PETROM on the move in 2006
Annual Report

The Essence of Motion PETROM
Member of OMV Group

Operational results	2004	2005	2006
Total production, mn boe	81.31	77.95	73.06
Crude oil and NLG production, mn tons	5.46	5.21	4.78
Natural gas production, bn cm	6.44	6.19	5.92
Crude oil processed, mn tons	6.42	6.40	6.86
Capacity utilization, %	83	80	86
Petroleum products sales, mn tons	5.02	5.05	5.46
Number of operating filling stations[1]	588	553	489
Number of employees	50,010	43,546	32,837

Financial results	2004	2005	2006
Turnover, mn lei	8,688	10,760	13,078
EBITDA, mn lei	114	2,775	3,596
EBIT, mn lei	(581)	1,884	2,777
Net income, mn lei	(974)	1,416	2,285
Operating Cash flow, mn lei	1,856	2,771	2,957
Investments, mn lei	1,303	1,117	2,937
ROACE, %	n/a	22	21

[1] *The number of filling stations reported in 2004 Annual Report included non-operating filling stations as well (24 in 2004)*

2006
Annual Report

PETROM

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Dear shareholders, Ladies and Gentlemen,

The year 2006 was an important year for Petrom, with Petrom continuing with the many initiatives it had started in 2005 and which have already shown significant improvements in the performance of the company.

I would wish to thank the employees and the management of the company for their dedicated contribution to the company. I am personally convinced that the track we are following will lead Petrom not only in the short term but also in the long term to become a more professional, efficient and better company which will remain a significant contributor to the Romanian economy and society.

During the year 2006 Petrom and OMV were exposed for reasons beyond our control to a highly critical press and political environment in Romania.

Let me assure you once more on this occasion as I have done already several times during the course of the last few months that Petrom's privatization was not only a competitive process but also one handled in a very professional and transparent manner, being closely followed by various international institutions such as the European Union and the International Monetary Fund.

Petrom's Privatization Contract has been in the meantime published on the website of the Ministry of Economy and Commerce and the substantial economic terms of the transaction have been published already in 2004 with Law nr. 555.

Coming back to our oil business, it can be noted that the external conditions in the oil markets were very favourable and hence Petrom results reflect this tendency. While oil prices were higher than in 2005, refining margins were, unfortunately, somewhat poorer, but the net effect on the company's business was nevertheless positive.

The efficiency gains have further contributed to improve the profitability of the company, but we need to continue those efforts during 2007 as well. Our various initiatives such as centralization of the Exploration and Production, Finance and Marketing will streamline decision processes and the first results can already be seen.

Petrom has continued with various initiatives to help those in need and will implement new standards in the Corporate Social Responsibility policy, described in more detail in the Annual Report. Like in 2005, Petrom significantly contributed to the State Budget by paying 5.2 bn lei in taxes, duties and contribution, which meant about 700 mn lei more than in the preceding year, thus remaining the biggest taxpayer in Romania. Petrom invested EUR 833 mn in 2006.

With its ambitious investment program for the next few years in excess of EUR 3 bn, Petrom will not only significantly improve its operations and efficiency but will also be a very important factor for the economy and the industry of Romania.

The excellent results for 2006 coupled with the confidence of the investors in the future of the company have significantly improved the value of the company since its privatization. The company will propose for 2006 a dividend to its shareholder which is nearly 40 % above 2005, namely at 0.0179 lei/share.

This reflects a pay-out ratio of approx. 44% and is on the higher end of all its regional competitors. Petrom is looking confidently ahead into the year 2007 as it has a clear strategy and business plan to follow. I am personally convinced that we will succeed in achieving our targets.

Wolfgang Ruttenstorfer

Dear shareholders, Ladies and Gentlemen,

After almost two years of being a member of the Board of Directors of Petrom, starting with June 2006, I have become the Chief Executive Officer of this large company. This investiture meant a big challenge for me, a challenge I received with pride as I wish to turn Petrom into not only the largest but also the most successful Romanian company. For the way in which I was welcomed and supported by the great team of this company, I would like to thank all its employees and management.

2006 was a remarkable year for Petrom. The projects we implemented focused mostly on modernization, efficiency and profitability increase and on international expansion. The experience of a strategic investor such as OMV helped us implement rapidly and with excellent results restructuring, centralization and efficiency increase projects in all of our Business Units. We have attached great importance to compliance programs in terms of aligning to international business principles and practices, to quality and efficiency standards required by the European market. The Service Center Petrom Solutions and the introduction of the most important enterprise resource planning system, SAP, are just two of the projects that will lead to efficiency increase and cost reduction. The year 2006 was a landmark with regards to company reorganization, which is on track.

While immediately after privatization, our actions focused on the correct evaluation and reorganization of all the processes and projects of the company, the key word for 2006 was "investments". We have increased investments by 163% compared to last year and we will continue doing so at a similarly high pace, in order to secure the sustainable development of the company and thus bring our contribution to securing the energy supply for Romania.

Even from the beginning of the year we strengthened our position in the region by taking over OMV operations in Romania, Bulgaria and Serbia. Petrom's filling stations network expanded with 178 premium sites. The company's international development builds on Russia and the Caspian Sea Region which became core regions for exploration and production. We allocated a budget of USD 190 mn to be invested in the development of the Komsomolskoe field in Kazakhstan and we have entered the exploration and production market of Russia through the acquisition of 8 exploration licenses and one exploration and production license. Thus we consolidated our position in order to achieve a production level of 70,000 boe/day in the Caspian Region and Russia until 2010.

2006 is the second year in a row in which the company shows a strong performance. This proves our responsible approach, the consistency of our strategy and our determination to reach our objectives.

We committed ourselves to becoming the leading oil and gas company in South Eastern Europe, to investing in abating the effects of the natural decline and in stabilizing production in Romania. We want to become not only a role model for the business community but also a responsible "citizen" of the community we are living in. None of these objectives can be achieved without the essential contribution of the most important resource, the people. We invested in our employees' development and we will continue to constantly roll out such programs.

The results of 2006 clearly show that we have taken important steps to achieve the objectives set out in our strategy for 2010. We are already on a road that allows us to look with great confidence towards the years to come. I would like to thank you all for the trust you showed us this year.

Mariana Gheorghe

The Board of Directors represents the interests of the Company and of its shareholders and is responsible for the overall management of the company.

Its main objectives are to increase the shareholders value, to ensure the transparency in the company activities and to raise the efficiency and profitability of the company.

Wolfgang Ruttenstorfer - President
CEO and Chairman of the OMV Executive Board
Elected at the GMS on January 11, 2005

Gerhard Roiss – Vice-President
Deputy Chairman of OMV Executive Board and responsible for the Refining and Marketing including Petrochemicals
Elected at the GMS on January 11, 2005

David C. Davies – Member
Chief Financial Officer of OMV
Elected at the GMS on January 11, 2005

Helmut Langanger – Member
Member of the OMV Executive Board, responsible for Exploration and Production
Elected at the GMS on January 11, 2005

Werner Auli – Member
Chairman and CEO of OMV Gas International. As of January 1, 2007 Member of the OMV Executive Board, responsible for Gas
Elected at the GMS on April 25, 2006

Kevin Bortz - Member
Director of Natural Resources Team within EBRD
Elected at the GMS on April 25, 2006

Gheorghe Ionescu - Member
Representative of the Ministry of Economy and Commerce. He is counselor at IATSA Pitesti
Elected at the GMS on April 25, 2006

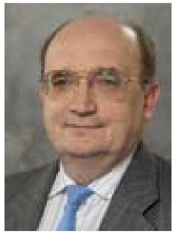
Victor - Paul Dobre – Member
Secretary of State for the Relation with Prefectures, Ministry of Administration and Interior
Elected at the GMS on November 22, 2005

Dorinel Mihai Mucea – Member
Deputy Head of the Romanian Privatization Agency (OPSPI), representing the Ministry of Economy and Commerce in Petrom's Board of Directors
Elected at the GMS on January 11, 2005
Following an investigation opened at the end of 2006, the Ministry of Economy and Commerce issued a decision whereby the state representatives in Petrom GMS will be mandated to revoke Mr. Mucea from his position.

