

Oil&Gas Integrated Company

OMV PETROM

Keep rallying to catch-up

Buy (12m)

Price 14/03/11 12m target
RON 0.3950 RON 0.47

Sector

Weighting

na

Last Recommendation

BUY (TP: RON 0.43) on 2 Dec'10

Type of investment

Expected SPO for Ministry's stake 9.84% of ✓
 Efficiency increase programme ✓
 Costs reduction programme ✓
 Hedged on oil price ✓

1 year-Price, Volume, MA 100



Source: FactSet, BRD GSG

▼ **Update** We calculated a 12M TP of RON 0.47 for OMV Petrom stock and we reiterate our Buy rating, given the upside potential of 18.98% from current market price. We have included in our DCF model estimations for 2020e and upwards EPS revision of 8.9% on avg. for 2011-19e, following better than expected 2010 results and anticipations of higher Group's average realized price, production and marketing sales for 2011e. However, we haven't included in our model the monetary benefits of the finalization of Brazi power plant in 2011. Investments revisions and better performance in terms of operating cash flow estimated for 2011-12e, mainly, are reasons for a delay in a share capital increase action for 2011, at least. The company has already announced its intention to resume dividend payments from 2010 net profit, which is very likely to be approved by OMV Petrom shareholders. We see 2011e EBIT at RON 4.22bn (+41.3% yoy) and net profit at RON 3.3bn (+51% yoy).

▼ **Catalysts for the share price** SNP's actual low free-float is one of the stock's main drawbacks that should be vanished, to a large extent, by selling 9.84% of the Ministry's stake through an SPO. Nowadays, there is on-going the selection process of the intermediary that will run the SPO, whilst the whole process should be ended by the end of the year, at the latest. However, a higher risk appetite of investors and higher oil price along with dividends payment resumption might be seen as stock's positive triggers on short-medium term. The convergence of gas domestic price to the international levels, process supported also by the IMF, will prove helpful for the stock price, too. The positive results from entering on energy market are expected to weigh significantly from 2012 onwards, bringing additional value to the company.

▼ **12m target price and methodology** Our 12m TP is derived based on DCF model and exit approach to estimate terminal value. In spite of the recent rally of SNP stock (+20.4%) since 30 Nov'10, the stock is still trading at major discounts to its peers, namely 30%-26.9% in terms of EV/EBITDA 2011-12e and 33%-30% in terms of P/E 2011-12e, respectively as its peers advanced at faster pace. The trading discounts support our potential upside for the stock.

▼ **Alternative scenarios and risks to our valuation** Main risks arise from feeble economic growth associated with high oil price volatility, revival of industry costs, adverse USDRON evolution, delays in E&P segment investments, lower performance of oil fields than initially estimated, poor cracks for oil products. Last but not least factors that influence crude oil price on international markets, such as: political unrest in oil-producing countries, available refining capacities, crude inventories level, OPEC decisions regarding production level, volumes of speculative trading on oil markets.

▼ **Next events** 2010 Annual Report IFRS results to be released and Annual Shareholders General Meeting to be held on 26 Apr'11. Q1'11 IFRS results will be published on 11 May'11.

Petrom on www.petrom.com

Share data

RIC SNPP.BX, Bloomberg SNP. RO
 52-week range 0.255-0.403
 EV (RONm) -DCF(Mar'11) 25,194.47
 Market cap. (RON,m) 22,374.42
 Free float (%) 6.21

Performance (%)	1m	3m	12m
Ordinary shares	7.6	19.7	35.7
Relative to BET	4.6	6.0	30.9

Financial data*

	12/09	12/10	12/11e	12/12e
Sales (RON,m)	16089.7	18615.7	21215.4	22221.4
Net Income (RON,m)	833.3	2189.7	3326.8	3440.8
CFO/share (RON)	0.05	0.08	0.11	0.13
EPS BRD** (RON)	0.015	0.046	0.059	0.061
BVPS (RON)	0.286	0.326	0.362	0.363
Gross Div/share (RON)	0.000	nav	0.015	0.023
Payout (%)		0%	nav	40%
Net Debt/equity (%)	17.3%	13.8%	5.4%	4.5%

*IFRS financial statements; ** adj.for exceptional items (e.g.: provisions expenses)

Ratios

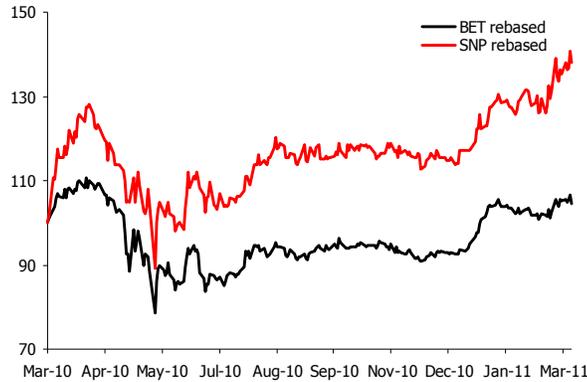
	12/09	12/10	12/11e	12/12e
Adjusted P/E (x)	14.96	6.88	6.73	6.50
Price/CFO (x)	4.57	3.88	3.58	3.05
EV/EBITDA (x)	4.36	3.52	3.01	2.74
EV/EBIT (x)	9.42	6.86	5.57	5.28
P/Sales (x)	0.77	0.96	1.05	1.01
Dividend yield (%)	na	na	3%	5%
Price/book value (x)	0.77	0.97	1.09	1.09
ROIC/WACC (x)	0.58	0.82	1.11	1.14

Carmen Lipara

 carmen.lipara@brd.ro
 (40) 21 301 43 70

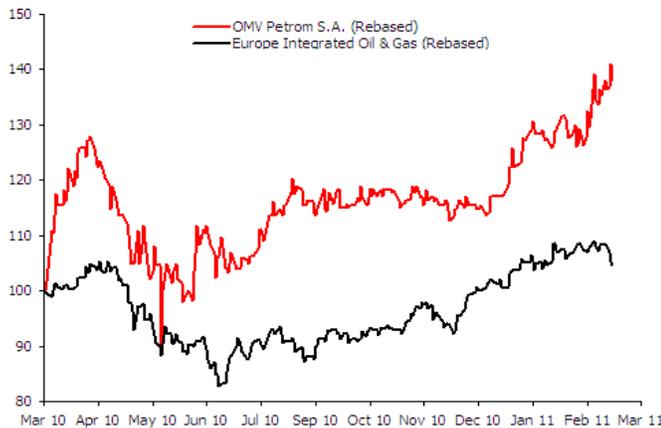
Market performance

SNP vs. BET yoy share price performance, rebased



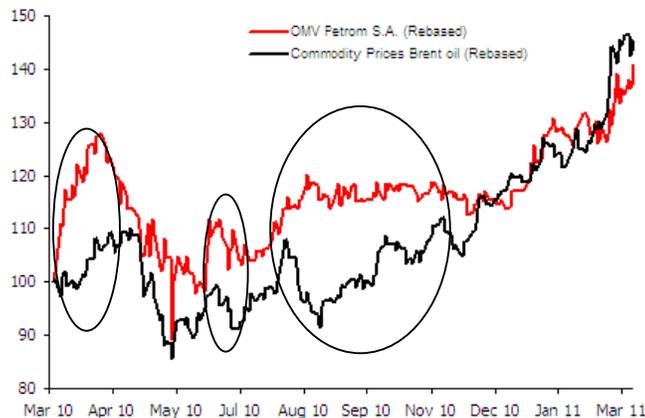
SNP shares continued its outperformance compared to BET since our May'10 report. Over the last 12 months, SNP outperformed BET by approx. 20% on average.

