

Bucharest
March 6, 2007

Results for January - December and Q4, 2006¹

Strong results supported by favourable oil prices

- EBIT up by 47% to RON 2,777 mn [EUR 788 mn]
- EPS growth of 62% to RON 0.0405
- investments picked up by 163% to RON 2,937 mn [EUR 833 mn] showing the commitment to secure sustainable company development

Petrom, the largest oil and gas producer in South Eastern Europe, reports good results for the year 2006, despite the weakening and volatile environment in downstream. The high crude quotations in combination with continuously growing sales contributed to the 47% yoy rise of the EBIT to RON 2,777 mn [EUR 788 mn]. The investments had a significant increase as a result of the retail network expansion as well as growth, modernization and development projects in E&P.

Mariana Gheorghe, CEO: "Our results for 2006 are very good and mark a step forward in reaching our overall objective of positioning Petrom as leading oil and gas company in South Eastern Europe. It is the second year in a row when the company records great performance and this proves our responsible approach, the fact that restructuring is on track, as well as the consistency of our strategy and our determination to reach our objectives. In 2006 investments went up by 163% comparing to last year and we will keep a constant rhythm of investments in order to secure the sustainable development of our company and thus contributing to the security of energy supply for Romania."

2006	2005	%	Key performance indicators (RON mn)	Q4/06	Q4/05	%
2,777	1,884	47	EBIT	317	129	146
3,596	2,775	30	EBITDA	551	319	73
2,285	1,416	61	Net income	289	11	-
13,078	10,760	22	Turnover	3,403	2,896	18
2,937	1,117	163	Investments*	1,376	421	227
32,837	43,546	(25)	Employees at the end of period	32,837	43,546	(25)

*the investments include increases of Petrom share participations

¹ The financials are audited and prepared according to RAS; all the figures refer to Petrom SA unless otherwise stated

Highlights 2006

January: Petrom acquired 99.9% of the share capital of three OMV retail networks, i.e. OMV Romania, OMV Bulgaria and OMV Jugoslavja. The OMV Bulgaria deal was closed in March while OMV Romania and OMV Jugoslavja in August.

April: Petrom signed a contract with MOL Romania for the taking over of 30 filling stations, of which 15 are located in Bucharest. In exchange, MOL received 11 Petrom and OMV Romania filling stations and a difference in cash. At the same time, Petrom acquired a 95% share in Aviation Petroleum, the aviation business of MOL Romania.

April: Petrom's Annual General Meeting approved on April 25 a dividend of RON 0.013 per share. Following the decisions of the Annual General Meeting on April 25, 2006, the Board of Directors has 9 members [previously 7].

April: Petrom launched a series of new fuels, i.e. Diesel 4, Top Euro Diesel 4, Unleaded Premium 95, Eco Premium, which fully comply with the respective European Union standards.

June: Starting with June 15, Petrom's CEO position is filled in by Mrs. Mariana Gheorghe. She replaced Mr. Gheorghe Constantinescu, who currently holds the position of Senior Counselor to Mr. Wolfgang Ruttenstorfer.

June: Petrom is involved in long term social programs together with the Romanian Red Cross and UNICEF, allocating more than EUR 1.3 mn for the support programs. Petrom has also supported the victims of the floods which affected Romania in early 2006.

August: The exploration well South Rovnaya 1 was drilled to a total depth of 2,000 m in the Jusaly exploration license in Kazakhstan. First tests show a flow of 200,000 m³ of gas and 70 m³ of condensate per day.

August: An agreement for three new exploration blocks in Romania has been signed with the National Agency for Mineral Resources.

August: Petrom created Petrom Solutions, a service centre providing Accounting and IT&Communication services to its business divisions – E&P, R&M, Gas and Chemicals, with investments up to EUR 100 mn.

September: Petrom approved a USD 190 mn development plan for the Komsomolskoe oil field located in Kazakhstan. The oil field development is planned to be finalized in 2008 and will result in a production rate of 10,000 boe/d at the end of the year.

September: Petrom acquired a 74.9% stake in Ring Oil Holding & Trading Ltd. The company is operating 8 exploration and one exploration and production licenses in Russia

September: Deregistration of Petrom's branches in Romania has been finalized, thus meeting one of the most important preconditions for SAP implementation.

October: Petrom Board of Directors reconfirmed the development strategy for 2010.

October: Petrom started introducing SAP, the leading Enterprise Resource Planning (ERP) System, one of the largest IT projects in Romania. The investment is estimated to more than EUR 50 mn and has an implementation deadline set by the end of 2007.

November: A contract was signed with Linde Group for the construction of a new gas processing plant at Midia, next to existing facilities, making it possible to have all the gas produced off-shore treated by the new unit but also to triple the gasoline production.

December: Petrom sold a package of 16 non-core real estate properties to Practic SA which submitted the most competitive bid.

Outlook 2007

In 2007, the management will further continue to focus on efficiency improvement throughout the company by further implementing the modernization program that Petrom has embarked on during 2005.

Petrom will also seek to further develop the business in its core regions (South-Eastern Europe, Caspian Area/Russia).

In the course of 2007, the crude prices are expected to be slightly lower than in 2006; however still at an absolute high level and therefore we anticipate good result for the E&P operations.