The Managing Committee is elected by the Board of Directors and consists of six people. It is the body that manages the daily business of the Company.
Its role is to ensure that the resolutions of the Managing Committee, of the Board of Directors and of the General Meeting of Shareholders, as well as the company's internal guidelines are implemented, and that the law is complied with.

The Managing Committee has the following structure:

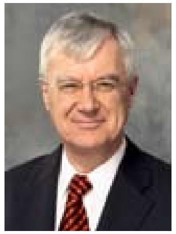
Mariana Gheorghe - Chief Executive Officer, responsible for Corporate Strategy, Corporate Communications, Human Resources, Corporate Secretary and HSE.
Mrs. Gheorghe graduated the Academy of Economic Studies, International Relations in 1979, the University of Bucharest, Law School in 1989 and London Business School, Corporate Finance in 1995. Mrs. Gheorghe worked for various Romanian companies and for the Ministry of Finance. Since 1993, she has been working for the European Bank for Reconstruction and Development as Senior Banker, for South-Eastern Europe and the Caucasus Region. After Petrom privatization in 2004, Mrs. Gheorghe became Member of the Board of Directors of Petrom as EBRD representative until June 15, 2006, when she became the new CEO of Petrom. She has replaced Mr. Gheorghe Constantinescu, who held this position for the last three years. Mr. Constantinescu is currently Senior Counselor for Mr. Wolfgang Ruttenstorfer.



Werner Schinhan - Deputy CEO, responsible for M&A, Capital Market Relations, Corporate Affairs, Treasury and Risk Management, Gas and Chemicals.
He graduated from Vienna University, Economic Sciences Faculty. Between 2000 and 2002 he worked for Treasury, Risk Management and Mergers and Acquisitions at OMV. Starting with 2002, he became Senior Vice President and Development and Strategy Director, OMV. He has been working in the oil & gas industry since 1981 and has held various management positions abroad.

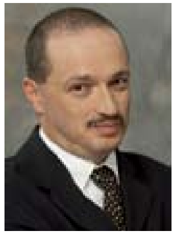
Reinhard Pichler - Chief Financial Officer

He studied at the Federal College of Engineering in Austria and at the University of Economic Studies in Vienna. He was Deputy Director Controlling Group OMV (1996 -2000), Director of OMV Solutions (2000 – 2002), Vice President and Director of Corporate Controlling and Accounting starting with 2002. He has been working in the oil & gas industry since 1990.



Werner Ladwein - Member of the Managing Committee, responsible for Exploration and Production

He obtained his Doctoral Degree in Geology and Mineralogy at Innsbruck University and his Master Degree at Webster University in Vienna. He was previously General Director of OMV Libya E&P (1993 – 1997), General Director of OMV Albania (1997 – 2001) and General Director of OMV Pakistan starting with 2002. He has been working in the oil & gas industry since 1977.



Tamas Mayer - Member of the Managing Committee, responsible for Marketing

He obtained his Master Degree at the Economic University in Budapest. He was General Director of OMV Hungary (1992 – 1998), General Director of OMV Bulgaria (1998 – 2002) and responsible for coordination of marketing and distribution activities, OMV Romania, Bulgaria, Serbia and Montenegro starting with 2003. He has been working in the oil & gas industry since 1992.

Jeffrey Rinker - Member of the Managing Committee, responsible for Refining and Petrochemicals

He graduated Chemical Engineering in 1989 from Carnegie Mellon University. Before joining Petrom he worked 16 years for BP in technical and commercial management positions in the US and the UK. In the late 1990s he managed the global acrylonitrile catalyst business of BP Chemicals. Beginning 1999, he was responsible for starting up BP's hydrogen fuels program, and served from 2000 to 2001 as Chairman of the National Hydrogen Association, a non-profit industry association based in Washington DC. From 2003 to 2005, Mr. Rinker was Commercial/Optimization Manager for BP's Toledo Refinery, located in the US Midwest. He joined OMV in 2005 and came to Petrom in his present position at the start of 2006.


Strategy

In 2010, Petrom will be the leading integrated oil & gas company in South-Eastern Europe

Vision

In 2010 Petrom will be the leading integrated Oil & Gas Company in South Eastern Europe.

Mission

We discover, produce and process oil & gas and distribute fuels and other oil products in order to provide Romania and our neighboring region with energy and mobility. The sustainable and profitable growth of our company is of benefit to our shareholders, customers, employees and the Romanian economy in general and is therefore at the focus of all our activities.

Petrom is on the way to becoming the leading integrated oil & gas company in South Eastern Europe

As an integrated oil & gas company with activities in Exploration and Production, Refining and Marketing, Gas and Chemicals segments we are a leader on the Romanian market as well as the largest industrial company in Romania listed on the stock exchange.

Being a responsible industrial company, Petrom is committed to supporting efficient and well-managed utilization of energy sources and products, taking into account the needs of today's consumers and the interest of future generations with respect to environmental protection.

Security of Supply

With daily domestic production constantly on the rise and expected to stabilize at approximately 210,000 boe by the year 2010, while also capitalizing on the increased output generated by the Caspian and Russian fields and on an annual refining capacity of 8 mn tons, we have a solid business platform that offers us a greater supply stability and better opportunities to sustain our growth.

Sustainability

We are reshaping our portfolio in order to secure the opportunities from growing energy demand. For that reason, we are actively reviewing the possibility to diversify energy resources by exploring business opportunities in field of renewable energy, which can be integrated into the company's core business.

We have planned significant investments until 2010 in the field of waste management, water quality, air quality and pollution, which substantiate our commitment to protecting the environment.

Efficiency Increase

In order to ensure the efficiency improvement of our E&P operations we implement projects for modernization of facilities and apply mature field technology programs.

In our downstream operations we are aiming to optimize our refinery utilization, to significantly reduce processing costs and to invest in energy efficiency as well as in yield improvement projects.

Diversify Resources

Economic growth, social progress, population growth and human well-being will drive an increase in energy demand in the future. In response Petrom is investing in growing its gas business to reach 35% market share and in reviewing the possibility to enter the power market by building a gas fired power plant.

Exploration & Production

As Petrom is the sole crude oil producer in Romania and accounting for approximately half of the Romanian gas production, strategic priorities and targets have been established for 2010 taking into account also the security of the oil & gas supply on the Romanian market.

Sustainability and efficiency for Petrom Exploration & Production mean: stabilized Production Level in Romania, increase in the company's organic Reserves Replacement Ratio, competitive cost positioning and international growth.

In order to meet our strategic goals to reach a sustainable production level of 210,000 boe/day in Romania and increase international production to 70,000 boe/day by 2010, we are committed to making significant investment efforts in the following years.

We will invest more than EUR 1.5 billion during the next 3-4 years, focusing on our production programs in Romania while further strengthening our engagement in Russia and the Caspian region.

