



INDUSTRY REPORT

PETROLEUM & NATURAL GAS IN SOUTHEAST EUROPE

August 2009

This industry overview is an integral part of **SEE TOP 100, edition 2009** – a comprehensive, in-depth guide to the transition economies of Southeast Europe, published by SeeNews.

SEE TOP 100 is a unique ranking of the biggest companies in the region of Southeast Europe. This annual publication comprises:

- SEE TOP 100
- SEE TOP 50 Banks
- SEE Top 50 Per Capita
- SEE Industrial
- SEE IPOs
- SEE Corporate Management
- SEE TOP 100 CEOs List
- SEE Country Profiles
- SEE Best Employers
- Analyses & Interviews

If you are interested in obtaining a hard copy of the SEE TOP 100, edition 2009, please e-mail us at consulting@seenews.com or call at +359 2 8012 610. The SEE TOP 100 ranking is also available on www.top100.seenews.com.

Summary

Expectedly, the largest economies in terms of production and consumption in SEE have a significant presence in the ranking of the oil and gas companies: Romania and Bulgaria –with six and five representatives respectively, Serbia and Slovenia – three each, Croatia – two, Macedonia – one. Interestingly, Macedonia's sole crude oil refinery Okta AD ranked 16th with a total revenue equivalent to 647 million euro in 2008. Okta is part of Elpet-Valkaniki SA, a subsidiary of Greek oil trader Hellenic Petroleum.

The leader in the ranking is Romania's Petrom, which also is number one in SEE TOP 100.

The biggest foreign players in the sector, Russia's Lukoil and Austria's OMV, had four and three of their national subsidiaries, respectively, among the top 20 companies.

Due to the contraction of oil and gas consumption in the second half of 2008, half of the 20 firms in the SEE oil and gas sector ended the year with a net loss, while only four of them ended 2007 in the red. However, their cumulative revenues increased to 34.1 billion euro in 2008 from 26.9 billion euro in 2007.

The oil and natural gas sector is expected to continue to dominate the 2009 ranking of the largest companies by revenue in Southeastern Europe as well.

Methodology

SEE Industry at a Glance represents a series of sub-rankings of the 20 biggest companies by total revenue within the top five industries in SEE TOP 100: Petroleum/Natural Gas, Electricity, Wholesale/Retail, Telecommunications and Metals. In order to make the ranking more comprehensive, we have looked beyond the 100 companies in our flagship ranking and expanded the scope to the entire pool of over 1,000 enterprises.

Table 1: Ranking of the Biggest Petroleum & Natural Gas Companies in SEE by Total Revenue

	Company name	Country	Total revenue 2008	Total revenue 2007	Net Profit/Loss 2008	Net Profit/Loss 2007
1	Petrom SA	Romania	4,850.79	3,596.27	256.55	492.51
2	INA d.d.	Croatia	3,651.56	3,279.35	-142.23	163.88
3	Lukoil Neftochim Burgas AD	Bulgaria	3,646.97	2,956.98	-242.05	52.93
4	Naftna Industrija Srbije AD*	Serbia	3,429.74	3,188.05	-45.16	66.34
5	Petrol d.d.	Slovenia	2,721.40	1,992.09	-64.43	45.82
6	Lukoil-Bulgaria EOOD	Bulgaria	2,465.32	1,861.07	0.84	16.55
7	Rompetrol Rafinare SA	Romania	2,365.13	1,662.65	-116.69	-87.07
8	Rompetrol Downstream SRL	Romania	1,416.42	1,137.55	-53.25	-3.93
9	Petrotel Lukoil SA	Romania	1,280.82	1,038.31	-134.65	-25.92
10	Lukoil Romania SRL	Romania	1,160.96	1,138.63	2.59	14.71
11	Romgaz SA	Romania	979.50	1,018.82	134.82	141.14
12	OMV Slovenija d.o.o.	Slovenia	913.03	509.19	13.34	11.84
13	OMV Bulgaria OOD	Bulgaria	805.63	574.27	4.30	8.10
14	Bulgargaz Holding EAD	Bulgaria	732.73	569.11	-46.29	44.48
15	JP Srbijagas*	Serbia	688.07	632.12	3.40	10.88
16	Okta AD	Macedonia	646.89	492.91	-22.42	16.14
17	Naftex Petrol EOOD	Bulgaria	626.66	348.74	105.51	-4.95
18	Salbatring International d.o.o.	Slovenia	610.44	58.87	1.98	1.35
19	YugoRosGaz AD*	Serbia	583.02	414.81	23.50	13.67
20	OMV Hrvatska d.o.o.	Croatia	574.80	453.01	-8.07	9.18