During 2007, **Exploration and Production** activities will see an increase of exploration and appraisal drilling activity to about 40 wells (including Russia and Kazakhstan), all based on new technology and a further increase of the ambitious 3D program of eight new surveys. Besides significant production drilling activities performed with state-of-the-art drilling rigs, the rollout of the downhole technology modernization program will continue.

For 2007, Petrom will continue the efforts to stabilize production and decrease production costs. However, the significant appreciation of the RON against the US dollar may have a negative impact in 2007 also on USD/boe production costs.

In the course of the liberalization of the **Gas** market, Petrom anticipates for 2007 that the domestic gas price will steadily increase in line with the EU recommendation and based on a common understanding between the Ministry of Economy and Commerce (MEC), the National Authority for

Regulating the Natural Gas Sector (ANRGN) on one hand, and the gas producers on the other hand. Petrom estimates that it will realize gas prices close to European level in the next two years. For 2007 a moderate increase of its market share due to a slightly higher gas production and the acquisition of additional third party gas are foreseen.

The main focus on the **Refining** business for the year 2007 is further optimization and the beginning of the ambitious investment program which is directed towards improving the yield structure of Petrobrazi on the one hand, increasing capacity to 6 million tons and further reducing energy consumption.

Investments in Petrobrazi will be focused on the positioning of the refinery as the biggest and most efficient refinery in Romania. At the same time investments at Arpechim will be focused on compliance and high return efficiency investments. Arpechim is planned for a turnaround in spring 2007, which may have an impact on the results of in 2007.

With the integration of OMV Romania into Petrom SA, we have achieved a better market position. Significant investments are also scheduled for the modernization of tank farms and the tank farm concept focusing on lesser but more efficient terminals. Petrom will continue to close filling stations which do not fit into its concept and which are below the critical mass. It is anticipated that this closure program will be substantially finalized towards the end of 2007.

In Marketing, 2007 will see the entire network of filling stations completely run under the Full Agency concept.

Business environment

World crude demand recorded in 2006 an increase of 0.8 mn bbl/d against 2005, representing an average of 84.5 mn bbl/day. Warm weather from the last quarter continued to have a negative impact on the world oil demand.

Although transport fuel consumption is picked up, it was not enough to offset the decline in heating oil and fuel oil demand, especially in the OECD countries. Furthermore, the warm weather has alleviated pressure on natural gas prices which in the end has encouraged power plants to switch from liquid to gas.

In the non-OECD countries, strong expansion of crude use was fuelled by robust economic growth, developing industrial activity, and rapidly expanding transportation use.

World crude production increased in 2006 by 0.8% to 85.3 mn bbl/day.

In 2006, the strongest performance came from the FSU region, followed by Latin America, North America, Africa, and China. The FSU showed a growth of 0.5 mn bbl/day. Russia's growth was slow in the first part of 2006 followed by a recovery in the second. North America's production increased by 0.2 mn bbl/day driven by Canada and the recovery in the US Gulf of Mexico, whilst Mexico saw its production drop for the second consecutive year. The African region (excluding Angola) posted an increase of 0.3 mn bbl/day, most of the increase came from Sudan and Tunisia.

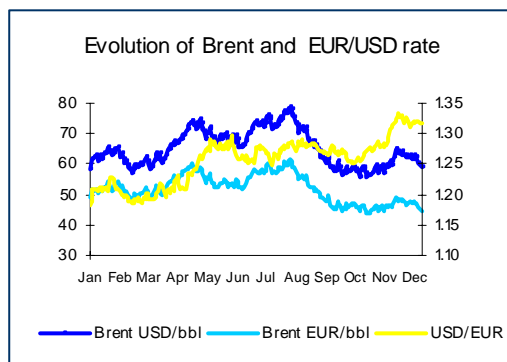
The **RON/USD average forex** decreased in 2006 by 3.4% yoy, from RON 2.91 to RON 2.81. The **RON/EUR average forex** decreased yoy by 2.5%, from RON 3.62 to RON 3.53.

Brent price increased with 2.7 USD/bbl in Q4/06 [59.60 USD/bbl] against Q4/05[56.90 USD/bbl]. In 2006, the Brent price registered an average of 65.14 USD/bbl, by 10.76 USD/bbl higher compared with the average of 54.38 USD/bbl in 2005.

Weaker demand on unusually warm weather led to product stock builds in the Atlantic Basin, and the combination of OPEC cuts which were not materialized and expected non-OPEC supply growth have been the main drivers behind lower prices in the last quarter of 2006.

Fuel international prices increased in the first three quarters of the year, with Gasoline Platt's quotation reaching a maximum in July and Diesel in August. Starting September there was a decreasing trend, with October registering the lowest levels in 2006, with over 250 USD per ton lower than July for Gasoline and 120 USD per ton lower for Diesel. In November and December there was again a slight increase in Gasoline as well as Diesel.

Imported gas price in Romania increased by 45% yoy, with an average of USD 297/1000 cm [2005: USD 205/1000 cm]. The regulated gas price for industry (which includes both domestic and imported price components as well as infrastructure costs) increased to USD 287/1000 cm [2005: USD 195/1000 cm], being in line with the commitment assumed by Romania to gradually liberalize the gas market and reach import parity.