Operating in an area where reserves are mature implies a well-defined strategy in terms of increasing the reserves replacement rate. In order to secure the company's future we have set as one of our goals the increase of the organic Reserves Replacement Ratio from 11% in 2004 to 70% by 2010. We will achieve this target by:

- introducing modern 3D seismic technologies and mature oil field technologies for enlarged exploration and reservoir management programs;
- providing appropriate budgets e.g. exploration expenditures of about EUR 150 mn per year (of which about EUR 100 mn in Romania);
- expanding our acreage and asset position in Romania, in Russia and the Caspian Region.

In addition, acquisitions will contribute to further enhancing the reserves replacement and production performance.

The planned upstream investments include also efficiency improvement projects having as a result one of the strategic targets of the Company: to reduce production costs to USD 9/boe in 2010.

Refining & Marketing

The key element in the refining strategy is to modernize the two largest Romanian refineries, Arpechim and Petrobrazi, which together account for 40% of the domestic crude processing capacity.

Petrobrazi will be expanded to 6 mn tons per year and will be reconfigured for optimal processing of Petrom domestic crude oil. Investments at Arpechim will focus on efficiency and yield improvement.

In order to ensure maximum flexibility for our operations, we intend to build new crude and product pipelines connecting Arpechim and Petrobrazi.

We will increase Petrobrazi refinery utilization to 95% by 2011, we will produce a full range of ultra low sulfur fuels (Euro V) by the end of 2008, and we will produce biofuel blends for sale on the Romanian market in 2007.

More than 250 standard PetromV filling stations will be opened by 2010. Also, the newly introduced Full Agency concept strives towards attaining a higher service level in both oil and non-oil business.

Significant investments in the amount of EUR 1.5 billion will be made in Refining & Marketing activities in order to meet our strategic goals.

Gas & Power - Leveraging the Gas Market Liberalization

Demand for natural gas will continue to grow owing to the fast development of the Romanian economy, offering us new opportunities to develop our activities.

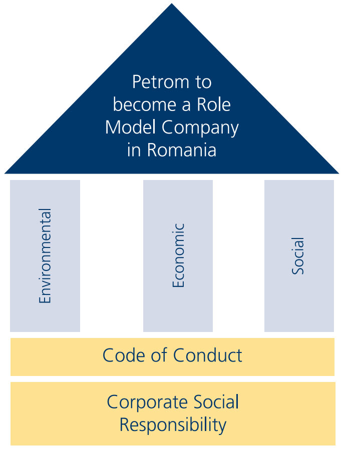
We will continue to review possibilities regarding own storage facilities and a supply mix by identifying storage market opportunities and obtaining access to gas imports.

Leveraging the recent liberalization of the electricity industry and the associated reforms, Petrom is considering taking the first step into the electric power business in Romania, envisaging the construction of a gas fired power plant of about 800 MW, capable to flexibly meet variable steam and electricity demand.

High performance management team

One fundamental indicator of any company's performance is the quality of its work force and the working conditions it provides its own employees.

Petrom is a responsible employer committed to treating every employee with respect and dignity, providing a safe, hospitable and quality working environment, and to developing its management team through evaluation and definition of staff development measures, talent management programs, comprehensive training programs at European standards for all existing and future managers, as well as leadership and management programs.



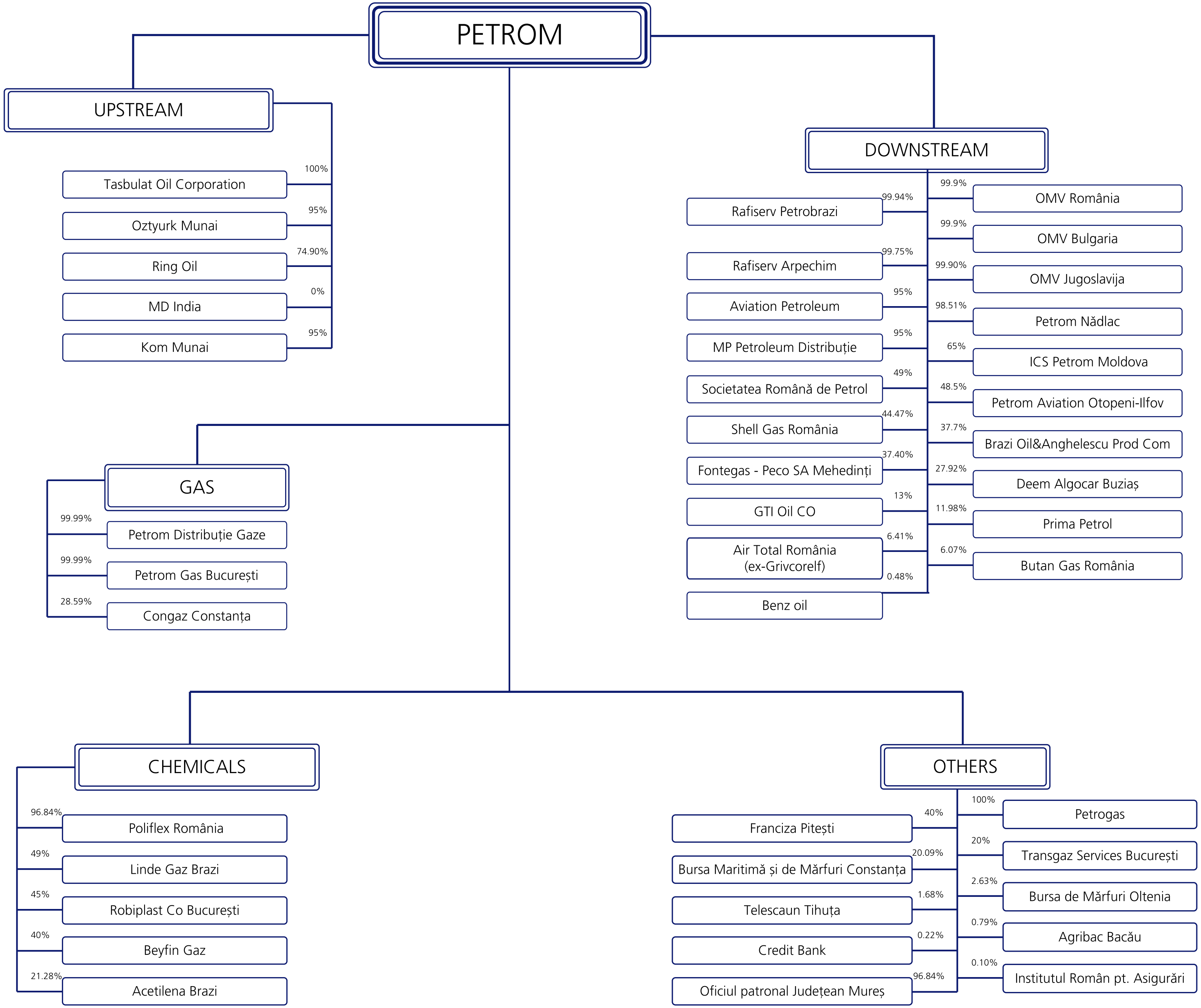
We recognize that a motivated, well-trained and diversified workforce represents a strong competitive advantage and a must have in the achievement of our target.

Economic and social impact

From an environmental point of view, we are dedicated to implementing top HSE European standards and reducing carbon emissions, mitigating climate change impact through increased effectiveness of the energy use by implementing international industrial standards, increasing the importance of gas as a lower carbon energy resource and, last but not least, by integrating biofuels into our product portfolio.

The success of our growth strategy is definitely connected to the sustainable development of the economy. Thus, through our operations, we secure long term and reliable energy resources and contribute the economic growth by large investments, significant tax contribution to the state budget, financial discipline and by our role as a major player on the capital market.

