our crude price estimates, which have implications on virtually all assumptions for the planning model of an oil company. Higher crude prices will limit refinery margins in the short run. However, we think that because refinery capacities will not grow at the same pace as product demand in CEE, margins will regain higher average levels in the medium term (see table below). The gradually increasing importance of the Russian Urals crude compared to the North-Sea Brent benchmark associated with the continuing modernisation of Russia's upstream infrastructure lead us to believe in a gradually diminishing discount of Urals compared to Brent. The benefit for CEE oil companies stemming from lower feedstock purchase costs will decrease to the same extent.

## Changes to forecasts – value drivers and financials

in RON mn	Previous			New			Comment
	2007e	2008e	2009e	2007e	2008e	2009e	
Avg Brent price (USD/bbl)	67.13	62.00	56.00	72.14	76.00	68.00	Significant increase due to macroeconomics
Avg Urals price (USD/bbl)	63.89	58.50	52.50	69.15	73.00	65.50	Brent-Urals differential gradually decreasing
Refinery margin (USD/bbl)	5.69	5.00	4.78	5.18	4.84	4.84	Higher crude and product prices; unbroken demand
EBIT	2,317.3	2,682.1	2,689.4	2,090.0	3,813.5	3,385.7	See above
EBT	2,298.7	3,027.8	2,953.6	2,174.0	3,527.5	3,034.3	Low interest charge due to little interest-bearing debt
Net profit a.m.	1,839.0	2,422.2	2,362.9	1,826.2	2,963.1	2,548.8	Tax rate unchanged at 16%
Clean EPS	0.033	0.043	0.040	0.032	0.052	0.045	

Source: OMV, Raiffeisen Centrobank

## Zero debt distorts ratios slightly; accounted for in valuation

As most of the debt financing is handled via the parent company OMV, Petrom has virtually no interest-bearing debt. Some ratios may therefore render a slightly misleading picture. For our valuation assumptions, we have included the necessary financing needed for the heavy investments that Petrom will continue to make in the mid term.

**Main risks to our planning model:** Significant deviations of crude and product prices as well as FX rates to the USD constitute major risks. An average increase of USD 1/bbl would increase Petrom's EBIT by EUR 30 mn and a 10% gain in the refining margin would have an EBIT impact of + EUR 20 mn.

## Peer Group Valuation

	2006	2007e	2008e	2009e	2006	2007e	2008e	2009e
	<b>P/E pre-goodwill</b>				<b>Dividend Yield</b>			
INA	25.9	34.8	23.4	23.0	0.6%	0.5%	0.6%	0.7%
MOL	6.1	10.9	9.7	10.9	2.4%	2.3%	4.1%	3.7%
OMV	9.3	8.7	9.9	9.8	2.4%	2.2%	2.4%	2.4%
PKN	10.3	12.0	8.4	8.6	n.a.	n.a.	1.3%	1.3%
Unipetrol	26.6	13.4	9.0	8.6	n.a.	n.a.	n.a.	n.a.
Statoil	8.8	10.6	11.5	11.8	5.0%	4.9%	4.7%	3.6%
Total	10.0	11.7	11.8	12.1	3.4%	3.6%	3.8%	3.9%
<b>Mean</b>	<b>13.8</b>	<b>14.6</b>	<b>12.0</b>	<b>12.1</b>	<b>2.7%</b>	<b>2.7%</b>	<b>2.8%</b>	<b>2.6%</b>
<b>Median</b>	<b>10.0</b>	<b>11.7</b>	<b>9.9</b>	<b>10.9</b>	<b>2.4%</b>	<b>2.3%</b>	<b>3.1%</b>	<b>3.0%</b>
Petrom	13.8	16.0	9.8	11.4	3.2%	4.4%	7.7%	6.9%
	<b>P/BV</b>				<b>ROE</b>			
INA	1.8	2.0	1.9	1.8	7.2%	6.0%	8.4%	7.9%
MOL	1.9	2.9	2.0	1.8	31.9%	21.8%	23.8%	17.1%
OMV	1.8	1.9	1.7	1.5	22.7%	24.1%	17.9%	15.8%
PKN	1.1	1.1	1.0	0.9	11.2%	9.4%	12.0%	10.6%
Unipetrol	1.0	1.3	1.2	1.0	4.0%	10.5%	13.8%	12.7%
Statoil	2.9	2.6	3.2	2.9	35.5%	26.5%	30.1%	25.9%
Total	3.2	2.8	2.4	2.2	31.1%	25.5%	22.1%	19.2%
<b>Mean</b>	<b>2.0</b>	<b>2.1</b>	<b>1.9</b>	<b>1.7</b>	<b>20.5%</b>	<b>17.7%</b>	<b>18.3%</b>	<b>15.6%</b>
<b>Median</b>	<b>1.8</b>	<b>2.0</b>	<b>1.9</b>	<b>1.8</b>	<b>22.7%</b>	<b>21.8%</b>	<b>17.9%</b>	<b>15.8%</b>
Petrom	2.6	2.2	2.0	1.9	19.8%	14.3%	21.2%	17.0%
	<b>EV/Sales</b>				<b>EV/EBITDA</b>			
INA	1.1	1.3	1.3	1.3	10.7	11.9	9.4	8.7
MOL	0.7	1.2	1.2	1.2	3.8	6.5	6.2	6.3
OMV	0.9	1.0	0.9	0.9	5.8	5.8	5.1	4.8
PKN	0.6	0.4	0.4	0.5	6.8	6.9	5.2	4.8
Unipetrol	0.5	0.6	0.6	0.5	4.0	5.8	3.9	3.3
Statoil	0.8	0.9	1.2	1.2	2.6	2.9	2.7	2.6
Total	0.9	0.8	0.9	0.9	3.8	4.0	4.0	4.2
<b>Mean</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>5.4</b>	<b>6.2</b>	<b>5.2</b>	<b>5.0</b>
<b>Median</b>	<b>0.8</b>	<b>0.9</b>	<b>0.9</b>	<b>0.9</b>	<b>4.0</b>	<b>5.8</b>	<b>5.1</b>	<b>4.8</b>
Petrom	1.9	2.0	1.6	1.7	6.7	7.4	4.9	5.3

