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## PETROM'S FINANCIAL RESULTS FOR 2005 REFLECT A PROFITABLE YEAR

- Net profit above budgeted figure
- Lower results in Q4/05 following Petrobrazi turnaround
- Petrom will restart to pay dividends

Petrom, the largest oil and gas producer in South Eastern Europe, has obtained positive financial results for the year 2005, which will contribute to the fulfillment of the company's strategic objectives. Net income significantly increased to RON 1,416 mn (EUR 391 mn), as well as the EBIT which turned positive in 2005, amounting to RON 1,884 mn (EUR 520 mn). Turnover of the company grew by 24% compared to 2004 and reached the value of RON 10,760 million (EUR 2,970 million).

"Petrom has successfully come to the end of the first year after the closing of the privatization process. It was a profitable year for the company, regarding both the financial results as well as its achievements. The modernization process was started to increase the company efficiency and to improve its financial position and was carried out in all business segments with stimulating results. Nevertheless, our main concern remains to close the gap to international industry standards so that we can secure the company's competitiveness on the international oil & gas market" said Mr. Gheorghe Constantinescu, Chief Executive Officer of Petrom.

Due to the strong financial position of the company and the capital restructuring undertaken, Petrom will recommence the payment of dividends to its shareholders. The proposed amount to be paid as dividends amounts to RON 738.4 million (RON 0.013 per share), pending approval of the General Meeting of Shareholders on April 25.

### Overview

2005	2004	%	in RON mn	Q4/05	Q3/05	%
1,884	(581)	-	EBIT	129	895	(85.6)
2,775	114	-	EBITDA	319	1,138	(71.9)
1,416	(974)	-	Net income	11	805	(98.6)
10,760	8,688	24	Turnover	2,896	3,252	(10.9)
1,117	1,303	(14)	Investments*	421	253	66
43,546	50,010	(13)	Employees at the end of period	43,546	48,903	(11)

\*the investments in 2005 refer to Petrom SA and include increases of share participation; the investments for unsuccessful wells are not included as they are expensed

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## Exploration and Production (E&P)

2005	2004	%		Q4/05	Q3/05	%
77.95	81.31	(4)	Total production (mn boe)	19.36	19.31	0.3
5,214	5,462	(4.5)	Crude and NGL production (000 tons)	1,278	1,293	(1.2)
6,185	6,436	(3.9)	Gas production (mn cm)	1,554	1,531	1.5
2,782	572	386.7	EBIT (RON mn)	-	-	-
3,414	1,071	218.7	EBITDA (RON mn)	-	-	-
530.5	669.3	(20.7)	Investments* (RON mn)	164	52	214
22,598	26,473	(14.6)	No of employees	22,598	25,779	(12.3)

\*the investments in 2005 refer to Petrom SA and include increases of share participation; the investments for unsuccessful wells are not included as they are expensed

### January – December 2005 (1-12/05)

- The domestic **oil and gas production** amounted to 77.95 mn boe in 2005 or 213,559 boe/day, while crude oil production in Kazakhstan amounted to 1.1 mn boe or 3,068 boe/day. The domestic crude production was by 4% lower than the figure recorded in 2004 (i.e. 81.31 mn boe) as it was significantly affected by the electricity shut downs caused by the severe floods in Romania during the summer of 2005. The domestic gas production decreased with 252 mn Stcm, due to the high pressure on the Transgaz system and due to reduced gas consumption.
- In 2005, two onshore 3D seismic surveys amounting to 228 km<sup>2</sup> (Mamu and Colibasi) and one offshore (Istria) of 645 km<sup>2</sup> were planned and executed. In addition 262 km 2D seismic lines have been also acquired and 780 km of 2D seismic lines and 150 km<sup>2</sup> of 3D seismic lines were reprocessed in Romania. A fourth 3D campaign of 70 km<sup>2</sup> was launched in Kazakhstan and 137.5 km<sup>2</sup> of 3D seismic have been reprocessed.
- **E&P investments** amounted to RON 531 mn, by 21% lower than in 2004. As numerous concepts for projects were changed, based on additional information gathered since the budget was finalized in February 2005, and based on increased knowledge about reservoir and operations, which led to a reduced capital investment, the 2005 actual figure was significantly below budget.
- Petrom participated in the 7<sup>th</sup> National Licensing Round 2005, organized by the National Agency of Mineral Resources, and won the bidding for three exploration blocks
- Accumulated **realised oil price** in 2005 was 49.43 USD/bbl [31.97 USD/bbl in 2004].