in millions of euro

Southeastern Europe (SEE) is a net importer of crude oil and natural gas. The region's own oil and gas output covers just a quarter of local demand, which has been on the rise in recent years, shadowing the rapid growth of the region's emerging economies.

For historical reasons Southeastern Europe relies mostly on imports of Russian oil and gas to meet its energy needs. In recent years the region's fast growing economies started to seek diversification of both supply sources and routes to lessen their energy dependency on Moscow.

The region's geographical location makes it a natural choice for a hub for transiting oil and gas from energy-rich countries of the Middle East and Central Asia to the industrialised economies of Western Europe. That is why SEE lies at the centre of several major oil and gas projects backed by Russia, the EU and the U.S.

Of the SEE countries only Romania covers its demand for oil and gas mainly from its own resources. Dwindling oil and gas reserves across the region increase the need for imports. Demand for gas in SEE is expected to rise by some 40% by 2020.

**Table 2: Total Oil Production
(Thousand Barrels Per Day)**

Country	2007	2008
Albania	6.4	5.98
Bulgaria	3.36	3.36
Croatia	23.63	22.20
Macedonia	-0.045*	-0.045*
Romania	114.15	115.25
Serbia	11.42	11.42
Slovenia	0.005	0.01

* Negative value indicates refinery processing loss

**Table 3: Total Consumption of Oil Products
(Thousand Barrels Per Day)**

Country	2007	2008
Albania	31.8	34.00
B and H	27.5	29.00
Bulgaria	121	124.00
Croatia	103	105.00
Macedonia	21	21.00
Moldova	16	17.00
Romania	219	219.00
Slovenia	60	61.00

**Table 4: Gross Natural Gas Production
(Billion Cubic Feet)**

Country	2006	2007
Albania	1.77	N/A
Croatia	71.69	N/A
Moldova	1.76	1.76
Romania	449.21	432.25
Slovenia	0.14	N/A

**Table 5: Dry Natural Gas Consumption
(Billion Cubic Feet)**

Country	2006	2007
Albania	1.06	1.06
B and H	14.13	11.30
Bulgaria	197.76	120.07
Croatia	96.41	95.35
Macedonia	3.53	3.53
Moldova	93.58	97.12
Romania	657.56	605.30
Slovenia	39.02	38.85

Source: U.S. Energy Information Administration

Russia Remains Top Oil/Gas Supplier to SEE

Russian majors Gazprom OAO and LUKoil OAO are the main suppliers of natural gas and crude oil to the SEE countries. Romania and Albania have larger proven oil reserves than the other countries in the region but their oil refineries, as well as those in Bulgaria, Macedonia and Serbia, are processing Russian crude mainly.

**Table 6: SEE Crude Oil Proven Reserves
(Billion Barrels)**

Country	2008	2009
Albania	0.1991	0.20
Bulgaria	0.015	0.02
Croatia	0.07915	0.08
Romania	0.6	0.60
Serbia	0.0775	0.08

**Table 7: SEE Proven Reserves of
Natural Gas (Trillion Cubic Feet)**

Country	2007	2008
Albania	0.03	0.03
Bulgaria	0.2	0.20
Croatia	1.052	1.01
Romania	2.225	2.23
Serbia	1.7	1.70

Source: U.S. Energy Information Administration

Investments in Maintenance and Expansion

The SEE oil and gas companies did not invest lavishly in boosting their capacity in 2008 as the global crisis hit the region. Most companies in the sector, especially oil and gas transportation and distribution operators, conducted annual maintenance, while companies operating in the retail of oil products financed their expansion on their domestic markets.