As one of the largest companies in Romania we are aware of the impact of our activities on the Romanian society and we assume this important role by bringing our contribution to increasing the people's confidence in the EU integration process, by applying high business standards, health and safety measures, both internally and externally, and by developing related projects.


PETROM
UPSTREAM
100% Tasbulat Oil Corporation
95% Oztyurk Munai
74.90% Ring Oil
0% MD India
95% Kom Munai
GAS
99.99% Petrom Distribuție Gaze
99.99% Petrom Gas București
28.59% Congaz Constanța
DOWNSTREAM
99.94% Rafiserv Petrobrazi
99.75% Rafiserv Arpechim
95% Aviation Petroleum
95% MP Petroleum Distribuție
49% Societatea Română de Petrol
44.47% Shell Gas România
37.40% Fontegas - Peco SA Mehedinți
13% GTI Oil CO
6.41% Air Total România (ex-Grivcorelf)
0.48% Benz oil
99.9% OMV România
99.9% OMV Bulgaria
99.90% OMV Jugoslavija
98.51% Petrom Nădlac
65% ICS Petrom Moldova
48.5% Petrom Aviation Otopeni-Ilfov
37.7% Brazi Oil&Anghelescu Prod Com
27.92% Deem Algocar Buziaș
11.98% Prima Petrol
6.07% Butan Gas România
CHEMICALS
96.84% Poliflex România
49% Linde Gaz Brazi
45% Robiplast Co București
40% Beyfin Gaz
21.28% Acetilena Brazi
OTHERS
40% Franciza Pitești
20.09% Bursa Maritimă și de Mărfuri Constanța
1.68% Telescaun Tihuța
0.22% Credit Bank
96.84% Oficiul patronal Județean Mureș
100% Petrogas
20% Transgaz Services București
2.63% Bursa de Mărfuri Oltenia
0.79% Agribac Bacău
0.10% Institutul Român pt. Asigurări

Directors' Report

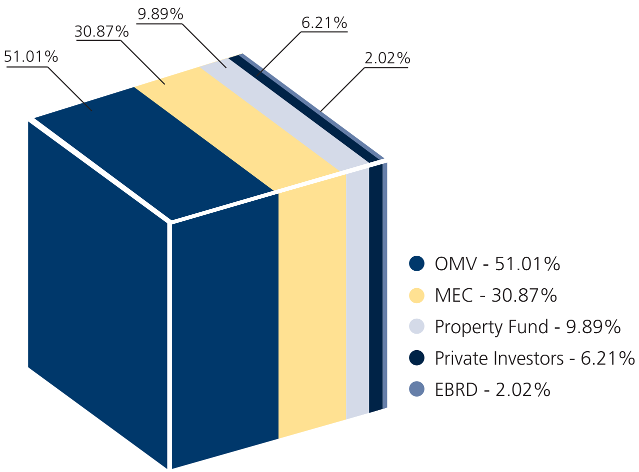

Shares and Bonds

Largest market capitalization
+18% share price performance

Shareholding

On November 22, 2005 the General Meeting of Shareholders (GMS) approved the share capital increase, giving to the existing shareholders the right to subscribe new shares, with the nominal value of 0.1 lei, in order to keep their holdings. The Ministry of Economy and Commerce (MEC) has received 266,977,088 shares representing the value of the land for which the Company has obtained ownership titles between December 16, 2004 and October 10, 2005. During the subscription period (January 9 – February 9, 2006), OMV subscribed 334,209,314 shares, the European Bank for Reconstruction and Development (EBRD) subscribed 13,275,740 shares, and a number of 3,924 shareholders, natural persons and legal entities, subscribed 29,140,115 shares.

Shareholding Structure



On February 27, 2006, at the request of Fondul Proprietatea S.A., 5,600,050,608 shares, issued by Petrom S.A, were transferred from the account of the Ministry of Economy and Commerce into the account of Fondul Proprietatea S.A.
Fondul Proprietatea is a fund created by the Romanian state in order to compensate the persons who suffered from the nationalization of their assets during the communist regime. The fund will manage a portfolio of shares with different stakes in Romanian companies.

Following the transfer and the share capital increase, the Ministry of Economy and Commerce now owns 17,481,773,996 shares and S.C. Fondul Proprietatea S.A. 5,600,050,608 shares, representing 30.87% and 9.89%, respectively, of the share capital.

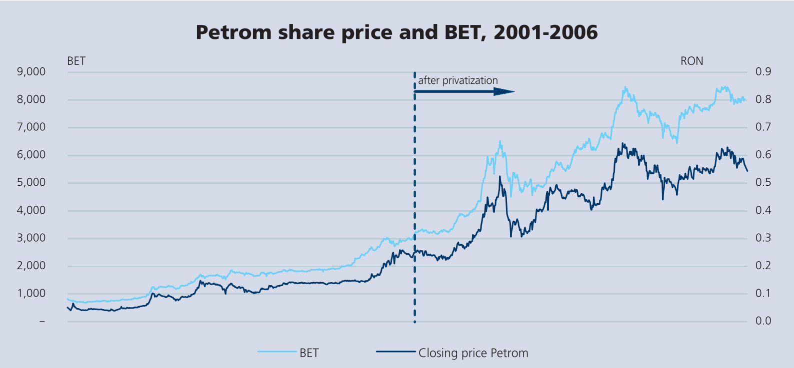
As of the end of 2006, Petrom's main shareholder is OMV AG, with 51.01% of the share capital, followed by the Ministry of Economy and Commerce, with 30.87%. EBRD is a minority shareholder of Petrom (2.02%), while the rest of 6.21% of the share capital is free-float traded on the Bucharest Stock Exchange, being held by around 500,000 private and institutional investors from Romania and from abroad.

Starting with February 26, 2006, MEC has been replaced by AVAS as the representative of the Romanian State in its capacity as Petrom shareholder. For further details, please see "Subsequent events".

Shares

In 2006, the BET Index, which includes the ten most liquid blue chip stocks on the Bucharest Stock Exchange (BSE), increased by 22%, while BET C Index (BET Composite), which includes all companies listed on the BSE, except for the SIFs, increased by 28.5%.

On March 15, 2005, the ROTX Index was launched on the Vienna Stock Exchange. The index reflects, in real-time, the movement of the seven most liquid blue chip stocks traded on the BSE. In 2006, the ROTX index increased by almost 25%.
Since April 2006, Petrom has a share capital of 5,664 mn lei, divided into 56,644,108,335 shares with a nominal value of 0.1 lei.
On December 19, 2006, Petrom accounted for 43.6% of the total market capitalization of BSE.
In 2006, more than 1.75 bn Petrom shares have been traded.



General Meeting of Shareholders

Following the decision of the General Meeting of Shareholders held on April 25, 2006, the Board of Directors has 9 members (up from 7). The newly appointed members were Werner Auli (OMV representative), Gheorghe Ionescu (independent representative – Romanian state) and Kevin Bortz (independent- replacing Mariana Gheorghe – representing EBRD).
The General Meeting of Shareholders held on April 25, 2006 decided the payment of dividends for 2005 amounting to 738,420 thousand lei, resulting in a payout ratio of 52%.