Source: Raiffeisen Centrobank estimates

## DCF valuation

<b>FCF projection (RON mn)</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>TV CF</b>
NOPLAT	1,755.6	3,203.3	2,844.0	3,385.5	3,160.3	2,940.3	2,558.2
Adj. NOPLAT	1,755.6	3,203.3	2,844.0	3,385.5	3,160.3	2,940.3	2,558.2
Depreciation of PPE & intangibles	1,222.4	1,465.7	1,679.8	1,868.2	1,850.0	1,850.0	1,700.0
Gross investment in PPE & intangibles	-3,250.0	-3,250.0	-3,250.0	-3,250.0	-3,000.0	-2,750.0	-1,946.5
Change in working capital	-859.2	-629.3	-7.7	-356.3	-69.9	-50.5	-52.8
NWC/Sales	11.5%	12.8%	12.8%	13.5%	13.3%	13.0%	12.3%
Change in LT provisions other than tax	-53.3	0.0	0.0	0.0			
Net acquisitions & disposals	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow to firm	-1,184.6	789.7	1,266.1	1,647.4	1,940.4	1,989.8	2,258.9
<b>Adj. free cash flow to firm</b>	<b>-1,184.6</b>	<b>789.7</b>	<b>1,266.1</b>	<b>1,647.4</b>	<b>1,940.4</b>	<b>1,989.8</b>	<b>2,258.9</b>
<b>EV DCF, mid-year assumption</b>		<b>24,354.4</b>	<b>26,144.8</b>				
MV of non-operating assets		1,214.1	1,122.8				
MV of net debt		-3,310.2	-2,312.9				
MV of minorities		0.0	0.0				
Adjustments to EV		0.0	0.0				
<b>Fair value of equity</b>		<b>28,878.7</b>	<b>29,580.5</b>				
Shares outstanding (mn)		56,644.1	56,644.1				
<b>Price target per share per 01/01 (in RON)</b>		<b>0.510</b>	<b>0.522</b>				

<b>Value drivers</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>TV CF</b>
Consolidated sales yoy	-5.8%	29.6%	0.3%	11.9%	4.5%	4.0%	2.0%
EBITDA margin	26.9%	33.1%	31.7%	32.9%	30.0%	27.5%	22.0%
Rate of taxes paid	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%
Working capital/sales	11.5%	12.8%	12.8%	13.5%	13.3%	13.0%	12.3%
Capex/depreciation	265.9%	221.7%	193.5%	174.0%	162.2%	148.6%	114.5%
Free cash flow margin	-9.6%	4.9%	7.9%	9.2%	10.4%	10.2%	10.5%