SNP vs. European peers price performance, rebased, RON denominated, fixed FX rate



SNP continued its positive trend compared to its European peers since our last report, mainly in the past four months. However, SNP outperformed by 20% on avg. its European peers for the period Mar'10-Mar'11.

SNP price vs. Brent oil price, yoy evolution, rebased



The significant correlation between SNP price and Brent crude price has been restored for the period 11 Mar'10 – 11 Mar'11, at 0.83 compared with 0.66 posted for end-Nov'09 – end-Nov'10. This shift might be explained by improved investors' sentiment as regards commodities players and their recovered perception of SNP sensitivity as regards oil price.

Source: FactSet, BRD GSG

Valuation

Target price calculation and fundamental valuation

12M TP at RON 0.47 and fair value of RON 0.3964

12M upside potential of 18.98% from current market price advocates our Buy recommendation

We reaffirm our **Buy** rating on OMV Petrom stock, with an upward revision of our 12M target price (TP) to **RON 0.47** (Fair value per share of RON 0.396) from RON 0.43 (Fair value per share of RON 0.3583). The upward revision of our Fair Value stems from two directions: 1) RON 0.02 came from 2011-19e estimates changes and 2020 estimates incorporation in our DCF model; 2) RON 0.016 stemming from beta coefficient revision from 1.1 to 1. The upside potential seen is 18.98%, significantly reduced compared with our last report (30.5%) as the stock advanced by 20.4% since 30 Nov'10. DCF model is constructed based on the assumptions more detailed in *Key drivers and outlook* section presented below.

As we have already mentioned, we have included in our DCF model the 2020 estimates, so the explicit timeframe spans now over 2011-20e divided in three periods of four, three and three years. We have changed our parameters for the terminal value estimation following the changes in our estimations. Thus, we have used a normalized EBITDA (EBITDA_n) of RON 7.58bn (i.e: average EBITDA for 2007-20e), up 7.8% from RON 7.03bn, in our previous report, to estimate terminal value. We kept unchanged the multiple of EV/EBITDA of 2.1x, in spite of an increase recorded for this multiple for mature oil&gas integrated companies since our last report.

As regards WACC estimations, we have made only one adjustment, namely for the unlevered beta coefficient, as we factor 1 instead of 1.1, due to the recent decline of SNP stock volatility against its benchmark. Keeping unchanged all the other parameters in WACC calculation, the modification resulted in lower WACC, seen to fluctuate between 13.95% (vs. 14.66%) and 11.6% in 2020e. The table below depicts WACC assumptions:

WACC assumptions

Indicator	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
LT Risk Free Rate	7.00%	7.00%	6.50%	6.50%	6.50%	6.00%	6.00%	6.00%	6.00%	6.00%
Equity Risk Premium	7.50%	7.50%	7.00%	7.00%	7.00%	6.50%	6.50%	6.50%	6.50%	6.00%
β	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Target Debt/Equity	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%	56.25%
B levered	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47	1.47
Cost of Equity	18.02%	18.02%	16.79%	16.79%	16.79%	15.55%	15.55%	15.55%	15.55%	14.82%
Cost of Debt (before tax)	8.00%	8.00%	7.50%	7.50%	7.50%	7.00%	7.00%	7.00%	7.00%	7.00%
WACC	13.95%	13.95%	13.01%	13.01%	13.01%	12.07%	12.07%	12.07%	12.07%	11.60%

Source:BRD GSG estimates

Indicator (RON,m)	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
EBIT	4,220.24	4,409.39	4,152.55	3,740.62	4,570.49	4,343.28	4,119.51	4,152.12	3,896.49	3,640.90
EBIT*(1-t)	3,546.91	3,705.89	3,490.03	3,143.82	3,841.28	3,650.32	3,462.26	3,489.66	3,274.82	3,060.01
+D&A expenses	3,569.67	4,088.64	4,605.03	5,121.42	4,715.57	5,046.86	5,378.15	5,492.75	5,809.04	6,125.33
change in Working Capital	(875.21)	(457.74)	376.17	(446.49)	392.05	(432.90)	407.98	(445.40)	419.04	(445.06)
CAPEX	4,600.00	4,560.00	4,560.00	4,560.00	3,810.00	3,810.00	3,810.00	3,810.00	3,810.00	3,810.00
FCFF	1,641.37	2,776.79	3,911.23	3,258.75	5,138.91	4,454.29	5,438.39	4,727.02	5,692.89	4,930.28
WACC	13.95%	13.95%	13.01%	13.01%	13.01%	12.07%	12.07%	12.07%	12.07%	11.60%
Discounted FCFF	1,477.06	1,296.20	2,733.07	2,014.94	2,811.63	2,174.57	2,369.04	1,837.38	1,974.47	1,532.23
Present value of FCFFs ('11 -'20e)	20,220.60									
Present Value of Terminal Value*	4,947.33									
Minorities	(26.54)									
EV	25,194.47									
(-) net debt (Dec'10, 31)	2,739.44									
Shareholder's value:	22,455.03									
Fair value per share	0.3964									
Target price 12M	0.4700									
Closing Price as of 14 Mar'11	0.3950									
Upside(Downside) potential:	18.97%									

*Terminal value based on exit approach methodology
 Source: BRD GSG estimates

Sensitivity Analysis

We have run a sensitivity analysis for the parameters (i.e.: EBITDAn, EV/EBITDAn) used in terminal value calculations.

The sensitivity analysis results are presented in the tables below, showing significant upside of up to 44.3% for Petrom shares and a small downside risk of 1.3%:

Target Price	EV/EBITDAn				
	0.6	1.1	2.1	3.1	3.6
EBITDAn-15%	0.39	0.41	0.45	0.50	0.52
EBITDAn-10%	0.39	0.42	0.46	0.50	0.53
EBITDAn	0.40	0.42	0.47	0.52	0.54
EBITDAn+10%	0.40	0.43	0.48	0.53	0.56
EBITDAn+15%	0.40	0.43	0.49	0.54	0.57

Source: BRD GSG estimates

Upside/Downside potential	EV/EBITDAn				
	0.6	1.1	2.1	3.1	3.6
EBITDAn-15%	-1.27%	3.80%	13.92%	26.58%	31.65%
EBITDAn-10%	-1.27%	6.33%	16.46%	26.58%	34.18%
EBITDAn	1.27%	6.33%	18.92%	31.65%	36.71%
EBITDAn+10%	1.27%	8.86%	21.52%	34.18%	41.77%
EBITDAn+15%	1.27%	8.86%	24.05%	36.71%	44.30%

Source: BRD GSG estimates

Peers comparison

We left unchanged the peer group of similar size oil&gas integrated companies in Europe from our Dec'10 report.

Thus, Petrom is trading at significant discounts of 30.4%-26.9% in terms of EV/EBITDA for 2011-12e and of 33.4%-30% in terms of P/E for 2011-12e, respectively. The level of discounts is unreasonable high considering the consensus' expectations in terms of EBITDA margin for Petrom (average of 33.3% for 2011-12e) compared to its peers (average of 10.5% for 2011-12e).