Investor Relations

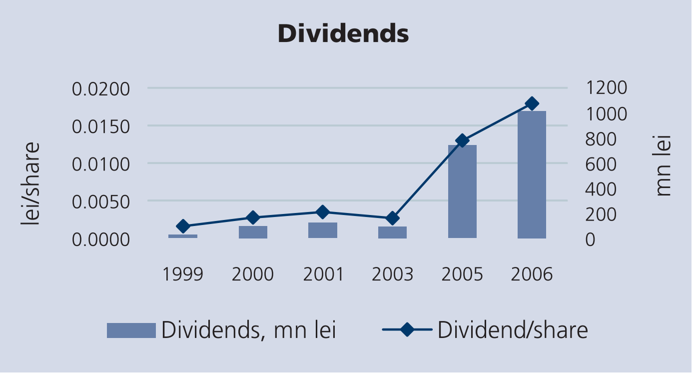
Starting with 2005 the Investor Relations function was established, enlarging the scope of work of the existing office dealing with the large individual investors base.

Petrom organized presentations for the main Romanian analysts, where they were offered the possibility to address questions to the company's management and to find out where is the company heading to. Moreover, after the release of the interim results, Petrom organized on a quarterly basis conference calls where the analysts and investors had the opportunity to discuss with the management the results of that period.

Beside these conference calls, Petrom has organized a series of one-to-one meetings with different analysts and institutional investors from Romania and abroad.

Dividends

On March 5, 2007, the Board of Directors decided to propose for the forthcoming General Meeting of Shareholders on April 17, 2007 the payment of dividends amounting to 0.0179 lei/share, resulting in a payout ratio of 44%.



Corporate Governance

Petrom considers Corporate Governance as an important contribution to Petrom's corporate culture. Therefore, in 2006, the company adopted a Corporate Governance Code, designed to increase the degree of transparency for all stakeholders, create sustainable, long-term value while allowing for effective and efficient decision-making.

Petrom's Corporate Governance Policy clearly sets out the details of the organisation and structure, outlining the shareholders' rights and the transparency requirements, while dealing with the board of directors' and the managing committee's duties.

At a glance	**2004**	**2005**	**2006**
Number of shares	56,000,506,078	56,000,506,078	56,644,108,335
Market capitalization, mn lei*	18,592	26,712	32,004
Market capitalization, EUR mn*	4,721	7,264	9,077
Volume traded on the BSE, mn lei	2,705	7,960	9,800
Year's high, lei	0.3430	0.5300	0.6550
Year's low, lei	0.1400	0.2760	0.4400
Year end, lei	0.3320	0.4770	0.5650
EPS, lei/share	-	0.03	0.04
Dividend yield	-	2.4%	3.2%*
Payout ratio	-	52%	44%

**calculated based on the share price as of the last trading day of the respective year*

Own shares

During 2006, Petrom did not purchase or hold, at any moment, any of its own shares.

Bonds

On October 2, 2001, the Company issued bonds amounting to EUR 125 million with maturity on October 2, 2006. The bonds were bearing interest of 11.625% p.a. and were listed on the Luxembourg Stock Exchange.

The bonds were fully reimbursed in 2006 at their maturity date.

2007 Financial Calendar

Financial Events	Date
Presentation of the results for January-December and Q4 2006[1,2]	March 6, 2007
Publication of the Annual Report 2006	April 17, 2007
General Meeting of Shareholders	April 17, 2007
Ex-dividend date	May 2, 2007
Presentation of the results for January-March 2007	May 16, 2007
Presentation of the results for January-June and Q2 2007	August 16, 2007
Presentation of the results for January-September and Q3 2007	November 15, 2007

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E-mail: investor.relations.petrom@petrom.com

All important information and news for shareholders and analysts with respect to the company's activity is posted on our corporate website at www.petrom.com/ Investor Relations.

Mailing service

To obtain quarterly and annual reports in Romanian and English, please send us an e-mail to investor.relations.petrom@petrom.com or use the ordering service under www.petrom.com.

Petrom shares Symbols	
ISIN	SNPPACNOR9
Bucharest Stock Exchange	SNP
Bloomberg	SNP RO
Reuters	SNPP.BX

[1] *according to Romanian Accounting Standards*
[2] *approved by the Board of Directors and to be submitted for the GMS approval*


Human
Resources

I like HR

Integrity: having ethical actions that reflect professional standards and acting respectfully when working with other departments as well as with each other

Leadership: developing the programs and processes of HR by incorporating innovation, integrity, and a high level of competence in the work we do.

Innovation: being creative and open to change while contributing and executing new ideas.

Knowledge: ensuring a complete and thorough understanding of the work we do and the ability and willingness to communicate that information in an understandable way.

Efficiency: getting the job done correctly in the easiest and quickest way possible by maintaining efficient time management, using all available resources and generating the appropriate outcome.

Honesty: displaying integrity; being forthcoming, while respecting those who address to us as well as each other.

Respect: acknowledgement and confidence that we do the best that we can do to offer good professional services and to act as a team.

Integrity that reflects professional standards through **L**eadership which implies enhancing the programs and processes of HR by incorporating **I**nnovation, **K**nowledge and **E**fficiency of a dedicated team which treats all those who address us with **H**onesty and everything we do with **R**espect.

2006 Key Achievements

- Petrom Solutions – standardize and centralize all financial and accounting processes in one IT and financial organization by achieving the three main objectives: create and implement a corporate culture, create a steady working force, going through change by achieving advantage and success.

- ROPE (ROtation program PEtrom) and TOP E&P – the projects create new opportunities for young Romanian professionals by sending them to work for a limited period of time in other OMV locations. Working overseas proved to be an enriching experience, which helped employees improve their professional knowledge and intercultural skills, gain experience and assess their personal and professional goals.

- Power2Manage and Power2Lead – projects are part of management development program for the first two management lines started in 2006 and ongoing in 2007.

- Reorganization process – an open dialogue with the Trade Unions as well as with the employees, in view of finding the best solutions in line with the Labor Law both for the employees (case by case approach) and for the future wellbeing of the company. All objectives set for 2006 were met.

- Transition Centers – 15 Career Transition Centers were set up around the country, fully operational since August 2006. Petrom SA is running an Outplacement Program that aims to offer to its former employees the chance for a new start in their professional life, either by helping them find a new job or start a small business. By following the program, more than 20% of the employees found a job.

- SAP HR system - maximizes the value of business information for the company, reduces maintenance costs by leveraging a less expensive database platform and improves productivity by enabling greater HR efficiencies across the company. Intensive training throughout the year in view of preparing SAP HR "Go Live" on the 1st of January 2007 was one of the most vital stages of the implementation process of SAP HR.

- Performance Appraisal – employees became familiarized with a new concept: a structured formal interaction between a subordinate and his/her supervisor, which took the form of a periodic interview in which the work performance of the subordinate was examined and discussed with a view to identifying weaknesses and strengths as well as opportunities for improvement and skills development.

- Career and succession Planning – provides managers and Human Resources professionals with a basic framework for developing and implementing succession plans in Petrom organization, down to the second level of management. Based on extensive research it creates the foundation to develop customized plans to meet company's specific needs.

- SCOPE Program developed in 2006 – Goals:
    - Assessment and understanding of key cooperation factors between local Romanian managers and OMV expatriates
    - Starting point for both parties to learn about and improve their cooperation
    - Basis for optimizing cooperation by specific actions

Outlook for 2007

Reorganization of the HR structure – an ongoing program ending in 2008 – aiming at increasing organizational flexibility, speeding up decision-making, improving service quality and reducing bureaucracy. The program's fundamental goal is to facilitate a clear and open communication, which would encourage organizational learning and clarify strategic goals.

Training Department Reorganization – management recognizes that training is a successful way to develop skills, enhance productivity, raise work quality and build up workers' loyalty to their firm, and most importantly, it is also a way to increase individual and organizational performance and to achieve great business results. Therefore a new approach to (and a restructuring of) the training department took shape, whose philosophy claims that a carefully developed training activity is a fundamental component of the ongoing development and growth of any successful corporation.