<b>WACC</b>	<b>2007e</b>	<b>2008e</b>	<b>2009e</b>	<b>2010e</b>	<b>2011e</b>	<b>2012e</b>	<b>TV CF</b>
Target capital structure (at MV)	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Debt/equity ratio (at MV)	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%	17.6%
Risk free rate (local)	7.0%	6.5%	6.0%	5.5%	5.0%	5.0%	5.0%
Equity market premium	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Levered beta	1.1	1.1	1.1	1.1	1.1	1.1	1.1
Cost of equity	12.0%	11.5%	11.0%	10.5%	10.0%	10.0%	10.0%
Cost of debt	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Tax rate	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%	-16.0%
<b>WACC</b>	<b>11.1%</b>	<b>10.6%</b>	<b>10.2%</b>	<b>9.8%</b>	<b>9.4%</b>	<b>9.4%</b>	<b>9.4%</b>

## Sensitivity analysis

<b>Growth sensitivity (RON)</b>	<b>Terminal growth rate</b>						
	<b>0.5%</b>	<b>1.0%</b>	<b>1.5%</b>	<b>2.0%</b>	<b>2.5%</b>	<b>3.0%</b>	<b>3.5%</b>
<b>WACC</b>							
7.9%	0.557	0.582	0.611	0.646	0.686	0.735	0.795
8.4%	0.524	0.545	0.570	0.598	0.631	0.671	0.718
8.9%	0.494	0.513	0.533	0.557	0.585	0.617	0.656
9.4%	0.468	0.484	0.502	<b>0.522</b>	0.545	0.572	0.604
9.9%	0.445	0.459	0.474	0.492	0.511	0.534	0.560
10.4%	0.424	0.436	0.450	0.465	0.482	0.501	0.523
10.9%	0.405	0.416	0.428	0.441	0.455	0.472	0.491

<b>Margin sensitivity (RON)</b>	<b>FCF margin TV</b>						
	<b>9.0%</b>	<b>9.5%</b>	<b>10.0%</b>	<b>10.5%</b>	<b>11.0%</b>	<b>11.5%</b>	<b>12.0%</b>
<b>WACC</b>							
7.9%	0.587	0.606	0.626	0.646	0.665	0.685	0.705
8.4%	0.545	0.563	0.580	0.598	0.616	0.633	0.651
8.9%	0.510	0.526	0.542	0.557	0.573	0.589	0.605
9.4%	0.480	0.494	0.508	<b>0.522</b>	0.536	0.551	0.565
9.9%	0.453	0.466	0.479	0.492	0.504	0.517	0.530
10.4%	0.429	0.441	0.453	0.465	0.476	0.488	0.500
10.9%	0.409	0.419	0.430	0.441	0.451	0.462	0.473