The results of peers' analysis are presented in the table below (closing prices as of 14 Mar'11):

Compania	Country	Price(EUR)	Mk Cap(EURm)	P/E'10	P/E'11	P/E'12	EV/EBITDA'10	EV/EBITDA'11	EV/EBITDA'12	EV/EBIT'09	EV/EBIT'10	EV/EBIT'11	EV/EBIT'12
MOL Hungarian Oil and Gas Plc	Hungary	82.97	8,672	12.35	9.07	7.99	5.46	4.81	4.22	14.85	10.11	7.90	6.75
Polskie Gornictwo Naftowe i Gazownictwo S.A.	Poland	0.95	5,622	11.77	12.14	11.08	5.96	6.32	5.68	22.16	10.09	10.79	9.43
Compania Espanola de Petroleos S.A.	Spain	28.07	7,511	10.68	15.29	12.14	4.44	5.70	5.27	14.47	8.23	9.64	8.60
Unipetrol A.S.	Czech Republic	7.23	1,304	27.21	20.79	14.22	6.53	5.60	4.78		17.07	14.42	10.19
Hellenic Petroleum S.A.	Greece	7.67	2,344	10.13	10.61	7.11	7.96	9.04	6.59	11.66	11.49	13.31	9.16
OMV AG	Austria	30.00	9,000	7.84	6.31	5.88	3.38	3.10	2.85	7.63	4.97	4.41	4.01
PKN ORLEN S.A.	Poland	12.47	5,335	12.07	12.65	10.87	6.27	6.12	5.37	37.30	14.03	13.22	10.69
OMV Petrom S.A.	Romania	0.09	5,352	8.62	8.27	6.93	4.13	4.05	3.63	9.95	7.68	7.11	7.11
Media				13.15	12.41	9.90	5.71	5.81	4.96	18.01	10.86	10.53	8.40
Discount/premium				-34.5%	-33.4%	-30.0%	-27.8%	-30.4%	-26.9%	-44.8%	-29.3%	-32.5%	-15.4%

Sursa: FactSet

IFRS Q4'10/2010 results

Overview

Q4'10 EBIT and net profit came above market and our expectations, mainly thanks to favorable oil and oil products price, efficient cost management and higher gas sales

OMV Petrom released its Q4'10 IFRS results on 23 Feb'11 as follows: **net sales** worth RON 5.46bn (+29% yoy), 18.95% above Reuters' cons. (avg.) of RON 4.59bn (BRD-GSGe: RON 4.31bn); **Group's EBIT** amounted to RON 974m (+402% yoy) (Reuters' cons. avg.: RON 876.1m; BRD-GSGe: RON 780m) helped also by a positive Consolidation result of RON 242m in Q4'10 (vs. a loss of RON 66m in Q4'09); **net income** for the period of RON 779m, above market expectations of net profit worth RON 603.8m (Reuters cons. avg.), and BRD-GSG estimation of RON 521.8m. Petrom's cash flow from operating activities increased significantly to RON 2.065bn (+66.26% yoy) from RON 1.24bn in Q4'09, given the RON 901.5m profit before taxation recorded in Q4'10 compared with a loss of RON 45.01m a year-ago period. Major positive surprise came from G&P segment, as gas sales increased by 15% yoy in Q4'10 to 1.662bcm thanks to higher demand of fertilizers in the quarter, leading G&P EBIT to RON 185m.

Q4'10 results were supported, mainly, by 15% yoy higher consolidated gas sales, favorable FX rate evolution, almost stable hydrocarbon production at 185,000 boe/d (-1% yoy in Q4'10) and by improved crude price environment (avg. Group realized crude oil price went up 2% yoy in Q4'10 due to negative hedging result) and higher oil products prices. On negatives, we may mention: lower sales volumes in E&P, negative impact of hedging instruments worth RON 120m in E&P EBIT line, higher costs associated with 38% yoy growth in oil&gas production in Kazakhstan (0.99m boe in Q4'10), marketing sales lower by 7% yoy due to low demand in Q4'10. Group's EBIT came at RON 974m (+402% yoy), whilst clean CCS EBIT reach RON 972m (+66% yoy) (net special expenses of RON 112m and inventory gains of RON 114m).

However, Q4'10 net result after minorities turned positive at RON 781m, after the loss RON 100m registered in Q3'10, result damaged by one-off costs. A positive impact to company's bottom line had also FX positive result of approx. RON 41.98m as USD has slightly appreciated against RON (end-period terms) bringing positive gains related to Petrom's loans given to its Kazakh subsidiary. Still, Q4'10 net financial result was negative at RON 72.2m (BRD-GSGe: loss of RON 155.2m) due to net interest expenses worth RON 113.46m.

For 2010, company's net sales rose by 16% yoy to RON 18.62bn, mainly as a result of higher prices for oil and oil products and to lower extent to volumes sold. Group's EBIT went up 84% yoy to RON 2.986bn supported by positive pricing environment and better cost management in Refining, lower exploration expenses and lower provisions. Group's clean CCS EBIT reached RON 3.33bn (+78% yoy), as net special expenses of RON 551m and inventory holding gains of RON 212m, whilst net profit reached RON 2.19bn (+163% yoy).

Please see on the next page, main items of company's P&L:

Q4'10/2010 IFRS P&L

Indicator (RON,m)	Q3'10	Q4'10	Q4'09	yoy	2010	2009	yoy
Sales	4,814.93	5,458.00	4,223.00	29.2%	18,616.0	16,090.0	4,814.93
Operating expenses	4,566.24	4,648.14	4,133.94	12.4%	16,144.34	14,878.23	4,566.24
Group EBIT	336.47	973.73	193.98	402.0%	2,985.51	1,620.47	336.47
thereof: EBIT E&P ¹	515.00	720.00	676.00	6.5%	3,012.00	2,468.00	22.0%
EBIT R&M	86.00	(123.00)	(367.00)	nm	106.00	(618.00)	nm
EBIT G&P	(46.00)	185.00	(5.00)	nm	164.00	71.00	131.0%
EBIT Corporate&other	(21.00)	(51.00)	(45.00)	nm	(135.00)	(140.00)	nm
EBIT Consolidation	(198.00)	242.00	(66.00)	nm	(161.00)	(161.00)	nm
Clean CCS EBIT²	133.22	(455.15)	(132.22)	nm	(307.98)	(212.07)	nm
Income from associated companies	(0.04)	(0.73)	(0.44)	nm	6.72	6.07	10.7%
Net interest expense	(181.36)	(113.46)	(228.94)	nm	(537.00)	(416.01)	nm
Other financial income and expenses	(273.75)	41.98	(9.61)	nm	150.09	(41.11)	nm
Net financial result	(455.15)	(72.21)	(238.99)	nm	(380.19)	(451.05)	nm
Gross profit	(118.68)	901.52	(45.01)	nm	2,605.32	1,169.42	122.8%
Taxes on income	3.02	(122.66)	(85.65)	nm	(415.67)	(336.14)	nm
Net income	(115.66)	778.86	(130.66)	nm	2,189.65	833.28	162.8%
thereof attributable to non-controlling interests	(15.34)	(1.79)	(1.47)	nm	(11.57)	(26.96)	nm
Net income after minorities	(100.32)	780.65	(129.19)	nm	2,201.22	860.24	155.9%

¹Excluding intersegmental profit elimination shown in the line "Consolidation"

²Adjusted for exceptional, non-recurring items, clean CCS figures exclude special items and inventory holding effects (CCS effects) resulting from the fuels refineries

Source: OMV Petrom 2010 IFRS financial statements

Significant CAPEX in 2010 at RON 4.86bn (+15.3% yoy)

As regards 2010 balance sheet items, OMV Petrom recorded an increase of 9.9% yoy in its long term assets to RON 27.73bn, mainly, as a result of heavy investments made in Q4'10 amounting to RON 1.89bn compared with RON 2.976bn in 9M'10. The largest part of CAPEX were directed towards E&P segment (RON 2.77bn, representing 57% of total CAPEX) for development of wells, work-over activities and sub-surface operations, whilst 25% were realized in G&P (RON 1.211bn) related to Brazi power plant, the connection pipeline with National Gas Transportation System and construction works for the Dorobantu wind park. R&M attracted 16% of company's 2010 CAPEX (RON 758m) for the Brazi terminal, rehabilitation of storage tanks for oil products, crude unit modernization. The remaining CAPEX worth RON 120m was directed to Corporate&Other segment for finalization of Petrom City, inaugurated in Dec'10, and for small IT projects.