Exploration and Production

2006	2005	%	Key performance indicators	Q4/06	Q4/05	%
73.06	77.95	(6.3)	Total production (mn boe)	18.38	19.36	(5.1)
4,777	5,214	(8.4)	Crude and NGL production (kt)	1,173	1,278	(8.2)
5,917	6,185	(4.3)	Gas production (mn cm)	1,521	1,554	(2.1)
3,744	2,782	34.6	EBIT (RON mn)	725	745	(2.7)
4,334	3,414	26.9	EBITDA (RON mn)	862	876	(1.6)
1,336	530.5	151.8	Investments* (RON mn)	800	164	387.8
18,604	22,598	(17.7)	No of employees	18,604	22,598	(17.7)

*the investments include increases of Petrom share participations and only for 2005, Corporate investments

January - December 2006 (2006)

- Based on the 2005 3D seismic work in Romania and Kazakhstan the Reserves Replacement Rate could be increased from 11% in 2004 to 33%.
- First exploration wells based on new technologies drilled – exploration success rate increased to 50%
- In Q4/2006 the domestic production increased by 4% over Q3/2006 due to higher gas sales.
- Downhole Technology - pilot successfully completed, reduction of intervention frequency from 20 to 3 per year, full roll-out started in December

Total production in Romania amounted to 73.1 mn boe in 2006. The natural decline in combination with the restructuring efforts and infrastructure issues (like Transgaz) are the major reasons for the decline of 6.3% in comparison to 2005 production volumes.

The oil and gas production in Kazakhstan reached 1,588 thousand boe (or 4,350 boe/day), increasing by 42% over 2005 volumes.

Group oil and gas production decreased by 5.6 % to 74.64 mn boe [2005: 79.07 mn boe], under the influence of the decline of the domestic production for oil by 8.4% and for gas by 4.3%. For 2006 the total **Group daily production** was 204,505 boe/day.

The **Group crude sales quantity** amounted to 4,915 thousand tons, decreased by 6.2% yoy, following the domestic oil production decline. Crude sales volumes in Kazakhstan amounted to 160.5 thousand tons, increasing by 12% [2005: 143.8 thousand tons]. This positive result was mainly the contribution of Turkmenoi and Tasbulat fields where new hydraulic fracturing technologies were applied in the last two years.

E&P Petrom **investments** in Romania amounted to RON 1,336 mn and targeted production & modernization, growth &

development projects as well as investments in participations. After successful upgrades of rigs from Romanian drilling contractors, a new drilling campaign was kicked off mid of the year. In addition horizontal drilling technology was successfully introduced. Overall Petrom completed 158 wells in 2006.

Petrom invested through its affiliated companies RON 334 mn in Kazakhstan.

During 2006, Petrom's activities in Kazakhstan focused on the Jusaly discovery and its appraisal work, the start of the Komsomolskoe field development and the production optimization in Tasbulat.

The 2006 **domestic production cost** of 13.73 USD/boe was higher by 6.8% over 2005, an increase attributable to the lower oil and gas production, to third parties services, staff and material cost increases, the ongoing restructuring efforts as well as the impact of FX-rates.

The **domestic realized oil price** increased to 55.65 USD/bbl, higher by 12.6% than the level recorded in 2005, driven by higher oil and gas prices.

The **EBIT** and **EBITDA** were both higher than in 2005 due to the positive impact of the oil and gas prices.



Technology Roll-out

An important pilot test to improve production and reduce cost was successfully performed in the Pitesti area. The Downhole Technology Modernization project started already in 2005, when individual production technologies were tested. Thereafter in 2006, a pilot was designed applying a tailor made package of approximately 10 different technology solutions in the Ciuresti Oil field. Overall 20 wells were included in the pilot and at year's end the intervention frequency could be reduced from an average of 20 per well and year to below 3. In December all relevant contracts were signed and the full roll-out could be started. 55 wells could be modernized until year end. A total of about 5,000 wells are expected to be completed until end of 2008, which will show a major cost reduction.

The newly implemented exploration strategy is primarily based on new modern 3D seismic application on a large scale. 2006 exploration focus was primarily on new 3D seismic and on starting drilling the first wells based on new technologies.

Consequently, six onshore 3D seismic surveys (three in 2006) amounting to 668 km² were executed. In addition, nine 2D seismic surveys amounting to 1253 km have also been acquired and 3320 km of 2D and 140 km² of 3D seismic were reprocessed for Romanian assets.

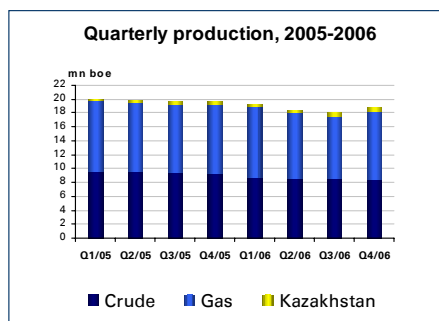
Based on the 2005 3D seismic work in Romania and Kazakhstan the Reserves Replacement Rate increased from 11% (in 2004) to 33%.

Business Development

In August, 2006 Petrom signed an agreement for three new exploration blocks in Romania with the National Agency for Mineral Resources (NAMR), a government approval is expected in the first half of 2007.

Petrom has approved a USD 190 mn development plan for the Komsomolskoe oil field located in Kazakhstan. The oil field development is planned to be finalized in 2008 and will result in a daily production rate of 10,000 boe at the end of the year.

According to its strategy for international growth, Petrom entered into Russia through the acquisition of a 74.9% majority share in Ring Oil Holding & Trading Ltd. The company is operating 8 exploration licenses and one exploration and production license in Russia.