Source: Raiffeisen Centrobank estimates

## Financial statements (RAS), unconsolidated

<i>Income statement (RON mn)</i>	<i>12/2004</i>	<i>12/2005</i>	<i>12/2006</i>	<i>12/2007e</i>	<i>12/2008e</i>	<i>12/2009e</i>
<b>Consolidated sales</b>	<b>8,687.9</b>	<b>10,760.2</b>	<b>13,078.3</b>	<b>12,313.8</b>	<b>15,956.4</b>	<b>16,003.9</b>
Changes in inventories	205.2	120.7	-74.6	120	0	0
Own work capitalised	46.8	28.4	26	17	17	17
Other operating income	576.2	867.2	993	280	280	280
<b>Total revenues</b>	<b>9,516</b>	<b>11,776.5</b>	<b>14,022.8</b>	<b>12,730.8</b>	<b>16,253.4</b>	<b>16,300.9</b>
Material costs	-4,778	-5,748.8	-7,025.7	-6,236	-8,145.3	-8,216.9
Personnel expenses	-1,193.9	-1,537.4	-1,745.3	-1,710	-1,400.7	-1,633
Other operating expenses	-2,942.1	-1,490.1	-1,518	-1,472.5	-1,428.3	-1,385.4
<b>EBITDA</b>	<b>602</b>	<b>3,000.1</b>	<b>3,733.9</b>	<b>3,312.3</b>	<b>5,279.2</b>	<b>5,065.5</b>
Depreciation of PPE and intangibles	-1,183.2	-1,115.9	-956.5	-1,222.4	-1,465.7	-1,679.8
<b>EBITA</b>	<b>-581.2</b>	<b>1,884.2</b>	<b>2,777.4</b>	<b>2,090</b>	<b>3,813.5</b>	<b>3,385.7</b>
Amortisation, impairment of goodwill	0	0	0	0	0	0
<b>EBIT</b>	<b>-581.2</b>	<b>1,884.2</b>	<b>2,777.4</b>	<b>2,090</b>	<b>3,813.5</b>	<b>3,385.7</b>
Investment income	122.3	67.9	27.8	33	35	35
Net interest income	-54.6	109.7	276.6	151.1	14	-61.5
Other financial result	-310.6	-378.3	-535.5	-100	-335	-325
<b>Financial result</b>	<b>-242.8</b>	<b>-200.8</b>	<b>-231.2</b>	<b>84.1</b>	<b>-286</b>	<b>-351.5</b>
<b>Earnings before taxes</b>	<b>-824</b>	<b>1,683.4</b>	<b>2,546.2</b>	<b>2,174</b>	<b>3,527.5</b>	<b>3,034.3</b>
Taxes on income	-149.7	-267	-260.7	-347.8	-564.4	-485.5
Extraordinary result	0	0	0	0	0	0
<b>Net profit before minorities</b>	<b>-973.7</b>	<b>1,416.4</b>	<b>2,285.5</b>	<b>1,826.2</b>	<b>2,963.1</b>	<b>2,548.8</b>
Minority interests	0	0	0	0	0	0
<b>Net profit after minorities</b>	<b>-973.7</b>	<b>1,416.4</b>	<b>2,285.5</b>	<b>1,826.2</b>	<b>2,963.1</b>	<b>2,548.8</b>

<i>Balance sheet (RON mn)</i>	<i>12/2004</i>	<i>12/2005</i>	<i>12/2006</i>	<i>12/2007e</i>	<i>12/2008e</i>	<i>12/2009e</i>
<b>Current assets</b>	<b>6,080.1</b>	<b>7,204.3</b>	<b>6,366.6</b>	<b>6,808</b>	<b>7,937.4</b>	<b>6,593.9</b>
Liquid funds	4,118.2	4,500.1	3,451	3,198	3,359.6	2,003.4
Receivables	776.3	1,146.9	1,360.7	1,600	2,074.3	2,080.5
Inventories	1,129.2	1,484.1	1,465.1	1,900	2,393.5	2,400
Other assets	56.4	73.2	89.7	110	110	110
<b>Fixed assets</b>	<b>9,589.4</b>	<b>10,609.2</b>	<b>13,092.9</b>	<b>15,270.5</b>	<b>17,129.8</b>	<b>18,775</b>
Property, plant & equipment	7,529.1	7,522.1	8,405.4	10,216.8	11,810.8	13,213.5
Intangible assets	182.1	73.9	156	372.3	562.6	730.1
Goodwill	0	0	0	0	0	0
Financial assets	1,878.2	3,013.2	4,531.4	4,681.4	4,756.4	4,831.4
<b>Deferred tax assets</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total assets</b>	<b>15,669.5</b>	<b>17,813.5</b>	<b>19,459.5</b>	<b>22,078.5</b>	<b>25,067.3</b>	<b>25,369</b>
<b>Current liabilities</b>	<b>1,316</b>	<b>2,291</b>	<b>2,359.3</b>	<b>2,194.6</b>	<b>2,533</b>	<b>2,538</b>
<b>Long-term liabilities</b>	<b>4,961.4</b>	<b>4,795.5</b>	<b>4,775.5</b>	<b>6,711</b>	<b>7,715</b>	<b>7,715</b>
<b>Shareholders' equity</b>	<b>9,392.1</b>	<b>10,727.1</b>	<b>12,324.7</b>	<b>13,173</b>	<b>14,819.2</b>	<b>15,115.9</b>
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Deferred tax liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total liabilities</b>	<b>15,669.5</b>	<b>17,813.5</b>	<b>19,459.5</b>	<b>22,078.5</b>	<b>25,067.3</b>	<b>25,369</b>