Stronger cash generation and lower gearing ratio in 2010 compared with 2009

2010 proved to be a very good year in terms of cash generation, the company tripling its cash and cash equivalents to RON 1.588bn from RON 384m. Also, accounts receivables went up 33.4% yoy to RON 1.4bn and inventories slightly declined by 3.2% yoy to RON 2.5bn.

Total debt position amounted to RON 3.86bn as of end-Dec'10, up 28.6% yoy, as a result of additional amounts drawn from EBRD, EIB, Black Sea Trade Development Bank and second club loan (RON 350m), repayments of loan from OMV AG (EUR 150m) and of overdrafts of Raiffeisen Bank and Intesa Sanpaolo Bank and reimbursements for the credit facility obtained in October 2008. The good cash position led to a declining gearing ratio of 12.4% for the end-2010, from 16.2% as of end-Dec'09, so we reiterate our belief that the company net debt/equity target of 30% will not be put in danger within next years.

Significant increase in company's operating cash flow to RON 4.63bn (+69.8% yoy) in 2010 is to a large extent justified by a significant profit before taxation of RON 2.61bn (+69.8 yoy), higher non-cash items and lower cash outflow from net working capital, interest and taxes (RON 434m in 2010 vs. RON 994m in 2009).

2010 IFRS Balance Sheet

Indicator (RON,m)	2010	2009	yoy
Total non-current assets	27,725.36	25,227.59	9.9%
Total current assets	6,305.79	4,586.45	37.5%
<i>out of which</i>			
<i>Inventories</i>	2,500.12	2,582.69	-3.2%
<i>Receivables</i>	1,397.98	1,047.74	33.4%
<i>ST investments</i>	77.29	60.33	na
<i>Cash and bank accounts</i>	1,588.60	384.00	313.7%
Liabilities within one year	5,578.30	4,706.96	18.5%
<i>out of which debt</i>	391.08	187.52	108.6%
Liabilities in more than one year	10,701.22	9,566.71	11.9%
<i>out of which debt</i>	3,465.51	2,810.45	23.3%
Provisions for decommissioning and restoration obligations	5,917.85	5,564.28	6.4%
Shareholders Equity	18,459.04	16,190.83	14.0%
Minority interests	(24.15)	13.38	nm

Source: OMV Petrom 2010 IFRS financial statements

Segment by segment

Q4'10 EBIT went up 7% yoy to RON 720m, on higher oil price, whilst cost production rose due to Kazkhstan exploration

Exploration&Production (E&P) segment. Q4'10 segment sales went up 5% yoy to RON 2.4bn, as a result of increased oil price (average Ural price went up 15% yoy to USD 85.3/bbl) and stronger USD against RON (+9% yoy, on avg. in Q4'10). However, average group realized crude price went up only 2% yoy due to negative impact of hedging contracts. Crude oil production in Romania continued to decline by 6% yoy to 7.43m bbl, whilst gas production came slightly higher at 8.57m boe, thanks to start of production at new key wells (Mamu, Radinesti) in Q4'10. Oil and gas production in Kazakhstan continued to increase by 38% yoy to 0.99m boe, mainly as a result of Komsomolskoe, the field being brought gradually on stream. This resulted in higher OPEX (USD 18.02/bbl; +13% yoy, in USD terms) which hampered to some extent company's EBIT line. Q4'10 EBIT E&P reached RON 720m (+7% yoy), adjusting for the special items, clean EBIT of the segment came at RON 811m (-4% yoy).

2010 E&P sales went up 16% yoy to RON 9.5bn, whilst EBIT increased by 22% yoy to RON 3.01bn. An overall improvement has been seen at RRR in Romania that increased to 72% from 70% in 2009. Consequently, Petrom Group's total proved oil and gas reserves amounted to 832m boe (Romania: 805 mn boe), whilst the proved and probable oil and gas reserves amounted to 1,172 m boe (Romania: 1,120m boe).

Key indicators E&P segment	Q3'10	Q4'10	Q4'09	yoy	2010	2009	yoy
Total hydrocarbon production (m boe)	16.88	16.99	17.17	-1.0%	67.08	68.29	-1.8%
Crude and NGL production (m bbl)	8.44	8.34	8.54	-2.3%	33.34	33.49	-0.4%
Natural gas production (bcm)	1.29	1.32	1.32	0.0%	5.16	5.33	-3.2%
Average Urals price (USD/bbl)	75.55	85.30	74.27	14.9%	78.29	61.18	28.0%
Average Group realized crude price (USD/bbl) ²	68.48	69.80	68.43	2.0%	68.72	58.45	17.6%
Average regulated gas price for domestic producers in USD/1000 cbm	150.11	156.66	171.38	-8.6%	155.44	162.38	-4.3%
Exploration expenditure (RON,m)	89.00	164.00	86.00	90.7%	341.00	219.00	55.7%
Exploration expenses (RON,m)	61.00	63.00	54.00	16.7%	187.00	275.00	-32.0%
OPEX(USD/boe) ³	15.41	18.02	15.93	13.1%	16.74	15.06	11.2%
OPEX(ROn/boe)	50.82	56.94	46.01	23.8%	53.32	45.90	16.2%
RON USD (avg rate)	3.298	3.160	2.888	9.4%	3.185	3.048	4.5%
Segment sales (RON,m)	2,479	2,404	2,292	4.9%	9,534	8,249	15.6%
EBIT ¹ (RON,m)	515	720	676	6.5%	3,012	2,468	22.0%
Special items (RON,m)	(441)	-91	(168)	nm	(532)	(217)	nm
Clean EBIT (RON,m)	956	811	844	-3.9%	3,544	2,685	32.0%

¹Excluding intersegmental profit elimination

²Realized price includes hedging result

³Starting in 2010, the calculation of production cost per boe is based on net production available for sale (i.e. exclusive of own consumption/fuel production). In Q4'10, the impact of this change led to an increase of around USD 1.34/boe for Petrom E&P Group

Source: OMV Petrom 2010 IFRS financial statements, BRD-GSG

R&M costs management starts to show some results

Refining&Marketing (R&M) segment. Q4'10 R&M sales increased by 35% yoy to RON 4.43bn, mainly due to higher products prices compared to a year-ago period. EBIT of R&M came negative at RON 123m vs. a positive EBIT of RON 86m in Q3'10, due to lower marketing results and one-off costs related to tank storages impairment at Arpechim refinery, as this should be totally dezinvested by 2012 at the latest.

However, marketing sales continued to decline (-7% yoy) to 1.08m t in Q4'10, due to seasonality and lower retail margins, with a negative impact on segment result. Group's non-oil sales increased by 7% yoy thanks to portfolio optimisation.

2010 R&M sales amounted to RON 15.18bn, up 19% yoy, whilst EBIT turned positive at RON 109m compared to a loss of RON 618m recorded a year-ago period supported by good results of cost management at refineries and despite of poor marketing results due to weak economic environment.