### Fourth Quarter 2005 (Q4/05)

- In the last quarter of 2005, **crude oil production** amounted to 1.28 mn tons, by 1.2% lower than the previous quarter, while **gas production** exceeded by 1.5% Q3 level, reaching 1.55 bn cm.
- Actual **investments** in Q4 were RON 163.5 mn. Based on the large number of project plans finalized as well as contracts and purchase orders signed in Q3, a high number of projects, especially drilling projects, were executed in Q4. Furthermore, several internal procedures were issued, which facilitated the execution of projects in the last quarter of the year.
- The **realized crude price** decreased to 55.56 USD/bbl, from 56.92 USD/bbl in Q3.

### Gas

- Starting with the Q3/05, a separate Gas Division was established in Petrom, under the direct subordination of the company's CEO, responsible for natural gas sales and management of the activity.
- The total natural gas sales in 2005 amounted to 5.33 bn Stcm, by 2% lower than in 2004.
- Petrom owns a small gas distribution network with a length of 803 km. At the end of 2005, the company had 526 direct consumers, to whom a quantity of 23,784 thousand Stcm was delivered.

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## Refining and Petrochemicals

2005	2004	%		Q4/05	Q3/05	%
6,399*	6,426	-	Crude input (thousand tons)	1,497	1,752	(14.6)
1,404	1,465	(4.2)	o/w imported crude (thousand tons)	338	491	(31.2)
80	83	(3.6)	Utilization rate (%)	75	88	(14.8)
(386)	(1,001)	-	EBIT** (RON mn)	-	-	-
(253)	(924)	-	EBITDA** (RON mn)	-	-	-
449.7	374.8	20	Investments (RON mn)	213	152	40
6,492	7,414	(12.6)	No of employees	6,492	7,312	(11.2)

\* Starting with 2005, processed crude figure is reported including condensate

\*\* the financial figures (EBIT, EBITDA) and investments for 2004 include also Doljchim

### January – December 2005 (1-12/05)

- In 2005, 6,399 thousand tons of crude oil were processed in Petrom refineries, representing a decrease in comparison with 2004, due to the turnaround in Petrobrazi.
- Refining margin** increased to 22 EUR/t, with 10 EUR/t above the 2004 level, generally in line with world wide trends in refining.
- Petrochemical sales** amounted to 553 thousand tons, by 6.6% lower than 2004 figure, as a result of the turnaround in Arpechim petrochemicals units.
- In 2005, 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. The refineries already increased their capability of obtaining products in line with the EU regulations and both Arpechim and Petrobrazi obtained the integrated environmental authorization, in accordance with the Romanian legal provisions.

### Fourth Quarter 2005 (Q4/05)

- The total quantity of **crude processed** in Q4 amounted to 1,497 thousand tons, out of which 338 thousand tons represented imported crude oil.
- Refining utilisation rate** was 75%, as the turnaround in Petrobrazi was performed during October and November.
- Petrochemicals sales** also recorded lower volumes, i.e. 132 thousand tons, by 20% lower in comparison with Q3, i.e. 165 thousand tons.

## Marketing

2005	2004	%		Q4/05	Q3/05	%
5,046	4,992	1.1	Sales (thousand tons)	1,163	1,496	(22.3)
(528)	(152)	-	EBIT (RON mn)	-	-	-
(409)	(33.5)	-	EBITDA (RON mn)	-	-	-
135.4	258.8	(47.7)	Investments* (RON mn)	45	48	(6)
12,285	14,010	(12.3)	No of employees	12,285	13,686	(10.2)

\* the investments in 2005 refer to Petrom SA and include increases of share participation

### January – December 2005 (1-12/05)

- The **total sales volumes** increased by 1.1% in 2005 in comparison with 2004, due to higher commercial sales, which amounted to 4,122 thousand tons. **Commercial domestic sales** were above 2004 figure by 1.7% reaching 1,859 thousand tons, while **export sales** amounted to 2,263 thousand tons, with 34 thousand tons more than in 2004. **Retail sales** decreased by 1.2%, to 924 thousand tons.

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- At the end of 2005, Petrom had a retail network of 553 operating **filling stations**, with 35 filling stations less than in 2004, as a result of the closure of 50 unprofitable locations and the opening of 15 new filling stations. The new Full Agency system was implemented in 60 filling stations. The company also has 82 filling stations abroad, 80 in Republic of Moldova and 2 in Hungary.
- In 2005, Petrom recorded a **retail market share** of 24%.
- The **investments** amounted to RON 135.4 mn and were directed towards the modernization of the existing filling stations, as well as greenfield investments.
- Two new products were successfully introduced, Top Premium 99+ and Top Nordic Diesel, for the benefit of Petrom's clients. The new concept of filling station, Petrom V, launched in 2005, sets new standards for quality service and facilities. Also, in order to ensure the best services within Petrom network, an international recognized administration system, Full Agency, was introduced.
- In 2005, the **fuel prices** have widely varied as a result of the geo-political instability and of the natural disasters. The hurricanes in the USA destroyed part of the country's refining capacities resulting in high imports from Europe and an increasing price for gasoline and diesel, which recorded during September the highest values of the year. Petrom has adjusted its prices for commercial and retail pump sales of fuel categories in accordance with the prices fluctuations at international level.