Table 8: Selected Company Investment Projects in 2008

Company	Project	Amount (million euro)
INA-Industrija Nafta d.d. (Slovenia)	Upgrade and maintenance works on oil fields	29.51
Petrom SA (Romania)	Facilities modernisation by 2010	3,000.00
SNGN Romgaz SA (Romania)	Building of a gas storage	50.00
Naftna Industrija Srbije AD (Serbia)	Modernisation of oil refining equipment and improved environmental safety of filling stations	275.00
Petrol d.d. (Slovenia)	Upgrade of capacities	112.00
Lukoil-Bulgaria EOOD (Bulgaria)	Purchase of 75 filling stations and fuel storage depot	237.00
Rompetrol SA (Romania)	Building an offshore sea terminal	121.86
JP Srbijagas (Serbia)	Installation of high-pressure pipelines	81.80
OMV Srbija DOO (Serbia)	Expansion of retail network with 50 filling stations	110.00
Moldovagaz SA (Moldova)	Pipeline installation and expansion	12.21
SNTGN Transgaz SA (Romania)	Modernisation of gas network and expansion of the transportation system	374.00
Bankers Petroleum Albania Ltd. (Albania)	A two-year programme for development of oilfields	250.49

Source: SeeNews

State Ownership

Albpetrol, Bulgargaz, Romgaz and Srbijagas all remain wholly state-owned despite acquisition interests shown by Gazprom and European energy majors.

Table 9: State Holdings in SEE Petroleum and Natural Gas Companies

Company	Country	State ownership (%)
INA-Industrija Nafta d.d.	Croatia	44.84
Petrom SA	Romania	40.75
SNGN Romgaz SA	Romania	100.00
Naftna Industrija Srbije AD	Serbia	49.00
Petrol d.d.	Slovenia	19.70
JP Srbijagas	Serbia	100.00
Moldovagaz SA	Moldova	35.33
SNTGN Transgaz SA	Romania	75.00
Albpetrol Sh.a.	Albania	100.00
Bulgargaz EAD	Bulgaria	100.00

Source: Company websites

Regional and European Players on the SEE Retail Market

The SEE fuel retail sector attracted several European majors in recent years that defy the traditionally strong presence of LUKoil OAO in the region. Austria's OMV AG, Royal Dutch Shell plc and Greece's Hellenic Petroleum SA have developed their own networks of filling stations in several SEE countries.

A second wave of market expansion has brought regional players like Romania's Rompetrol SA and Slovenia's Petrol d.d. to the fuel retail markets of other SEE countries. Unlike their Western European peers, those companies have restricted their regional expansion to neighbouring SEE countries for the time being. In 2008 Hellenic Petroleum considered the acquisition of two smaller retail networks in Bulgaria, while OMV intended to develop a second chain of filling stations in Bulgaria under the Avanti brand.

Table 10: Leading Oil and Gas Retailers in SEE (by number of filling stations owned)

Company	Market	Number of Stations
Rompetrol SA (Romania)	Albania, Bulgaria, Moldova	173.00
OMV AG (Austria)	Bosnia and Herzegovina, Bulgaria, Croatia, Romania, Serbia, Slovenia	414.00
LUKoil OAO (Russia)	Bulgaria, Croatia, Macedonia, Moldova, Montenegro, Romania, Serbia	517.00
Hellenic Petroleum SA (Greece)	Albania, Bulgaria, Macedonia, Montenegro, Serbia	215.00
Petrol d.d. (Slovenia)	Croatia, Bosnia and Herzegovina, Serbia, Montenegro, Kosovo	112.00

Source: SeeNews