Key indicators R&M segment	Q3'10	Q4'10	Q4'09	yoy	2010	2009	yoy
Indicator refining margin (USD/bbl)	(1.15)	0.69	(1.74)	nm	0.33	0.02	nm
Refining input (m t)*	0.94	1.05	1.25	-16.0%	4.15	5.46	-24.0%
Refining output (m t)**	0.86	1.04	1.05	-1.0%	3.78	4.99	-24.2%
Total refined product sales (m t)***	1.42	1.51	1.45	4.1%	5.47	6.18	-11.5%
thereof Marketing sales volumes (m t)****	1.17	1.08	1.15	-6.1%	4.16	4.67	-10.9%
Segment sales (RON,m)	4,149	4,427	3,271	35.3%	15,176	12,701	19.5%
EBIT (RON,m)	86	(123)	(367)	nm	106	(618)	nm
Special items (RON,m)	(12)	(3)	(316)	nm	(1)	(389)	nm
Clean EBIT(ROn,m)	70	(233)	(221)	nm	(104)	(675)	nm

* Figure includes crude and semi-finished products, in line with OMV Group reporting standard

** Represents Refining sales volumes excluding traded goods sourced externally by Refining

*** Includes all products sold by Petrom Group. The figure also includes marginal petrochemical sales volumes for previous periods. It also includes volumes sold to OMV Western refineries

****As of Q1/10, Marketing sales figure excludes export sales which are included in total refined product sales. Figures for previous periods have been restated

Source: OMV Petrom 2010 IFRS financial statements, BRD-GSG

**Q4'10 EBIT boosted
by 15% yoy increase
in gas sales**

Gas&Power (G&P) segment. Segment sales generated by G&P in Q4'10 amounted to RON 1.081bn, up 27% yoy, thanks to 15% yoy higher consolidated gas sales. Gas demand rose in Q4'10, because in October 2010 has expired the facility granted by the Government in mid-2009 to the interruptible consumers (mainly fertilizers) to buy gas at domestic price (approx. USD 157/1,000 cbm), lower by 42% than import gas price (approx. USD 376/1,000 cbm). Thus, gas consumption in Romania increased by 2.5% yoy in Q4'10 vs. a decline of 6% yoy in Q3'10.

Q4'10 EBIT generated by G&P came positive at RON 185m compared to a loss of RON 46m, due to higher sales and reversal of bad debt provisions worth RON 70m, booked in previous quarters.

The company decided to exit chemicals business by the end of 2010, so Doljchim methanol production at Doljchim was stopped, supporting the operating performance of the segment.

2010 G&P sales went slightly up by 3% yoy to RON 3.07bn and EBIT went more than doubled compared with a year-ago period to RON 164m.

Key indicators G&P segment	Q3'10	Q4'10	Q4'09	yoy	2010	2009	yoy
Consolidated gas sales (bcm)	0.77	1.66	1.44	15.3%	4.85	5.30	-8.5%
Average gas price for domestic producers in Romania (RON/1,000 cbm)	495.00	495.00	495.00	0.0%	495.00	492.90	0.4%
Imported gas price in USD/1,000 cbm*	270.00	290.00	540.00	-46.3%	353.00	440.00	-19.8%
USD RON FX rate avg	3.2980	3.160	2.8880	9.4%	3.185	3.0480	4.5%
Segment sales(RON,m)	481	1,081	854	26.6%	3,065	2,969	3.2%
EBIT (RON,m)	(46)	185	(5)	nm	164	71	131.0%
*Special items (RON,m)	0	(7)	(78)	nm	(8)	(87)	nm
†Clean EBIT (RON,m)	(46)	192	73	nm	172	158	8.9%

*In 2010, ANRE (Romanian National Authority for Energy Regulation), ceased to publish the domestic and import prices taken into account for the regulated and end/basket gas price calculation. The gas prices for domestic producers for 2010 in the table above are the latest published by ANRE. For 2010, the actual import gas prices published retrospectively by ANRE on a monthly basis. Import gas prices for 2009 have not been adjusted.
 Source: OMV Petrom 2010 IFRS preliminary financial statements

Key drivers and outlook

Exploration & Production (E&P)

We made several changes to our estimates in the E&P segment to reflect higher oil prices for 2011 - 20e and new outlook on oil and gas production levels for 2011 - 20e. Below, we include the summary of adjustments in our assumptions:

Clean E&P EBIT'11e seen at RON 3.94bn vs. RON 3.01bn in 2010, mainly due to higher oil price and slightly higher Group's oil production

- ✓ we revised slightly up Group's hydrocarbon production, +0.84% on avg. for 2011-19e, mainly as a result of 0.5% higher group's hydrocarbon production in 2010 than we initially estimated. We believe that gas production start at new key wells (Mamu, Radinesti) in Q4'10 will continue to support Group's hydrocarbon production, along with higher production at Komsomolskoe field. Also, all the initiatives and actions for reducing the natural decline of the production in Romania should show better and better results. Our view, conservative we think, is also sustained by the announcement made by OMV Petrom that in October'10 it concluded a 17-year production enhancement contract with PetroSantander, a Canadian company specialized in the operation and rehabilitation of mature fields. According to this contract, PetroSantander will manage nine onshore fields in the Arad area, an increase of 50% yoy being expected, compared with the current production trend in the first five years. Thus, we anticipate Group's hydrocarbon production at 67.69mn boe (+0.8% yoy) for 2011e and increasing steadily up to 70.65 mn boe in 2020e;
- ✓ average Brent price was USD 79.48/bbl in 2010, 1% higher than our estimation, whilst Brent-Ural differential was lower by 15% than our expectation. Given the latest developments on oil markets, future prospects of oil demand growth coming mainly from emerging markets as a consequence of economic growth, political turmoil in Middle East and North Africa, we revised up our estimations for Brent oil price to USD 93.5/bbl from USD 80/bbl for 2011e. For the coming years, we raised the average Brent oil price by 5.7% on avg. for 2012-19e, reaching USD 95/bbl for 2018-20e (USD 90/bbl for 2012-14e, USD 92.5/bbl for 2015-17e). The Brent-Ural differential is expected to decline by 15% on avg. for 2011-19e, following the decrease recorded in 2010 and expected increase in Ural oil demand, due to current political unrests which haven't come to an end and whose negative effects should continue to affect Brent oil supply. All these resulted in a growth rate of 7.3% on avg. 2010-19e for Ural price. Thus, Group's average realized price is seen to fluctuate between USD 81.25/bbl in 2011 (vs. USD 71.6/bbl in our previous report) and USD 83.4/bbl for 2020e. In January'11, OMV Petrom entered into oil price swaps, locking in a Brent price of approx. USD 97/bbl for a volume of 25,000 bbl/day. In case our scenario for Brent oil proves to be correct, we anticipate a negative impact of approx. RON 96m;
- ✓ we revised upwards Group's production cost, +6.3% (in USD terms) on avg. for 2011-19e, as a result of 0.5% higher OPEX (in USD terms) compared with our estimation for 2010, higher production seen for Kazakhstan fields for next years. A negative impact for 2011e production cost is stemming from upside inflation risk in Romania, as the majority of the costs are expressed in RON terms. Thus, we see Group-s production cost at USD 18.54/bbl (vs. USD 17.36/bbl in our previous report) for 2011e and USD 18.44/bbl for 2012e and flat for the coming years of the explicit period. Besides production cost, royalties change will have a significant impact on company's lifting cost especially that depends on Governments financing needs. However, this is less likely to happen in Romania, at least;

- ✓ we left unchanged USDRON FX rate at 3.04 for the time being, as there are strong arguments for stronger and weaker USD against EUR currently.

All these changes resulted in a clean EBIT of RON 3.94bn (7.2% higher than the previous estimation) for 2011e, but we have to mention that CAPEX pursued and exploration activities' success within the next years might have a significant impact on EBIT.