<i>Cash flow statement (RON mn)</i>	<i>12/2004</i>	<i>12/2005</i>	<i>12/2006</i>	<i>12/2007e</i>	<i>12/2008e</i>	<i>12/2009e</i>
<b>Earnings before taxes</b>	<b>-824</b>	<b>1,683.4</b>	<b>2,546.2</b>	<b>2,174</b>	<b>3,527.5</b>	<b>3,034.3</b>
Taxes paid	-292.1	-8.5	-641.6	-347.8	-564.4	-485.5
Amortisation and depreciation	754.1	730.8	846.7	1,222.4	1,465.7	1,679.8
Other non-cash items	1,951.4	759.4	-156.6	-203.3	-75	-75
<b>Cash flow from result</b>	<b>1,589.4</b>	<b>3,165.1</b>	<b>2,594.6</b>	<b>2,845.2</b>	<b>4,353.8</b>	<b>4,153.6</b>
Change in working capital	266.5	-393.8	360.1	-859.2	-629.3	-7.7
<b>Operating cash flow</b>	<b>1,855.9</b>	<b>2,771.3</b>	<b>2,954.8</b>	<b>1,986</b>	<b>3,724.5</b>	<b>4,145.9</b>
Capex PPE and intangible assets	-1,376.7	-1,015.7	-1,920.4	-3,250	-3,250	-3,250
Acquisitions	0	0	0	0	0	0
Disposal of fixed assets (total)	2.3	19.9	410.1	0	0	0
Other items (investments)	-125	-1,174.3	-1,657.4	0	0	0
<b>Investing cash flow</b>	<b>-1,499.4</b>	<b>-2,170.1</b>	<b>-3,167.6</b>	<b>-3,250</b>	<b>-3,250</b>	<b>-3,250</b>
Dividend payments	-165.1	-45.4	-395.5	-1,002.4	-1,292.4	-2,252.1
Other changes in equity	3,839.1	0	37.7	24.5	-24.5	0
Change in interest-bearing financial assets	66.4	1,242.2	287.2	158.9	-158.9	0
Other items	3.3	0	0	-11.1	4	0
<b>Change in NIBD</b>	<b>4,100.2</b>	<b>1,797.9</b>	<b>-283.4</b>	<b>-2,094.2</b>	<b>-997.3</b>	<b>-1,356.2</b>

Source: Petrom, Raiffeisen Centrobank estimates

## Financial ratios

<b>Changes yoy</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Consolidated sales yoy	21.8%	23.9%	21.5%	-5.8%	29.6%	0.3%
EBITDA yoy	-49.1%	398.3%	24.5%	-11.3%	59.4%	-4.0%
EBITA yoy	-226.9%	-424.2%	47.4%	-24.8%	82.5%	-11.2%
EBIT yoy	-226.9%	-424.2%	47.4%	-24.8%	82.5%	-11.2%
EBT yoy	-357.6%	-304.3%	51.2%	-14.6%	62.3%	-14.0%
Net profit after minorities yoy	-775.9%	-245.5%	61.4%	-20.1%	62.3%	-14.0%

<b>Margins</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Material costs margin	-55.0%	-53.4%	-53.7%	-50.6%	-51.0%	-51.3%
EBITDA margin	6.9%	27.9%	28.6%	26.9%	33.1%	31.7%
EBITA margin	-6.7%	17.5%	21.2%	17.0%	23.9%	21.2%
EBIT margin	-6.7%	17.5%	21.2%	17.0%	23.9%	21.2%
EBT margin	-9.5%	15.6%	19.5%	17.7%	22.1%	19.0%
Net margin	-11.2%	13.2%	17.5%	14.8%	18.6%	15.9%

<b>Balance sheet (RON mn)</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Net working capital	806.4	891.5	556.3	1,415.5	2,044.8	2,052.5
Net interest-bearing debt	-3,889.9	-5,687.8	-5,404.3	-3,310.2	-2,312.9	-956.7
Capital employed	10,043.8	11,205.3	12,324.7	15,173.0	17,819.2	18,115.9
Market capitalisation	18,477.1	26,712.2	31,640.3	29,171.7	29,171.7	29,171.7
Enterprise value	14,456.4	20,882.2	25,113.2	24,647.4	25,736.0	27,092.2

<b>Financing (x)</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Interest cover	6.5	56.6	103.4	39.5	24.5	19.5
Internal financing ratio	1.4	2.8	2.0	0.6	1.1	1.3
Net gearing	-41.4%	-53.0%	-43.8%	-25.1%	-15.6%	-6.3%
Quick ratio	3.8	2.5	2.1	2.2	2.2	1.7
Fixed assets cover	1.5	1.5	1.3	1.3	1.3	1.2
Capex / depreciation	1.2	0.9	2.0	2.7	2.2	1.9
Equity ratio	59.9%	60.2%	63.3%	59.7%	59.1%	59.6%