Fourth quarter 2006 (Q4/06)

In Q4/06 the domestic production recorded an increase of 4% over Q3/06 due to seasonally higher gas volumes.

The crude oil production in Romania decreased by 8% to 1,173 thousand tons compared with the level recorded in Q4/05, while the natural gas production reached 1,521 mn cm, decreasing by 2%. The Group oil production amounted to 1,219 thousand tons.

The Group sales of crude amounted to 1,204 thousand tons, decreasing by 6 % yoy. The domestic realized crude price was

down by 7.6% to USD 51.32 from the level of USD/bbl 55.56 reached in Q4/05.

E&P investments accelerated, during Q4/06 reaching a level of RON 800 mn, almost four times higher than in Q4/05. The investments were directed towards the drilling of production wells, construction of new facilities and modernization of the well system.

The domestic production cost of 14.24 USD/boe decreased by 0.05 USD/boe compared to Q3/06, but cost per boe remained at a high level compared with Q4/05 as a result of the lower production volumes, higher costs with third parties services and appreciation of RON against USD.



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Refining and Marketing

2006	2005	%	Key performance indicators	Q4/06	Q4/05	%
6,864	6,399	7.3	Crude input (kt)	1,691	1,497	13.0
2,138	1,404	52.3	o/w imported crude (kt)	543	338	60.7
86	80	7.5	Utilization rate (%)	84	75	12.0
5,465	5,046	8.3	Marketing sales (kt)	1,412	1,163	21.4
(1,136)	(914)	-	EBIT (RON mn)	(495)	(611)	-
(914)	(662)	-	EBITDA (RON mn)	(401)	(554)	-
1,298	585	121.8	Investments (RON mn)	407	258	57.8
11,358	18,777	(39.5)	No of employees	11,358	18,777	(39.5)

January – December 2006 (2006)

- Sustained efforts throughout the year, in technical modernization as well as improved operations and process control, resulted in improved product yields for diesel and lower yield for fuel oil, compared to 2005. To comply with market demand and legal requirements, in 2006 production was shifted to lower sulphur gasoline grades and cleaner diesel.
- The Refining Division has a clear vision through 2010 centred on converting Romanian crude oil into high quality transport fuels for the Southeast European market. The focus is on growth and efficiency investments (of EUR 1 bn) to position Petrobrazi as the premier refinery in Romania, with 6 million tons single train refinery capacity and a new grass-roots hydrocracker unit (the first in Romania). At the same time investments at Arpechim will be focused on compliance and high return efficiency investments.
- The strategy for 2010 in Marketing is to strengthen the market leader position. Large investments will be made in order to improve products and services offered to the customers.
- All fuels available in the filling stations are complying with the European standards.

In 2006, Petrom's refineries processed a higher volume of crude oil of 6.86 mn tons, up by 7.3% yoy, mainly due to increase of the refinery utilization rate by 7.5% against 2005.[4.2% at Arpechim and 10.1% at Petrobrazi].

The refining margin dropped from 22.37 EUR/t 2005 to 11.83 EUR/t, mainly due to the combination of high energy prices, and the effects of relatively high energy consumption in Petrom's refineries. Product cracks were also generally lower in 2006 vs. 2005.

Energy efficiency improvement efforts began to take effect in 2006, as one percentage point reduction of own fuels and losses was achieved on a year-average basis. Quantities of purchased

utilities (gas, steam and electricity) were also reduced throughout the year.

By the end of 2006, both refineries were producing the full range of 50 ppm fuels for the Romanian market, and could produce sufficient quantities of 10 ppm fuels to meet market demand. Investment plans are on track to allow production of only 10 ppm fuels for the Romanian market by 2009.

The high share of Euro products is the result of the company's strategy to increase its international presence on the regional markets and to offer products according to the European Unions quality standards.

Petrochemical sales amounted to 393.3 thousand tons while the sales of special



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products (mainly petcoke) recorded a volume of 284 thousand tons.

Petrom's petrochemical production activities were successfully rationalized and repositioned. Units that were not economically or environmentally viable were closed, and a number of products (including acrylonitrile, sodium cyanide, ethoxylates, and ethanolamines) were discontinued.

The EBIT for R&M business recorded a negative value being influenced by costs related to restructuring including the write-off of product inventories lost in prior years and closure and demolition of unprofitable production units.

The volume of marketing sales was by 8.3% higher yoy, reaching a volume of 5,465 thousand tons [2005: 5,046 thousand tons]. The gasoline sales were up by 15% to 2120 thousand tons [2005:1849 thousand tons] and diesel sales increased by 14% to 1794 thousand tons [2005:1581 thousand tons]. This was mainly the result of the higher export sales for gasoline, only partially offset by the increasing diesel sales in Romania.

Commercial domestic sales were higher by 20% against the level recorded in 2005, amounting to 2,230 thousand tons, while exports were 2,245 thousand tons, from a previously 2,263 thousand tons achieved in 2005 (-1%). The decrease of product export is due to the introduction of the tax for product exports of 1 USD cent/liter for gasoline and diesel in Q2/06. Retail sales reached 990 thousand tons, by 7% higher yoy [2005: 924 thousand tons]. Throughput per station improved by 17% to 2.4 million liters per year in line with the target of 2.9 million by 2010.

Petrom retail international sales were three times higher than in 2005, amounting to 480 thousand tons, mainly as a result of the quantities sold by the three OMV retail networks, acquired in 2006.