The table below presents the main assumptions for the E&P segment:

Key assumptions E&P segment	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
Total hydrocarbon production (mn boe)	67.69	68.34	68.84	69.12	69.41	69.71	70.03	70.36	70.50	70.65
Crude oil and NGL production (mn bbl)	34.16	34.82	35.32	35.59	35.88	36.18	36.50	36.83	36.97	37.12
Natural gas production (bcm)	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13	5.13
Average Brent price (USD/bbl)	93.50	90.00	90.00	90.00	92.50	92.50	92.50	95.00	95.00	95.00
Differential Brent-Ural(USD/bbl)	1.22	1.25	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28
Average Urals price (USD/bbl)	92.28	88.75	88.72	88.72	91.22	91.22	91.22	93.72	93.72	93.72
Average Group realized crude price (USD/bbl)	81.25	78.34	78.46	78.53	80.83	80.92	81.01	83.32	83.36	83.40
Average Group realized crude price (RON/bbl)	246.99	238.14	238.50	238.75	245.73	245.99	246.27	253.30	253.42	253.55
Regulated gas price for domestic producers in RON/1000 cbm	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00
OPEX (USD/boe)	18.54	18.44	18.44	18.44	18.44	18.44	18.44	18.44	18.44	18.44
OPEX (RON/boe)	56.35	56.07	56.07	56.07	56.07	56.07	56.07	56.07	56.07	56.07
USD RON	3.10	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04
Clean EBIT (RON,m)	3,938.9	3,522.9	3,350.0	3,122.4	3,933.7	3,773.2	3,616.7	3,914.4	3,727.3	3,540.9

Source: BRD GSG estimates

Refining & Marketing (R&M)

Clean R&M EBIT'11e at RON 342.6m compared to RON 106.3m in 2010, mainly as a result of an upward revision of marketing sales following better levels seen in 2010

In Refining, we adjusted the refining input downwards by 3.4% on avg. for 2011-19e mainly due to constantly fine-tuning of Petrobrazi activity aiming to reach a capacity of 4.2m tonnes per year. The company reiterated its intention to finish the divestment process at Arpechim refinery by 2012, at the latest, bringing some positive results on costs side. Moreover, the management is set to reduce energy loss from 14% in 2004 to 10% in 2015e, to continue to build up modern terminals for a better supply and to improve yields structure. Currently there are 4 terminals built out of 9 initially planned. The most recent terminal finalization has been announced in Nov'10, namely Brazi terminal. Thus, most likely the company will keep costs under control and will improve refining efficiency.

In Marketing the main challenge will remain fuels' demand given the expectations of lower disposable income of individuals and a feeble economic growth rate for 2011e. We have revised our marketing sales upwards by 3.36% on avg. for 2011-19e, as marketing sales in 2010 came better by 8.9% than our expectations. Still, for 2011e we expect marketing sales of 4.25mn t (+2.2% yoy), mainly as a result of a small revival of commercial sales and better retail sales in the second half of the year.

OMV Petrom is focusing on increasing network efficiency and throughput per filling station from 4.9m liters in 2009 to 5.2m liters in 2015e in Romania. Still, in our model, we have included lower level of throughput per filling station, an average of 4.76m liters for 2012 -

2019e, slightly higher than in our previous report of 4.7m liters. For 2011, we increased the throughput per station by 4.5% following better than expected results in 2010.

Also, the 2010 story with higher sales driven by high oil products prices might be repeated in 2011, mainly due to supply side factors.

Consequently, we estimated EBIT'11e at RON 342.6m, following a revival of oil products demand seen for 2011e and higher oil products price. In our valuation model, we did not consider positive/negative inventory effects in P&L lines, because they are not recurrent and we might have false upsides/downsides on EBIT.

The table below presents the main assumptions for R&M segment:

Key assumptions R&M segment	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
Refining input (m t)	4.08	4.30	4.30	4.25	4.34	4.34	4.34	4.34	4.34	4.34
Refining output (m t)	3.67	3.87	3.87	3.91	3.99	3.99	4.21	4.21	4.21	4.21
Total refined product sales (m t)	5.14	5.41	5.41	5.48	5.59	5.59	5.90	5.90	5.90	5.90
thereof Marketing sales volumes (m t)	3.82	4.01	4.16	4.21	4.34	4.48	4.48	4.48	4.48	4.48
EBIT (RON,m)	255.52	410.92	455.65	383.97	363.62	981.58	701.94	709.36	717.50	726.40

Source: BRD GSG estimates

Gas&Power (G&P)

G&P EBIT'11e positive at RON 69.8m, but lower than in 2010 (RON 164m) due to higher expected depreciation

For OMV Petrom's Gas&Power (G&P) segment, we revised up gas sales by 11.5% on avg. for 2011-19e, following 2010 higher gas sales. We have incorporated higher gas sales for the next years, in spite of the fact that the gas demand was supported by the fertilizers who benefited from cheaper gas between mid-2009 and end-October'10. We include the OMV Petrom objective to enter the renewable energy business through the construction of Dorobantu wind projects at CAPEX line. The wind park and Brazi gas power plant are seen to start their operations in H2'11.

By developing these two energy projects, the company estimates to attain 10% of the energy market. The Brazi power plant has an efficiency of 57% well above Romania's average level of 35%. The gas consumption for its operation is 0.8bcm/year, equal to gas consumption of Doljchim and Arpechim, whose operations are gradually stopped.

As regards the convergence of domestic gas price to the international price, no news have been announced, but the process might be speed-up by the on-going negotiations between Romanian Government and IMF for gas price liberalization schedule to be drafted. However, we have kept unchanged domestic gas price and we have not incorporated in our model the revenues from entering on energy market as for 2011 they will not be material.

We estimated a positive EBIT'11e at RON 69.8m thanks to higher gas sales by 11.5% on average for 2011-19e. Significant impact on future EBIT will have the depreciation applied for power plant unless domestic gas price is adjusted upward.

Key assumptions G&P segment	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
Regulated gas price for domestic producers in RON/1000cbm	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00	495.00
Consolidated gas sales (bcm)	5.16	5.42	5.45	5.48	5.50	5.53	5.56	5.59	5.61	5.64
EBIT (RON,m)	69.8	126.9	44.2	(7.1)	135.8	106.0	76.1	46.4	16.7	(12.9)

Source: BRD GSG estimates

Corporate&Other

Small investments in this segment following the Petrom City inauguration along with the specific costs might point to the below presented estimations:

Key assumptions Corporate segment	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
EBIT (RON,m) new	(131.0)	(156.9)	(181.4)	(207.1)	(234.2)	(262.8)	(292.8)	(324.3)	(357.5)	(392.4)

Source: BRD GSG estimates

All segments for one bottom line

Net income seen at RON 3.33bn in 2011e (vs. RON 2.19bn in 2010)

All in all, we revised sales up by 17.4% to RON 21.22bn (+14% yoy) for 2011e, whilst clean EBIT is seen at RON 4.22bn compared to clean CCS Group's EBIT worth RON 3.325bn a year-ago period.

We anticipate a financial loss worth RON 261.85m for 2011e, lower than RON 475.8m in our previous report, mainly as a result of lower interest expenses and an anticipation of a slight appreciation of RON against USD.

Indicator (RON,m)	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
Sales	21,215.4	22,221.4	22,538.5	23,106.4	23,421.7	23,620.5	23,826.0	24,091.5	24,253.6	24,419.0
EBIT	4,220.2	4,409.4	4,152.6	3,740.6	4,570.5	4,343.3	4,119.5	4,152.1	3,896.5	3,640.9
Financial result	(261.85)	(315.43)	(261.99)	(201.03)	(97.11)	(42.82)	(25.63)	(15.25)	(10.82)	(8.82)
Gross income	3,958.39	4,093.96	3,890.56	3,539.59	4,473.38	4,300.46	4,093.88	4,136.87	3,885.66	3,632.08
Reported net income	3,327	3,441	3,270	2,975	3,760	3,614	3,441	3,477	3,266	3,053

Source: BRD GSG estimates

Thus, gross income should reach RON 3.96bn in 2011e, 18.2% higher than in our previous report and 41.4% higher than a year-ago period, whilst net income after minorities is seen at RON 3.33bn (revised up by 22.6% from our Dec'10 report) vs. RON 2.19bn in 2010.