<b>Profitability</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Return on assets	-6.2%	8.7%	12.4%	9.2%	13.4%	11.0%
Return on equity	-11.3%	14.1%	19.8%	14.3%	21.2%	17.0%
Return on capital employed	-9.3%	13.9%	19.8%	13.9%	19.3%	15.7%

<b>Per share data (RON)</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
Weighted avg. no. of shares (mn)	56,000.5	56,000.5	56,000.5	56,644.1	56,644.1	56,644.1
EPS reported	-0.02	0.03	0.04	0.03	0.05	0.04
EPS pre-goodwill	-0.02	0.03	0.04	0.03	0.05	0.04
Adjusted EPS diluted	n.a.	0.03	0.04	0.03	0.05	0.04
Operating cash flow per share	0.03	0.05	0.05	0.04	0.07	0.07
Book value per share	0.17	0.19	0.22	0.23	0.26	0.27
Dividend per share	0.00	0.00	0.02	0.02	0.04	0.04
Payout ratio	0.0%	0.0%	43.9%	70.8%	76.0%	78.6%

<b>Valuation (x)</b>	<b>12/2004</b>	<b>12/2005</b>	<b>12/2006</b>	<b>12/2007e</b>	<b>12/2008e</b>	<b>12/2009e</b>
PE reported	-19.0	18.9	13.8	16.0	9.8	11.4
PE pre-goodwill	-19.0	18.9	13.8	16.0	9.8	11.4
Adjusted PE diluted	n.a.	18.9	13.8	16.0	9.8	11.4
Price cash flow	10.0	9.6	10.7	14.7	7.8	7.0
Price book value	2.0	2.5	2.6	2.2	2.0	1.9
Dividend yield	0.0%	0.0%	3.2%	4.4%	7.7%	6.9%
Free cash flow yield	2.6%	6.6%	4.6%	-4.3%	1.6%	3.1%
EV/sales	1.7	1.9	1.9	2.0	1.6	1.7
EV/EBITDA	24.0	7.0	6.7	7.4	4.9	5.3
EV/EBIT	-24.9	11.1	9.0	11.8	6.7	8.0
EV/operating cash flow	7.8	7.5	8.5	12.4	6.9	6.5
Adjusted EV/CE	1.9	2.4	2.6	2.1	1.8	1.8
Adjusted EV/CE vs. ROCE/WACC	n.a.	n.a.	n.a.	1.6	1.0	1.2

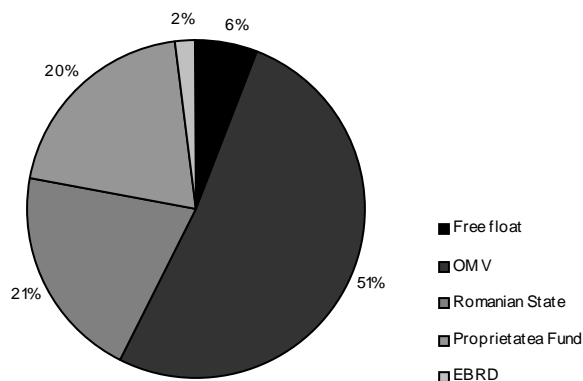
Source: Petrom, Raiffeisen Centrobank estimates

# Fact Sheet

## Company description

Petrom (SNPP.BX; SNP RO) is the largest integrated oil & gas group in SEE. Petrom owns 940 mn boe of hydrocarbon reserves, production amounted to 204,000 boepd in 2006. As production was declining in the recent past, a programme has been started to stabilise it at 210,000 boepd. In the past, Petrom suffered from the regulation of the Romanian gas market. Its Petrobrazi and Arpechim refineries have a capacity of currently 8.0 mntpa. Arpechim refinery is heavily exposed to the petchem industry as it is the main supplier of state-owned chemical company Oltchim. It operates a 200,000 tpa ethylene cracker. The Petrobrazi refinery is undergoing an USD 1.0 bn investment programme, which targets the modernisation and expansion of the refinery. In addition, Petrom is operating 593 petrol stations in Romania, 81 in Moldova, 43 in Serbia and 87 in Bulgaria. On the Romanian fuel market, Petrom is market leader at some 43% (including OMV-branded sales). Petrom owns OMV's marketing assets in SEE since 2007. Petrom also owns the Doljchim chemical plant, which sold 601,000 t of mainly fertilizers to the SEE region. The group employed 35,800 people at the end of 2006. It is majority owned by Austrian OMV (51%). Other shareholders are the Romanian State (20.64%), the Romanian Property Fund (20.11%), EBRD (2%). 6.21% are free-floating shares.