At the end of 2006 Petrom owned 489 filling stations in Romania, which is a reduction of 11% compared to 2005 as a result of the ongoing reorganization process, which started in 2005 and resulted in the closure of unprofitable sites. At the end of 2006 a total of 359 filling stations are running under the newly introduced Full Agency System, from a total of 593 filling stations operated by Petrom in Romania.

As part of its defined strategy, Petrom aims to provide its customers with the best products and services available. In order to achieve this target, the **PetromV** concept for filling stations was introduced in the autumn of 2005, being extended during 2006 to a network of 43 PetromV filling stations. The total number of reconstructed filling stations at the end of 2006 is 49.

At international level, Petrom also operates a retail network of 211 filling stations in Republic of Moldova, Bulgaria and Serbia.

The R&M investments in 2006 amounted to RON 1,298 mn two times higher than in 2005, mainly due to the acquisitions of the three OMV retail networks in Marketing. In 2006, Petrom invested significant amounts in its two refineries, in order to achieve the refining targets with respect to cost position and compliance with the quality standards imposed by the European Union.

In accordance with Romania's accession to the European Union, the Romanian specific legal framework has aligned the quality standards set through the EU fuels Directive. All the fuels sold in Romania, starting with 2007, must have 50 ppm sulphur maximum, while by 2009, they will have 10 ppm.

In addition, the investments in Refining included the acquisition of the majority stakes in the two Rafiserv companies (service providers for refining business).

The most important projects started or continued in each refinery were as follows:

Petrobraz	Arpechim
<ul style="list-style-type: none"> ▪ Gas oil Hydrotreating Unit Revamp ▪ DCS Implementation ▪ Railway and truck Logistics Modernization ▪ CCR Revamp (completed) 	<ul style="list-style-type: none"> ▪ DCS Implementation ▪ New Hydrogen Plant ▪ FCC Feed Hydrotreating Unit (completed) ▪ ADV/VB Revamp ▪ Online Analyzers Implementation ▪ New high pressure boiler for olefins unit

Fourth quarter 2006 (Q4/06)

The R&M EBIT remained negative in Q4/2006 however showing an improvement in absolute terms.

The margin environment for refining was the most unfavourable since privatization, as gasoline and diesel cracks weakened, while the unusually warm weather suppressed the fuel oil cracks as well. The volume of processed crude in the last quarter of 2006 amounted to 1,691 thousand tons, out of which 543 thousand tons represented imported crude oil.

Arpechim experienced no scheduled maintenance stops, as the major turnaround scheduled for 2006 was deferred to spring 2007. Petrobraz performed only a 12-day crude unit shutdown in November to install tie-ins

for the ongoing distillate hydrotreater (HDS) expansion project.

Refining utilization rate was reduced to 84% in Q4, from a 2006 average level of 86%, due to the relatively weak margins.

Marketing sales increased by 21% in comparison with Q4/05, amounting to 1,412 thousand tons. Export volumes increased by 35% to 458 thousand tons. Retail sales increased in comparison with Q4/05 by 7%, to 278 thousand tons while commercial domestic sales were by 19% higher than the level reached in Q4/05, i.e. 676 thousand tons.

R&M investments amounted to RON 407 mn last quarter of 2006 by 57.8% against the level reached in Q4/05 due to the reconstruction of the filling stations and other business supporting operations in marketing as well as the significant investments in the two refineries.

Gas

January – December 2006

The EBIT generated by the Gas business of Petrom SA during 2006 amounted to RON 117 mn. A comparison with the same period of the last year is not possible as the results for this business were separated from E&P and started to be reported in 2006.

The gas sales of Petrom S.A. together with its 100% daughter company Petrom Gas amounted to 5,242 mn cm, down by 6.6 % compared to 2005.

The quantity supplied to Arpechim, Petrobrazî and Doljchim, in total 1,032 mn cm was almost on the same level as in 2005.

The sales decline does not fully reflect the production capacity of Petrom SA. In the year 2006 the overall gas consumption of

Romania dropped by 1.2% down to 17,265 mn cm compared to the previous year, whilst the imports increased substantially by 600 mn cm to 5,780 mn cm. This imbalance could neither be fully absorbed by the market nor by the National Transmission System, causing a higher pressure which in turn led to a reduced off - take from Petrom's production facilities. Some landslides caused by the floods during spring forced Petrom to shut down temporally some production units since the National Transmission System was affected by these events as well.

Petrom has stored in 2006 a total volume of 540 mn cm of natural gas, of which by the end of 2006 a total of 313 mn cm was still available for the cold period in Q1/2007.

Fourth quarter 2006 (Q4/2006)

The EBIT generated by the Gas business of Petrom SA increased to RON 28 mn while the gas sales amounted to 1,472 mn cm [Q4/05: 1,466 mn cm].

The imported gas price for Q4 was at USD 315 per 1,000 cm while the price to be achieved for the domestic production at the end of the year was around 147 USD/1000 cm. This figure is mostly caused by the

strong decline of the dollar against the RON. While the price achieved for domestic natural gas remained not entirely satisfactory due to the regulation in force and amounted only to around 45% of the international level, an increasing trend for the domestic price is anticipated for the year 2007

Chemicals

2006	2005	%	Key performance indicators	Q4/06	Q4/05	%
601	617	(2.6)	Sales (kt)	185	149	24.2
5.5	1.6	-	Investments (RON mn)	1.9	0.1	-
1,534	1,588	(3.4)	No of employees	1,534	1,588	(3.4)

In 2006 the volume of Doljchim sales was of 601 thousand tons, out of which export sales accounted for the highest part, i.e. 64%. Doljchim's products were exported mainly in the neighbouring countries, such as Hungary, Bulgaria, Serbia but also in other countries, like Turkey, Spain, Macedonia, Italy, Greece.