CAPEX plan and financial resources from 2011e onwards

CAPEX seen at RON 4.6bn in 2011e, down by 5.41% yoy

Given the value of company's investments for 2010 worth RON 4.863bn, by 8.8% higher than our estimations, we revised upwards our CAPEX by 11% on avg. for 2011-19e. The largest change was done in E&P CAPEX, up by 20% on avg. for 2011-19e, following 37.8% higher CAPEX in 2010 in this segment. G&P CAPEX has been revised down by 11.1% on avg. for 2011-19e, as it came 32.7% lower in 2010 than our estimations, whilst for R&M segment we have not made any change. Consequently, we see 2011e CAPEX at RON 4.6bn, 5.75% higher than in the report released on 2 Dec'10, gradually declining up to RON 3.81bn for 2015-'20e. We remind you that OMV Petrom investment plans amount to approx. EUR 1.2-1.5 bn per year by 2015e.

Given the features of the segment, E&P will continue to attract the largest CAPEX for the coming years, 61.7% on avg. for 2011-20e in our scenario. Moreover, 14.4% of CAPEX, on avg. for 2011-20e, should be allocated to G&P, whilst R&M will be distributed 11.73% of CAPEX on avg. for 2011-20e.

E&P CAPEX will be directed for the optimization of gas production systems in SW of Romania and for the implementation of modern reservoir management techniques at field level. Also, the investments will focus on drilling of development and production wells, surface facilities replacement, well workovers and optimization of water injection facilities.

In case of Neptun Block, the company together with ExxonMobil should decide on deepwater drilling leading to higher investment needs, according to company's release. Further development of Komsomolskoe field might require additional investments.

As Brazi terminal has been finalized in Nov'10 (investments amounted to EUR 29m with a capacity of 8,120 cbm) securing the supply for central and eastern part of Romania, OMV Petrom will continue the third part of its Terminal Modernization Program by the construction of Isalnita storage facility (aprox. 11,000 cbm per year). R&M investments target Petrobrazi refinery modernization in order to adjust its processing capacity to 4.2m tones per year from 4.5m tones per year for domestic crude, and the modernization of its crude and vacuum distillation unit planned to begin operations in 2012. Furthermore, the company intends to continue retail filling station network optimization and to become a comprehensive service provider. According to company's release, there are no expectations to resume Arpechim operations, but to finish divestment of the refinery by 2012 at the latest.

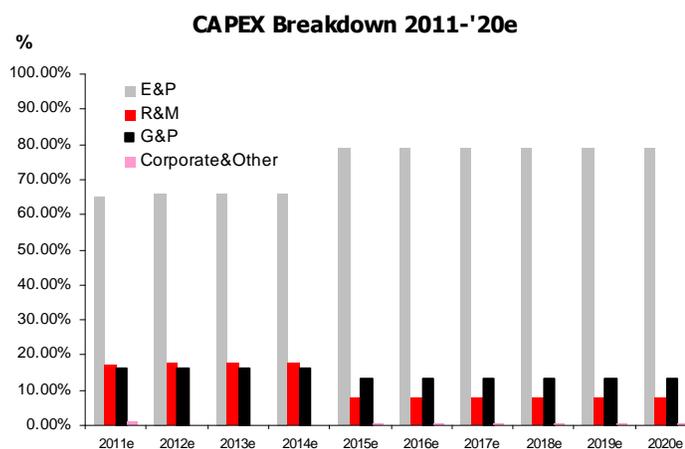
In G&P segment, the focus will remain on the finalization of Brazi plant (installed capacity of 840MW), which is expected to start-up its operations by the end of 2011 and also to begin operations at Dorobantu (45MW) wind power plant.

The detailed changes to CAPEX for 2011-20e are presented below:

Indicator (RON,m)	2011e	2012e	2013e	2014e	2015e	2016e	2017e	2018e	2019e	2020e
CAPEX E&P	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
CAPEX R&M	800	800	800	800	300	300	300	300	300	300
CAPEX G&P	750	750	750	750	500	500	500	500	500	500
CAPEX Corporate&Other	50	10	10	10	10	10	10	10	10	10
TOTAL CAPEX	4,600	4,560	4,560	4,560	3,810	3,810	3,810	3,810	3,810	3,810

Source: BRD GSG estimates

A breakdown of CAPEX estimated to be done between 2011e and 2020e is presented below:



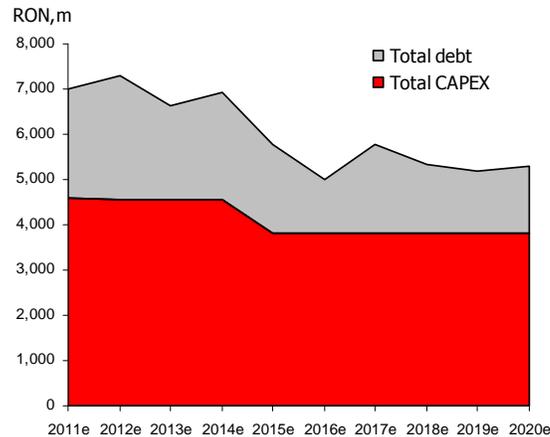
Source: BRD GSG estimates

Over 2011-20e, 61.7% of Petrom's investment will be allocated, on average, to E&P; 14.4% will be directed to the G&P, whilst R&M segment will take, on average, 11.7% of total CAPEX.

Significant operating cash flow will cover CAPEX

We don't know the exact figure of the amounts available from loans contracted by OMV Petrom. This will be released with the financial notes for 2010. Though, we estimate that for 2011e and even for 2012e, the company will manage to cover the planned CAPEX without any share capital increase if our forecasts for operating cash flow will materialize.

Surely, we don't exclude the possibility that other loans will be contracted from 2011 onwards, but financial needs will ease on long term amid higher operating cash flow and lower CAPEX. Nevertheless, we don't see any threat in finding the required resources to finance CAPEX, as OMV Petrom is still the largest company in Romania and its gearing ratio is well below the 30% target.



Source: BRD GSG estimates

Dividends

Good cash position, strong balance sheet are concrete arguments for dividends payment resumption

OMV Petrom announced that the company's Executive Board will propose to shareholders the resumption of dividend policy, after two years of zero dividends.

We believe that it is likely to see a dividend out of 2010 net profit, thanks to 2010 good results, improved financial position (gearing ratio declined to 12.4% as of end-Dec'10 from 16.2% end-Dec'09, cash and cash equivalents worth RON 1.588bn as of end-Dec'10 vs RON 384m as of end-Dec'09) and a slight positive outlook for 2011.

However, we have included in our model the anticipations for a payout ratio of 40% for 2011-16e and 50% for 2017-20e respectively, if our cash-flow scenario proves to be correct.

As we have already mentioned dividends payment resumption might be seen as a short-term price trigger for the stock.

BRD-GSG - Research		+40 21 301 6850	research@brd.ro
Florian LIBOCOR	Chief Economist Head of Research	+40 21 301 6869	florian.libocor@brd.ro
Carmen LIPARĂ	Head of Financial Markets Research	+40 21 301 4370	carmen.lipara@brd.ro
Monica NANIA	Economist	+40 21 301 6858	monica.nania@brd.ro
Florin HANȚILĂ, CFA	Equity Analyst	+40 21 301 4472	florin.hantila@brd.ro
Laura SIMION, CFA	Equity Analyst	+40 21 301 4461	laura.simion@brd.ro
Răzvan PANȚURU	Junior Analyst		razvan.panturu@brd.ro

BRD-GSG rating system
(March 2011)

Premium List

Selected from stocks expected to outperform the market by over 25%.

Buy

Expected to outperform the market by at least 10%.

Hold

Expected to perform in line with the market +/-10%.