## Shareholder structure



## Strengths/Opportunities

- Leading position in Romania E&P, refining, wholesale, petchem and retail
- Supported by core shareholder OMV
- Headcount reduction offers long-term cost savings potential
- Earnings upside in case of further liberalisation of Romanian gas market
- Stabilisation of domestic hydrocarbon production and expansion of international portfolio and production offers basis for upstream growth
- Earnings upside through modernisation and expansion of refineries

## Weaknesses/Threats

- Substandard refining assets
- High E&P production costs due to high maturity of fields and inefficient production methods
- Increasing competition through expansion and upgrade of refining assets in the region
- Delays in restructuring efforts
- Political risk

Income statement (RON mn)	12/2006	12/2007e	12/2008e	12/2009e
Consolidated sales	13,078.3	12,313.8	15,956.4	16,003.9
EBITDA	3,733.9	3,312.3	5,279.2	5,065.5
EBIT	2,777.4	2,090.0	3,813.5	3,385.7
EBT	2,546.2	2,174.0	3,527.5	3,034.3
Net profit bef. min.	2,285.5	1,826.2	2,963.1	2,548.8
Net profit after min.	2,285.5	1,826.2	2,963.1	2,548.8

## Balance sheet

Total assets	19,459.5	22,078.5	25,067.3	25,369.0
Shareholders' equity	12,324.7	13,173.0	14,819.2	15,115.9
Goodwill	0.0	0.0	0.0	0.0
NIBD	-5,404.3	-3,310.2	-2,312.9	-956.7

## Cash flow statement

Operating cash flow	2,954.8	1,986.0	3,724.5	4,145.9
Investing cash flow	-3,167.6	-3,250.0	-3,250.0	-3,250.0
Change NIBD	-283.4	-2,094.2	-997.3	-1,356.2

Source: Petrom, Raiffeisen Centrobank estimates

Per share data (RON)	12/2006	12/2007e	12/2008e	12/2009e
EPS pre-goodwill	0.04	0.03	0.05	0.04
Adj. EPS diluted	0.04	0.03	0.05	0.04
Operating cash flow	0.05	0.04	0.07	0.07
Book value	0.22	0.23	0.26	0.27
Dividend	0.02	0.02	0.04	0.04
Payout ratio	43.9%	70.8%	76.0%	78.6%

## Valuation (x)

PE pre-goodwill	13.8	16.0	9.8	11.4
Adj. PE diluted	13.8	16.0	9.8	11.4
Price cash flow	10.7	14.7	7.8	7.0
Price book value	2.6	2.2	2.0	1.9
Dividend yield	3.2%	4.4%	7.7%	6.9%
FCF yield	4.6%	-4.3%	1.6%	3.1%
EV/EBITDA	6.7	7.4	4.9	5.3
EV/EBIT	9.0	11.8	6.7	8.0
EV/operating CF	8.5	12.4	6.9	6.5

## Raiffeisen Centrobank AG - Your contacts:

A-1010 Vienna, Tegetthoffstraße 1, Internet: <http://www.rcb.at>

### Sales & Trading

Tel.: +43/1515 20-0  
 Wilhelm Celeda (Head) ext. 402

### International Institutional Sales

Klaus della Torre (Head) ext. 472  
 Susanne Bixner ext. 161  
 Anne Englert ext. 458  
 Günter Englhart ext. 268  
 Oliver Fendt ext. 498  
 Elena Filonova ext. 436  
 Rainer Girsch ext. 465  
 Ozgur Guyuldar ext. 336  
 Reinhard Haushofer ext. 477  
 György Karolyi ext. 437  
 Tomislav Pasalic ext. 435  
 Roman Schitkow ext. 466  
 Georg Scholz ext. 398  
 Andreas Steinbichler ext. 471

### Salestrading Blocktrades

Patrik Steirer (Head) ext. 409  
 Michael Kriechbaum ext. 464  
 Stefan Waidhofer ext. 263  
 Wojciech Kolacz ext. 343  
 Christof Wallner ext. 457

Email: [surname@rcb.at](mailto:surname@rcb.at)