## Fourth Quarter 2005 (Q4/05)

- Total sales** in Q4 decreased to 1,163 thousand tons from 1,496 thousand tons in Q3, due to the lower supply of products from Petrobrazi, but also due to seasonally lower demand in Q4. Both **commercial domestic sales** and **retail sales** increased in comparison with Q3, by 23% and 3.6% respectively. The **exports** were by 57% lower than in the previous quarter, amounting only to 338 thousand tons.

## Chemicals (Doljchim)

2005	2004	%		Q4/05	Q4/05	%
617	570	8.2	Sales (thousand tons)	149	147	1.4
1.6	8.6	(81)	Investments (RON mn)	0.1	1.3	(92)
1,588	1,548	2.6	No of employees	1,588	1,582	0.4

- Chemicals **sales** were by 8.2% above the 2004 level, as urea and methanol sales increased by 37% and by 7% respectively.
- Total **investments** amounted to RON 1.6 mn and targeted mainly modernizations and environmental protection.

## Financial highlights

### Profit and Loss Account

- Turnover** of the company increased by 24% reaching RON 10.76 bn mainly driven by the favourable price environment.
- The **EBIT** turned positive in 2005, increasing from a negative value of RON 581 mn to a positive value of RON 1,884 mn.
- Operating expenses** amounting to RON 9.09 bn, were down by 6% against 2004 figure.
- Financial result** improved by 17% as a result of the gains from interest income and of the significant reduction of the interest expense as the company repaid all loans during 2005. Due to significant amounts of cash owned by the company following the privatization process, a not realized **foreign exchange loss** was generated as the RON appreciated against EUR.
- Income tax** increased significantly (by 78%) as the taxable profit in 2005 was much higher than in 2004.

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## Balance sheet

- **Total assets** increased by 14% amounting to RON 17.8 bn, as both fixed and current assets exceeded last year levels.
- **Fixed assets** recorded a 11% increase against 2004 figure, mainly due to the acquisition of three umbrella funds in the amount of RON 1.1 bn. The investments in other companies also increased during 2005, as a result of the acquisition of 49% of Petrom Gas and the increase of the investments in Doo Petrom Yu by a total of RON 10.3 mn.
- **Current assets** increased by 18% against 2004, reaching RON 7.2 bn. The increase is attributable to all current items:
  - inventories increased by 31% mainly due to higher price levels
  - accounts receivable increased by 46% as the turnover within the last two months of 2005 was by approx. 40% higher in comparison with the similar period of 2004
  - cash increase of 9% was the result of the net cash from operating activities due to an enhanced profitability.
- **Total liabilities** accounted for RON 7.1 bn, increasing by 13%.
- **Total taxes** paid by Petrom to the State budget increased from RON 3.7 bn to RON 4.6 bn in 2005, out of which **excise duty** – RON 2,326 mn (15% increase over 2004), **corporate tax** – RON 400 mn (2.5 times above 2004 figure) and **royalties** – RON 508 mn (25% higher than in the previous year).
- **Shareholders' equity** in 2005 was 14% above 2004 figure, the increase representing mainly the net profit for the year.

## Human Resources

- Following the reorganization process initiated by Petrom at the beginning of 2005, the headcount decreased to 43,546 employees as of December 31, 2005, by 13% below 2004 figure.
- In 2005, internal job recruiting was implemented throughout the company, as part of the new Human Resources policy, together with the clear definition of the qualification and promotion criteria.

## Background Information

### Petrom SA

Petrom is the largest Romanian oil and gas group, with activities in the business segments of Exploration and Production, Refining and Petrochemicals, as well as Sales and Marketing. Petrom has estimated oil and gas reserves of 1 billion boe, an annual refining capacity of 8 million metric tons and around 550 filling stations in Romania. The company also has an international network with 82 filling stations located in Moldova and Hungary. This network was increased by 178 OMV premium stations in Romania, Bulgaria and Serbia-Montenegro, acquired in January 2006. In 2005 the turnover of Petrom was EUR 2,970 million, EBITDA was EUR 766 million. Following the share capital increase OMV, the leading oil and gas group in Central Europe holds a 51,011% share in Petrom. OMV is active in Refining and Marketing, Exploration and Production, Gas as well as Chemicals in 28 countries on five continents. The Romanian state holds 30.862% of Petrom shares, Property Fund SA holds 9,887%, the European Bank for Reconstruction and Development, 2.026% and 6.214% are owned by minority shareholders.

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