Sell

Expected to underperform the market by at least 10%.

Assumptions

12 month time horizon and flat market over forecast period.

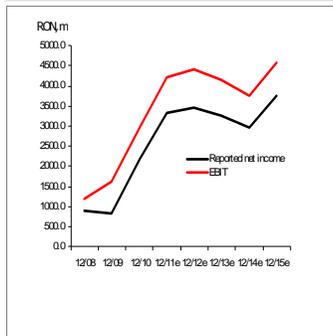
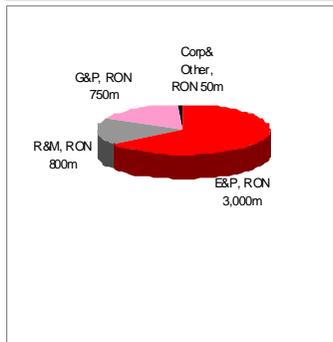
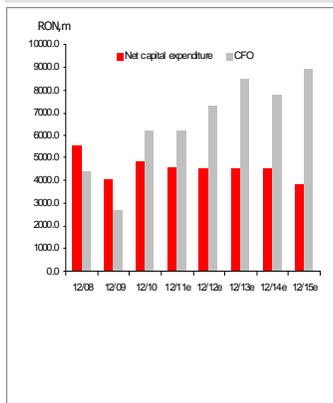
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Reported net income and EBIT

CAPEX per segment in 2011e

Net capital expenditure and CFO

Major shareholders (%) as of end-2009

OMV	51.01
Ministry of Economy	20.64
Property Fund	20.11
Private investors	6.21
EBRD	2.03

Oil&Gas
PETROM

	14/03/2011						12m target	
	RON 0.3950						RON 0.4700	
	12/08	12/09	12/10	12/11e	12/12e	12/13e	12/14e	12/15e
Valuation*								
Average no of shares (bn,diluted)	56.64	56.64	56.64	56.64	56.64	56.64	56.64	56.64
Share price (average)	0.38	0.22	0.32	0.40	0.40	0.40	0.40	0.40
EV	21498.9	15268.3	20485.2	23485.8	23291.7	21100.8	19797.3	18097.2
P/E (x)	24.03	14.96	8.20	6.73	6.50	6.84	7.52	5.95
Adjusted P/E (x)	24.03	14.96	6.88	6.73	6.50	6.84	7.52	5.95
EV/EBIT (x)	17.84	9.42	6.86	5.57	5.28	5.08	5.29	3.96
EV/EBITDA (x)	7.94	4.36	3.52	3.01	2.74	2.41	2.23	1.95
Price/book value (x)	1.35	0.77	0.97	1.09	1.09	0.96	0.98	0.93
Price/CFO (x)	4.91	4.57	3.88	3.58	3.05	2.64	2.86	2.50
Dividend yield (%)	na	na	na	3%	5%	6%	6%	6%
Per share data (RON)								
EPS BRD** (adj.)	0.016	0.015	0.046	0.059	0.061	0.058	0.053	0.066
CFO (RON)	0.077	0.048	0.082	0.110	0.130	0.150	0.138	0.158
Book value (RON)	0.282	0.286	0.326	0.362	0.363	0.413	0.405	0.426
Gross Div/share (RON)	0.000	0.000	0.000	0.015	0.023	0.030	0.029	0.026
Income statement (IFRS, RON,m)								
Sales	20127.4	16089.7	18615.7	21215.4	22221.4	22538.5	23106.4	23421.7
EBITDA	2708.5	3498.2	5813.5	7789.9	8498.0	8757.6	8862.0	9286.1
Depreciation, depletion and amort.	-1503.5	-1877.7	-2827.5	-3569.7	-4088.6	-4605.0	-5121.4	-4715.6
EBIT	1204.9	1620.5	2986.0	4220.2	4409.4	4152.6	3740.6	4570.5
E&P EBIT	3023.4	2467.7	3012.0	3938.9	3522.9	3350.0	3122.4	3933.7
R&M EBIT	-1793.1	-618.3	106.3	342.6	916.4	939.8	832.4	735.2
G&P EBIT	109.1	71.4	164.0	69.8	126.9	44.2	(7.1)	135.8
EBIT Corporate&Other	-127.3	-139.7	-135.5	-131.0	-156.9	-181.4	-207.1	-234.2
Financial result	-76.1	-451.1	-380.2	-261.9	-315.4	-262.0	-201.0	-97.1
EBT	1128.8	1169.4	2605.3	3958.4	4094.0	3890.6	3539.6	4473.4
Corporate tax	-233.3	-336.1	-415.7	-631.5	-653.2	-620.7	-564.7	-713.7
Net income	895.6	833.3	2189.7	3326.8	3440.8	3269.8	2974.9	3759.7
Cash flow statement (IFRS, RON,m)								
Net income	895.6	833.3	2189.7	3326.8	3440.8	3269.8	2974.9	3759.7
Depreciation, depletion and amort.	1503.5	1877.7	2827.5	3569.7	4088.6	4605.0	5121.4	4715.6
Change in working capital	506.4	-583.9	902.4	-875.2	-457.7	376.2	-446.5	392.1
Cash flow from operating activities	4383.6	2726.2	6239.6	6241.4	7336.8	8471.2	7818.7	8948.9
Net capital expenditure	5528.8	4071.2	4863.0	4600.0	4560.0	4560.0	4560.0	3810.0
Cash flow from investing activities	-5528.8	-4071.2	-4263.9	-4600.0	-4560.0	-4560.0	-4560.0	-3810.0
Cash flow from financing activities	653.9	1149.1	655.5	-1955.1	-2246.5	-2386.1	-1634.9	-3864.5
Net change in cash resulting from CF	-491.2	-196.0	2631.2	-313.7	530.3	1525.2	1623.8	1274.5
Balance sheet (IFRS, RON,m)								
Total long-term assets	25227.6	27725.4	28755.7	29227.1	29182.0	28620.6	27715.0	26478.2
o/w tangible assets	19167.7	21430.6	23777.2	24745.2	25190.8	25148.2	24617.5	23761.5
Working capital	758.0	586.4	687.1	1165.0	1472.8	1364.6	1606.7	1480.4
Total debt	608.5	2997.5	3465.5	2386.3	2722.4	2056.7	2377.0	1951.4
Shareholders' equity	15989.8	16190.8	18459.0	20481.7	20550.0	23390.3	22947.9	24125.1
Provisions	1979.5	1714.6	1581.4	1642.3	1642.3	1642.3	1642.3	1642.3
Net debt (+)/cash (-)	-26	2807	2540	1111	917	-1274	-2577	-4277
Accounting ratios								
ROIC	6.2%	7.2%	11.4%	15.5%	15.9%	13.7%	12.4%	14.7%
ROE	5.6%	5.1%	11.9%	16.2%	16.7%	14.0%	13.0%	15.6%
Sales growth (%)	65.7%	-20.1%	15.7%	14.0%	4.7%	1.4%	2.5%	1.4%
EBITDA margin	13.5%	21.7%	31.2%	36.7%	38.2%	38.9%	38.4%	39.6%
EBIT margin	6.0%	10.1%	16.0%	19.9%	19.8%	18.4%	16.2%	19.5%
Net income margin	4.4%	5.2%	11.8%	15.7%	15.5%	14.5%	12.9%	16.1%
Net debt/equity	-0.2%	17.3%	13.8%	5.4%	4.5%	-5.4%	-11.2%	-17.7%
Interest cover (x)	46.80	8.31	4.98	15.71	14.48	16.53	19.67	19.67
Payout ratio (%)	0%	0%	nav	40%	40%	50%	50%	50%

*Valuation ratios for past years are based on average price;** adj.for exceptional items (e.g.: provisions expenses)