Comparing with Q4 2005, in Q4 2006 the **domestic sales** of ammonium nitrate increased by 57%, while the **total sales** of Doljchim increased by 24%. Compared with 2005, the **export sales** of ammonium nitrate in 2006 increased by 30%, the export sales of urea increased by 10%,

while the methanol domestic sales increased by 4%.

The methanol production and sales have decreased in 2006, compared with 2005, due to the shut down of the methanol Plant between August and September, for general revision and the synthesis catalyst change.

In 2006 the **investments** in Doljchim almost tripled as compared with 2005, amounting to RON 5.5 mn and were directed mainly towards the modernization of the infrastructure and logistics combined with environmental-related projects.

Financial highlights

Profit and Loss Account

The turnover of the company increased by 22% yoy as a result of the continuously increasing trend of the international oil prices and the product sales.

The operating expenses increased in 2006 by 17%, mainly determined by increasing costs of raw materials (imported crude oil, with higher prices and volumes). The rise of the staff-cost was the result of the restructuring costs, yearly increase of salaries in accordance with the Collective Labour Agreement and bonuses paid. The higher operating expenses were also due to higher third party services, expenses with Petrotrans, taxes (mainly royalties), commissions paid for the filling stations given in administrations to third parties and provisions (mainly due to litigation with Conpet).

As previously announced, the accounting treatment of the geological quota has changed in 2005, whereby this is booked as a reserve instead of an expense. This resulted inter alia in an adjustment of the value of the current assets (inventories having included the geological quota) which reduced the operating expenses by RON 393 mn in 2005.

The EBIT of the company in 2006 amounting to RON 2,777 mn is higher by

47% than RON 1,884 mn registered in 2005. This is the effect of both the increase of petroleum products and gas prices as well as of the growth of the product sales volumes. The increase of the oil price had a positive impact to the Exploration and Production business, but had a negative effect on the Refining and Marketing, due to lower margins in Refining.

The financial result decreased from a negative RON 201 mn in 2005 to a negative RON 231 mn. This is mainly due to the appreciation of RON against EUR and USD in 2006.

The net profit increased by 61% in comparison with the figures of 2005 while the EPS amounted to RON 0.0405 [2005: 0.0253].

The taxes paid by Petrom to the state budget in 2006 amounted to RON 5,218 mn, by 13.34% higher than in the same period last year. 52% of the total taxes paid represented excise tax [RON 2,692 mn] and 14% VAT [RON 741 mn]. The oil and gas royalty paid to the state amounted to RON 555 mn, by 9% above same period last year. The corporate tax paid for the year 2006 was of RON 259 mn.

Balance sheet

Total assets amounted to RON 19,460 mn, increased by 9% in comparison with December 31, 2005 [RON 17,814 mn] mainly as a result of investments.

Fixed assets increased by 23% to RON 13,092 mn [2005: RON 10,609 mn], mainly driven by higher financial assets which increased to RON 4,531 mn [2005: RON 3,013 mn], reflecting the acquisition of OMV Bulgaria, OMV Romania, OMV Yugoslavia, SC MP Petroleum Distributie and Ring Oil group of companies, service companies Rafiserv Arpechim, Rafiserv Petrobrazil and the increase in loans granted to subsidiaries. Tangible and

intangible assets also increased with RON 965 mn as a result of the combined effect of: acquisitions of tangible and intangible assets [RON 1,923 mn], depreciation and amortisation [RON 847 mn] and disposals [RON 213 mn].

The elements of current assets – receivables and prepayments increased, except for inventories and cash and bank accounts, resulting in a level of the total current assets [RON 6,366 mn] lower by 12% as compared to December 2005 [RON 7,204 mn]. The lower inventory values (1%) were driven by the reduced levels of stocks mainly



for crude oil and petroleum products, due to the higher sales. The increase of receivables and prepayment accounts (19%) is in line with the turnover development. The cash and bank accounts diminished with 23% reflecting the higher investments within the period.

The current liabilities increased by 1% mainly due to the higher trade payables, as a result of the increase in operating activity. On the other hand, the company repaid the entire EUR 125 mn Eurobond loan hence the balance of bonds and interesting bearing liabilities position is close to zero. A significant reduction of the corporate tax liability (RON 381 mn)

was recorded due to the payment of December 2005 balance.

Increase in deferred revenues by 69% is due to the significant revenues from sales based on fuel vouchers in marketing segment, as of the year end.

In 2006, an additional provision for restructuring was booked according to the restructuring plan agreed with the unions

The balance of the shareholders' equity amounted to RON 12,325 mn, by 15% higher than in December 2005 mainly due to profit generated until December 2006.