HCM - a Group-wide management tool used to steer human resources, corporate development and change management. The key component is the staff survey conducted based on a 50 questions questionnaire covering 8 basic dimensions. The main goals of HCM are:

- continuously improve our work environment and develop our organization
- align our organization to modern HR practices shared by the whole Group as well as by most multinational companies

MBO – an ongoing project which relies on defining the objectives for the management up to level 2 and directing their performance in relation with the established objectives. By aligning goals and objectives throughout the organization, performance at all levels will increase.

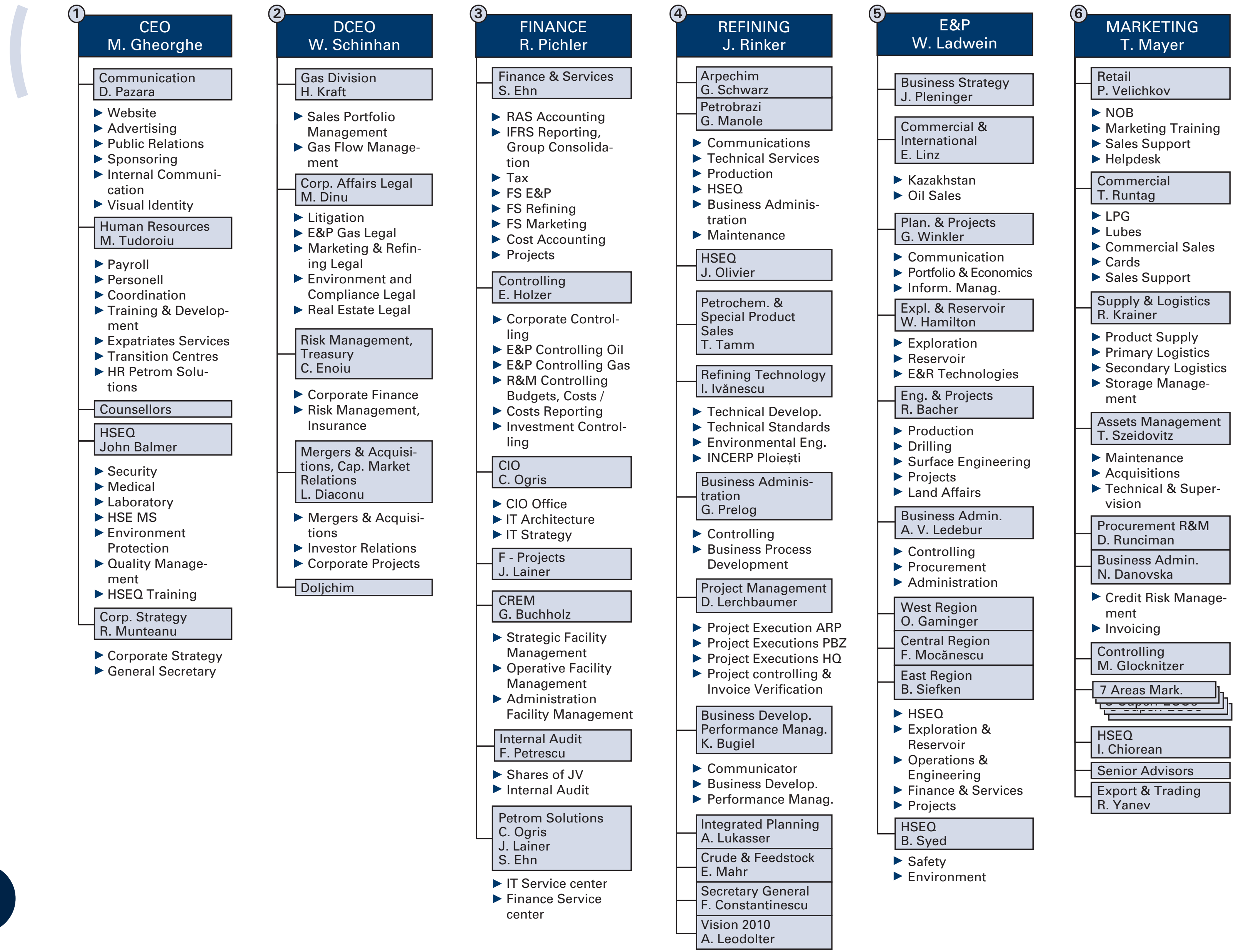
HAY – a holistic approach to Petrom's organizational structure, which included a whole range of discussions about job descriptions, work duties, abilities, competences, reports, etc. The results of the project will offer a better understanding of the organization and its dynamics, of how we could prompt a "commitment to change" among employees and eventually build our capability to sustain future change.

Performance Appraisal – set clear performance standards and create a professional tool which will provide the opportunity for organizational diagnosis and development.

Career Succession Planning – The project was initiated in 2005 and is still ongoing. It aims at identifying high-potential candidates within the organization providing a snapshot of those who are generally perceived to be the "stars" and also spotting the positions which have no identified successors.

Headcount as of December 31

Activity	2004	2005	2006
Exploration & Production	26,473	22,598	18,604
Refining	7,414	6,492	4,893
Marketing	14,010	12,285	6,465
Doljchim	1,548	1,588	1,534
Corporate	565	583	1,341
TOTAL	**50,010**	**43,546**	**32,837**


1
CEO
M. Gheorghe
Communication
D. Pazara
Website
Advertising
Public Relations
Sponsoring
Internal Communi-
cation
Visual Identity
Human Resources
M. Tudoroiu
Payroll
Personell
Coordination
Training & Develop-
ment
Expatriates Services
Transition Centres
HR Petrom Solu-
tions
Counsellors
HSEQ
John Balmer
Security
Medical
Laboratory
HSE MS
Environment
Protection
Quality Manage-
ment
HSEQ Training
Corp. Strategy
R. Munteanu
Corporate Strategy
General Secretary
2
DCEO
W. Schinhan
Gas Division
H. Kraft
Sales Portfolio
Management
Gas Flow Manage-
ment
Corp. Affairs Legal
M. Dinu
Litigation
E&P Gas Legal
Marketing & Refin-
ing Legal
Environment and
Compliance Legal
Real Estate Legal
Risk Management,
Treasury
C. Enoiu
Corporate Finance
Risk Management,
Insurance
Mergers & Acquisi-
tions, Cap. Market
Relations
L. Diaconu
Mergers & Acquisi-
tions
Investor Relations
Corporate Projects
Doljchim
3
FINANCE
R. Pichler
Finance & Services
S. Ehn
RAS Accounting
IFRS Reporting,
Group Consolida-
tion
Tax
FS E&P
FS Refining
FS Marketing
Cost Accounting
Projects
Controlling
E. Holzer
Corporate Control-
ling
E&P Controlling Oil
E&P Controlling Gas
R&M Controlling
Budgets, Costs /
Costs Reporting
Investment Control-
ling
CIO
C. Ogris
CIO Office
IT Architecture
IT Strategy
F - Projects
J. Lainer
CREM
G. Buchholz
Strategic Facility
Management
Operative Facility
Management
Administration
Facility Management
Internal Audit
F. Petrescu
Shares of JV
Internal Audit
Petrom Solutions
C. Ogris
J. Lainer
S. Ehn
IT Service center
Finance Service
center
4
REFINING
J. Rinker
Arpechim
G. Schwarz
Petrobrazi
G. Manole
Communications
Technical Services
Production
HSEQ
Business Adminis-
tration
Maintenance
HSEQ
J. Olivier
Petrochem. &
Special Product
Sales
T. Tamm
Refining Technology
I. Ivănescu
Technical Develop.
Technical Standards
Environmental Eng.
INCERP Ploiești
Business Adminis-
tration
G. Prelog
Controlling
Business Process
Development
Project Management
D. Lerchbaumer
Project Execution ARP
Project Executions PBZ
Project Executions HQ
Project controlling &
Invoice Verification
Business Develop.
Performance Manag.
K. Bugiel
Communicator
Business Develop.
Performance Manag.
Integrated Planning
A. Lukasser
Crude & Feedstock
E. Mahr
Secretary General
F. Constantinescu
Vision 2010
A. Leodolter
5
E&P
W. Ladwein
Business Strategy
J. Pleninger
Commercial &
International
E. Linz
Kazakhstan
Oil Sales
Plan. & Projects
G. Winkler
Communication
Portfolio & Economics
Inform. Manag.
Expl. & Reservoir
W. Hamilton
Exploration
Reservoir
E&R Technologies
Eng. & Projects
R. Bacher
Production
Drilling
Surface Engineering
Projects
Land Affairs
Business Admin.
A. V. Ledebur
Controlling
Procurement
Administration
West Region
O. Gaminger
Central Region
F. Mocănescu
East Region
B. Siefken
HSEQ
Exploration &
Reservoir
Operations &
Engineering
Finance & Services
Projects
HSEQ
B. Syed
Safety
Environment
6
MARKETING
T. Mayer
Retail
P. Velichkov
NOB
Marketing Training
Sales Support
Helpdesk
Commercial
T. Runtag
LPG
Lubes
Commercial Sales
Cards
Sales Support
Supply & Logistics
R. Krainer
Product Supply
Primary Logistics
Secondary Logistics
Storage Manage-
ment
Assets Management
T. Szeidovitz
Maintenance
Acquisitions
Technical & Super-
vision
Procurement R&M
D. Runciman
Business Admin.
N. Danovska
Credit Risk Manage-
ment
Invoicing
Controlling
M. Glocknitzer
7 Areas Mark.
HSEQ
I. Chiorean
Senior Advisors
Export & Trading
R. Yanev