### Company Research

Tel.: +43/1515 20-0  
 Birgit Kuras (Head) ext. 150

### Company Research Austria

Stefan Maxian (Head of CEE) ext. 177  
 Philipp Chladek ext. 175  
 Daniel Damaska ext. 174  
 Natalia Frey ext. 183  
 Roman Herzog ext. 168  
 Klaus Küng ext. 158  
 Bernd Maurer ext. 169  
 Darya Miroshnychenko ext. 155  
 Alexander Ofner ext. 178  
 Teresa Schinwald ext. 179  
 Jovan Sikimic ext. 184  
 Alexander Stieger ext. 185  
 Arno Supper ext. 153  
 Irina Trygub ext. 176

### Company Research CEE

**Croatia** Tel.: +385 1 61 74-0  
 Denis Dolinar ext. 360  
[denis.dolinar@rba.hr](mailto:denis.dolinar@rba.hr)

**Czech Republic** Tel.: +420/221 14-0  
 Jindrich Svatek ext. 1841  
[jindrich.svatek@rb.cz](mailto:jindrich.svatek@rb.cz)

**Hungary** Tel.: +36/1484-0  
 Levente Blahó ext. 4301  
[levente.blaho@raiffeisen.hu](mailto:levente.blaho@raiffeisen.hu)

Ákos Herczenik ext. 4812  
[akos.herczenik@raiffeisen.hu](mailto:akos.herczenik@raiffeisen.hu)

**Poland** Tel.: +48/22 585-0  
 Piotr Her ext. 2810  
[piotr.her@raiffeisen.pl](mailto:piotr.her@raiffeisen.pl)

Marta Gizejowska ext. 2462  
[marta.gizejowska@raiffeisen.pl](mailto:marta.gizejowska@raiffeisen.pl)

Dominik Niszczyński ext. 3324  
[dominik.niszczy@raiffeisen.pl](mailto:dominik.niszczy@raiffeisen.pl)

**Romania** Tel.: +40/21 306-0  
 Bogdan Campianu (Head) ext. 1238  
[bcampianu@rbz.ro](mailto:bcampianu@rbz.ro)

Oleg Galbur (Head) ext. 1229  
[oleg.galbur@rbz.ro](mailto:oleg.galbur@rbz.ro)

Alexandru Combei ext. 1239  
[alexandru.combei@rbz.ro](mailto:alexandru.combei@rbz.ro)

Bogdan Gogu ext. 1268  
[bogdan.gogu@rbz.ro](mailto:bogdan.gogu@rbz.ro)

Ionut Gutis ext. 1267  
[ionut.gutis@rbz.ro](mailto:ionut.gutis@rbz.ro)

Iuliana Mocanu ext. 1202  
[iuliana-simona.mocanu@rbz.ro](mailto:iuliana-simona.mocanu@rbz.ro)

**Russia** Tel.: +7/495 721-0  
 Madina Butaeva (Head) ext. 9928  
[mbutaeva@raiffeisen.ru](mailto:mbutaeva@raiffeisen.ru)

Aleksander Protsenko ext. 9938  
[aprotsenko@raiffeisen.ru](mailto:aprotsenko@raiffeisen.ru)

**Serbia** Tel.: +381/11 220-0  
 Aleksandra Vukosavljevic ext. 7175  
[aleksandra.vukosavljevic@raiffeisenbank.co.yu](mailto:aleksandra.vukosavljevic@raiffeisenbank.co.yu)

Miodrag Sladojevic ext. 7176  
[miodrag.sladojevic@raiffeisenbank.co.yu](mailto:miodrag.sladojevic@raiffeisenbank.co.yu)

**Slovenia** Tel.: +386/2 2293-0  
 Darko Kovačič ext. 192  
[darko.kovacic@r-kb.si](mailto:darko.kovacic@r-kb.si)

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Buy: 10% or more for low/medium risk shares, 15% for high risk shares

Hold: -10% to +10% for low/medium risk shares, -15% to +15% for high risk shares

Sell: < -10% for low/medium risk shares, < -15% for high risk shares

Price targets are determined by the fair value derived from a peer group comparison and/or our DCF model. Other fundamental factors (M&A activities, capital markets transactions, share buybacks, sector sentiment etc.) are taken into account as well.

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7. The analyst is on the Supervisory Board/Board of Directors of the issuer analysed by him.
8. The analyst has received or acquired securities of the issuer before launch of the public offering of such securities.
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