Investments

2006	2005	%	RON mn	Q4/06	Q4/05	%
1,336	530.5	151.8	Exploration and Production*	800	164	387.8
1,298	585.1	121.8	Refining&Marketing	407	258	57.8
1	-		Gas	0.1	-	
5.5	1.6	243.8	Chemicals	1.9	0.1	-
297	-	-	Corporate	167	-	-
2,937	1117	162.9	Total investments	1,376	421	226.8

* include the investments of Corporate (in 2005)

The investment program started in 2005 continued in 2006, when the total investments peaked up to an amount of RON 2,937 mn, exceeding by 163% the amount performed in 2005.

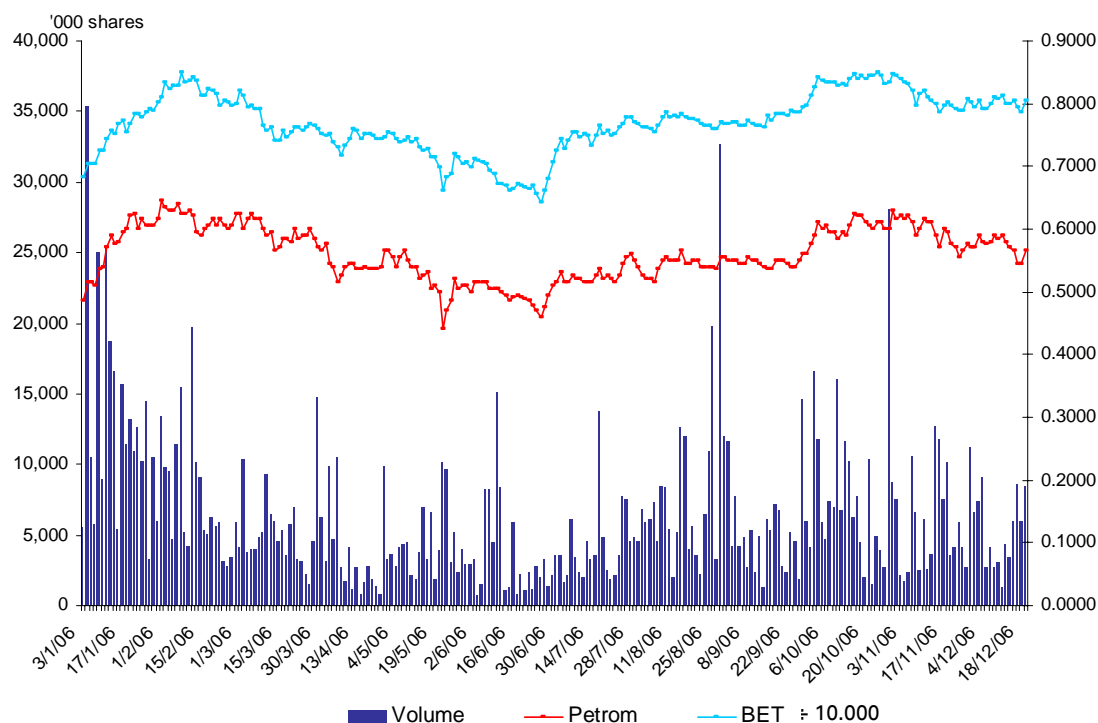
The investments were almost equally performed between Exploration & Production – 46% and Refining & Marketing-44%. The rest of 10% represent investments in Corporate (PetroM Solutions, SAP, etc) and Doljchim.

The R&M investments were directed to the intensive modernization efforts in the two refineries in order to achieve the refining targets to the acquisitions of the marketing companies from OMV and the refining service companies as well as to the modernization of the retail network by building the PetroM stations.

The **investments** in E&P targeted production & modernization, growth & development projects as well as investments in participations.

Stock watch: January – December 2006

Evolution of closing price and volume of Petrom and BET index
January – December 2006



The highest value of BET Index in 2006 i.e. 8,534.34 points, has been reached on February 8. The lowest value of BET in 2006, i.e. 6,400.71 points, has been reached in June 27.

The market capitalization of Petrom as of December 19 (last trading day of 2006) was RON 32 bn (EUR 9 bn).

On February 2, 2006 Petrom share price reached the **historical maximum** of RON **0.6550**. On May 23 it reached the lowest

value of the year, i.e. RON 0.4400, by 33% less than the recorded maximum. As of December 19, 2006 Petrom share price reached RON 0.5650.

In 2006, Petrom's share price increased by 18% yoy.

Starting with September 20, the new Stock Exchange Code has entered into force.

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Next release:

The next results announcement January – March 2007 will be made on May 16, 2007.

Abbreviations

NGL	Natural Gas Liquids
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EPS	Earnings per share
mn	Million
bn	Billion
RON	New Romanian Lei
cm	Cubic meters
bbl	Barrel
boe	Barrel of oil equivalent
E&P	Exploration & Production
R&M	Refining & Marketing
DCS	Distributed Control System
kt	Thousand tons
yoy	Year-on-year
FSU	Former Soviet Union