H
S
E

Care for people and environment

2006 was a challenging year for Petrom as the company continued to successfully align its activities with OMV HSE standards and to prepare for EU accession. In this respect, our company pursued a clear strategic, objectives-based process, discussed and agreed at group level. Company-wide HSE programs were launched to support these objectives. The key achievements for 2006 are provided in the table below.

Field	Key Achievements
Work-culture development	• Launched HSE trainings • Completed Petrom wide Safety Awareness Campaign • Extensive HSE communication programmes
Organizational	• Established basic security and crisis management structures / systems • Designed a new health-management structure
Compliance	• Massive re-permitting exercise • Compliance auditing program • Implementation of extensive environmental measures associated with closure of assets • Preparation for EU accession
HSE performance	• Improved safety performance (LTIR) • Generally good performance vs HSE targets 2006

The key projects that supported these achievements included:

- Occupational Health Project;
- Management Systems development;
- Energy efficiency initiatives originated by Business Divisions;
- Formulation of Petrom carbon strategy;
- Joint Implementation projects under preparation;
- Waste management master plan in Refining;
- Abandonment and waste management project initiated in E&P.

The HSE management system was improved. This system has been developed within the Petrom Business Management System framework and focuses on HSE legal compliance, HSE incident reporting, HSE training and HSE communications. Our achievements during 2006 show that Petrom is heading towards meeting the strategic goal established at OMV Group level for 2010, which is to be ranked amongst the first quartile of HSE performers in a peer group of oil and gas companies.

Health

Petrom attaches utmost importance to providing high-quality medical care to its employees. Thus, we aim at promoting the health of our staff, maintaining their capabilities and improving their general wellbeing. This is going to be achieved by focusing on improvements in emergency medicine, prevention measures, as well as on employees' training and their active involvement.

A new healthcare concept has been developed and approved by Petrom Managing Committee in November 2006. It was decided to:

- Split medical activities into health management and medical services (occupational health, prevention and emergency);
- Set up an Occupational Health Center within Petrom Solutions;
- Standardize medical facilities and reallocate them based on work-related risks, number of local employees and the distance from workplaces to medical facilities;
- Equip all clinics to Group standards (new ambulances acquisition under separate projects in the Business Divisions);
- Train the medical staff in the field of occupational health, emergency and health management.

Implementing the measures outlined above will be one of our major tasks for 2007. Due to an outbreak of avian flu in Romania, preventive measures have been undertaken for Petrom employees living in the affected areas. The measures included immunization with Polidin and communication of the preventive measures that all Petrom staff were strongly advised to apply.

A comprehensive Pandemic Flu Crisis Management Plan has also been developed for Petrom in cooperation with OMV. It comprises action items, including medical preparedness and crisis management, in order to secure Petrom's business continuity during outbreak of a pandemic.

The Petrom flu vaccination campaign started in December 2006 as the World Health Organization predicted the flu to peak in January-February 2007.

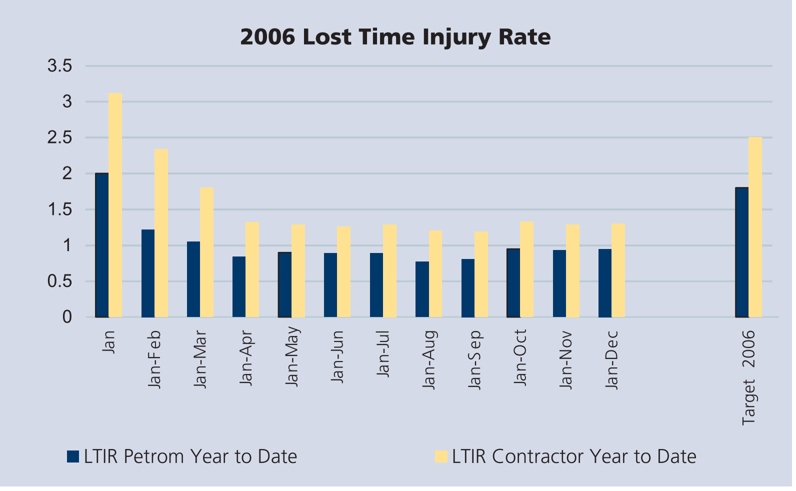
Various other preventive health programs have been also applied in each Bussines Division. For instance, the Refining Division provided psychological support to employees, early uterus cancer detection tests, emergency assistance, and health education addressing issues of common concern such as high blood pressure and obesity, diets and heart diseases, stress prevention.

Safety

Petrom operates in a hazardous industry. That is why we strive to make all our work processes safe for ourselves, our neighbors, business partners and customers. In order to achieve this, objective tasks have been initiated in 2005, which included investing in protective equipment, establishing the incidents reporting system as well as raising safety awareness. These efforts continued in 2006 and were completed by actions such as carrying out risk assessment (3F-Method) and implementing a new "traffic behaviour improvement" concept in both refineries, enhancing firefighting capabilities by purchasing 30 fire trucks in E&P, carrying out safety audits and delivering extensive safety training across Petrom.

With its safety culture still under development, Petrom focused in 2006 on raising safety awareness through triggering a change in its people's attitude and mentality towards safety at work.

The outcome of Petrom's wide safety initiatives is demonstrated by the safety performance in 2006.



Lost Time Injury Rate (LTIR) is on target for employees of both Petrom and its contractors. The trend has been declining in the first half of 2006 and stabilizing thereafter. We are proud to say that these results were achieved during a period when we were actively encouraging the honest, complete and open reporting of work incidents. Nonetheless, the number of serious accidents is still of great concern for Petrom. There have been seven fatalities at Petrom, of which one is still under investigation, and seven fatalities at our contractors.