Profit and Loss Account as of December 31, 2006

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

RON	December 31, 2005	December 31, 2006
1. Net turnover	10,760,228,198	13,078,308,815
Sales of production	6,992,774,802	7,478,726,193
Sales of merchandise	3,767,453,396	5,599,582,622
Interest income- from lease companies		
Interest from subsidies related to net turnover	-	-
2. Movements in stocks of finished goods		
Cr balance	120,730,635	-
Dr balance	-	74,581,173
3. Own work capitalized	28,350,560	26,042,948
4. Other operating revenues	63,873,984	386,018,992
TOTAL OPERATING REVENUES	10,973,183,377	13,415,789,582
5. a) Raw materials and consumables expenses	2,278,837,087	3,650,761,504
Other materials expenses	40,593,658	72,944,335
b) Other utilities expenses (energy and water)	709,688,576	506,697,500
c) Purchase of goods for resale	329,737,178	199,372,209
6. Salary expenses, of which:	1,537,408,745	1,745,267,588
a) Salaries	1,147,967,635	1,324,861,157
b) Social security contributions	389,441,110	420,406,431
7 a) Adjusting the value of tangible and intangible assets	839,092,170	818,802,457
a.1) Expenses	1,115,944,074	956,473,574
a.2) Revenues	276,851,904	137,671,117
b) Adjusting the value of current assets	(454,403,630)	1,201,887
b.1) Expenses	72,022,137	470,542,062
b.2) Revenues	526,425,767	469,340,175
8. Other operating expenses	3,285,563,733	3,673,900,696
8.1 Third parties services	2,389,945,946	2,595,890,355
8.2 Other taxes, duties and similar expenses	566,628,467	727,538,747
8.3 Other operating expenses	328,989,320	350,471,594
Interest related to refinancing activities	-	-
Adjustments for provisions for risks and charges	522,466,841	(30,546,883)
Expenses	886,230,301	485,614,611
Revenues	363,763,460	516,161,494
TOTAL OPERATING EXPENSES	9,088,984,358	10,638,401,293
OPERATING RESULT:		
- Profit	1,884,199,019	2,777,388,289
- Loss	-	-
9. Income from investments	7,367,207	27,764,532
- out of which, within the group	3,232,907	20,374,007
10. Income from other financial investments and receivables , part of financial assets	566,072	-
- out of which, within the group	-	-
11. Income from interest	165,021,252	315,163,275
- out of which, within the group	29,235,598	56,733,631
Other financial revenues including forex gain	396,245,721	174,317,598
TOTAL FINANCIAL REVENUES	569,200,252	517,245,405
12. Adjustment of financial assets and investments held	(42,965,468)	151,483,561

RON	December 31, 2005	December 31, 2006
Expenses	17,544,507	179,476,613
Revenues	60,509,975	27,993,052
13. Interest expenses	55,891,422	38,608,669
- out of which, within the group	-	-
Other financial expenses including forex loss	757,050,109	558,374,491
TOTAL FINANCIAL EXPENSES	769,976,063	748,466,721
FINANCIAL RESULT		
- Profit	-	-
- Loss	200,775,811	231,221,316
14 Current result:		
- Profit	1,683,423,208	2,546,166,973
- Loss	-	-
15. Extraordinary revenues	-	-
16. Extraordinary expenses	-	-
17. Extraordinary result :		
- Profit	-	-
- Loss	-	-
TOTAL REVENUES	11,542,383,629	13,933,034,987
TOTAL EXPENSES	9,858,960,421	11,386,868,014
Profit before tax:		
- Profit	1,683,423,208	2,546,166,973
- Loss	-	-
18. Tax on profit	267,000,650	260,676,770
19. Other tax expenses not shown above	-	-
20. NET RESULT OF FINANCIAL YEAR:		
- Profit	1,416,422,558	2,285,490,203
- Loss	-	-

Balance Sheet as of December 31, 2006

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

RON	31/12/2005	31/12/2006
A. Fixed assets		
I Intangible assets	73,897,192	156,036,169
II Tangible assets	7,522,103,810	8,405,432,446
III Financial Assets	3,013,242,767	4,531,436,137
Total Fixed Assets	10,609,243,769	13,092,904,752
B. Current assets		
I. Inventories	1,484,130,228	1,465,128,619
II. Receivables	1,146,878,122	1,360,715,806
III. Short term investments	112,932	-
IV. Cash and Bank accounts	4,499,960,346	3,451,025,681
Total Current Assets	7,131,081,628	6,276,870,106
C. Prepayments	73,201,848	89,716,940
D. Payables within one year	2,230,916,538	2,257,229,755
o/w Bonds and interests bearing liabilities	478,257,820	-
E. Current assets, less current liabilities	4,921,569,778	4,016,232,131
F. Total assets less current liabilities	15,522,569,796	17,100,585,546
G. Payables in more than one year	34,900,751	22,141,012
o/w Bonds and interests bearing liabilities	-	-
H. Provisions for risks and charges	4,760,579,208	4,753,739,904
I. Deferred income	60,040,911	101,676,497
1. Investments subsidies	8,243,751	8,551,337
2. Deferred income	51,797,160	93,125,160
J. Share capital and reserves		
I. Share capital	5,600,050,608	5,664,410,834
Out of which:		
- subscribed and paid in share capital	5,600,050,608	5,664,410,834
- subscribed and not paid in share capital	-	-
- patrimony	-	-
II. Premium related to capital	-	-
III. Revaluation reserves	-	74,590,359
IV. Reserves	4,388,619,303	5,570,252,487
V. Retained earnings		
Cr balance	738,419,926	1,015,450,950
Dr balance	-	-
VI. Profit for the period		
Cr balance	1,416,422,558	2,285,490,203
Dr balance	-	-
Profit appropriation	1,416,422,558	2,285,490,203
Total Shareholders' Equity	10,727,089,837	12,324,704,630
Public patrimony	-	-
Total equity	10,727,089,837	12,324,704,630