Various initiatives have been undertaken at Business Divisions level for raising safety awareness, such as: safety days, safety workshops, safety celebration (e.g. 2000 working hours without incidents in Petrobrazi), safety contests, safety audits, and safety awareness training.

Complementing the other initiatives at Business Division level, a Petrom-wide Awareness Campaign initiated by Corporate HSE was carried out during 2006, to help raise safety awareness. 12 types of creative and interactive media were used during the campaign (high profile launch event, testimonial movies, Safety Road Shows, Safety Kit for Managers and Safety Movie Screenings). Open discussions about safety were a key element of the campaign. Around 8,000 employees were directly involved, but we assume the campaign reached many more employees through word of mouth.

Security

Security is a key issue for Petrom and implementing security standards at OMV level is of great importance. Our aim in 2006 was to establish the Petrom security platform combining the physical security segment (people and asset security) with the IT security and the business security (commercial and financial processes security).

During 2006, we focused on evaluating needs and solutions and setting up a new security structure in Petrom, carrying out security audits and developing crisis management and emergency systems.

A Chief Security Officer was appointed at corporate level and a Security Manager was appointed for E&P. At corporate level, the Petrom Security Cell was established, its main role being to support the handling of HSE incidents across Petrom and to help supervising the activity of the security contractors. The Security Cell is also in charge of handling crisis / emergency situations until the crisis management team is set up. Security organizations have also been set up in Business Divisions.

Security incidents (e.g. thefts, events related to alcohol consumption) are managed according to Petrom HSE Incidents Reporting Directive. In order to enhance Petrom security, extensive security training was delivered in 2006 both to Petrom staff and contractor staff, including security companies. Also, security audits were carried out across Petrom on a regular basis, in order to identify the security risks and establish measures to prevent incidents.

Petrom's crisis and emergency management policy was evaluated and measures for improvements were defined. The first steps have already been implemented, as for example:

- Delivering training courses in "Crisis and Emergency Management" to Petrom employees and contractors;
- Updating Crisis Management Manuals for Business Divisions;
- Performing emergency drills to prepare staff response to emergency cases.

Environment

Our environmental priorities have covered:

- Improving the environmental impact of Petrom activities;
- Developing the Petrom Carbon Strategy;
- Developing the Environmental Management Accounting system in Petrom;
- Developing Geographic Information System (GIS) for HSE in Petrom.

As part of Petrom's EU accession project, the company's environmental status has been evaluated for compliance with EU environmental directives and measures have been established to narrow existing gaps. Progress in this area is being monitored by Corporate HSE on a regular basis.

Our company's current environmental status has been evaluated and programs have seen designed to improve environmental performance, as for example energy efficiency and waste management programs. Proper monitoring of energy sources has started, measures have been taken to save energy including closing the low efficiency sources or increasing their efficiency through replacing or upgrading old equipment.

The Waste Management Master Plan in the Refining Division and the Abandonment and Waste Management Project in E&P are yet other examples showing that waste management is being seriously addressed at Petrom.

In view of the recent public concern about climate change, Petrom places emphasis on environmental protection. Corporate HSE has started developing the Petrom Carbon Strategy. GHG emission levels for 2002 – 2004 were evaluated, in order to receive credit allocations for emissions trading, based on the National Allocation Plan. Currently, Petrom focuses on establishing monitoring systems for CO_2

emissions at relevant sites and identifying GHG emission reduction possibilities in order to meet EU requirements related to climate change.

In July 2006, the Environmental Management Accounting Project has been initiated having the main goal of accurately identifying environmental expenditures in Petrom. The project is in line with the Environmental Management Accounting guidance documents elaborated by the International Federation of Accountants, with direct support from the Division for Sustainable Development of the United Nations Department of Economic and Social Affairs. The evaluation phase was completed, and currently, the development of related corporate directive is in progress.

A project aimed at implementing GIS for HSE in Petrom started in January 2006. The main goal is to develop a tool to help acquiring better knowledge of Petrom assets boundaries and infrastructure. Currently, this project is in the model implementation phase.


Petrom
and the Community

Move and Help :-)

2006 was a milestone in Petrom's corporate social responsibility activities as it emphasized the company's focus on two main directions: education and sports, integrating its CSR initiatives under the Petrom Move & Help :-) program.
Petrom is strongly committed to contributing to the health and safety of local communities, by means of its long term partnership with the Romanian Red Cross.
Education of families and children is a top priority for Petrom in its effort to ensure a better future for the new generation, and the company has partnered with UNICEF Romania in projects dedicated to this objective.
As a dynamic and modern company, Petrom is dedicated to promoting sports for a healthier lifestyle among people of all ages, acting jointly with the Athletics Federation or with "Casa Campionilor" Foundation.

2006 Key Achievements

Petrom is involved in long term social programs together with the Romanian Red Cross and UNICEF, initiating the Petrom Move & Help :-) campaign. As part of this campaign Petrom allocated more than EUR 1.3 mn for the support programs, informing the population about disaster prevention, parental education in the pre-school stage. Petrom has also supported the victims of the floods which affected Romania early this year.

- The Disaster Preparedness Campaign: The pilot program continued in 2006 in regions with major risks of disaster occurrence, namely the counties of Prahova, Dâmbovița and Argeș. The campaign started with a caravan delivering information sessions for citizens and informal opinion leaders in the targeted communities. A drawing contest for school children followed, with the participation of over 3,000 children in Dâmbovița, Argeș and Prahova counties. During the contest, children had to illustrate their perception of how disasters could be prevented. Prizes were awarded during a special event at end of the contest. The program „Volunteer for A Day" addressing all the inhabitants in the regions was also part of the campaign. Thus, inhabitants in the targeted regions were trained by the Red Cross volunteers on disaster preparedness actions. 300,000 people in the three counties benefited from this campaign. The costs of the program reaching EUR 120,000 were supported by Petrom.

- Parental education in kindergartens: Petrom in collaboration with UNICEF Romania continued in 2006 the project „Parental education in the Romanian nursery schools", developed over an 18-month period in Bucharest and in other 15 counties across the country. The project aimed at improving parents' access to modern parental education programs as well as at stimulating children to participate in the schooling process. At the same time, emphasis was placed on expanding the number of kindergardens involved in the project, especially in the rural areas and in disadvantaged communities. In July 2006, as part of the program, the brochure "Advice for Parents" and the study "Knowledge, Attitudes and Parental Practice" were launched. By September 2006, over 45,000 parents benefited from educational training in over 3,000 nursery schools. The project value amounted to EUR 150,000 and was entirely financed by Petrom.

- Petrom Run: Under the slogan "Petrom Puts Romania in Motion", Petrom together with the Romanian Athletics Federation organized a big event for the general public on October 1, 2006: the Petrom Run. Over 2,000 competitors of all ages ran along the route Charles de Gaulle Square- Victoriei Square - Herăstrău Park. Gabi Szabo, the great national and international champion of the Romanian Athletics, announced the start of the race. Various prizes were awarded to winners including two special prizes amounting to 1,500 lei granted to physically challenged competitors who ranked first in the male/female runner category.

- Re-launching sports in schools: in September 2006 Petrom together with Fundația Casa Campionilor developed a campaign aimed to revive the practice of professional sports among the teenagers, a campaign worth EUR 150,000. The target consisted of young people aged 7-18. In this partnership, Petrom financed training camps for a group of 12 gymnasts in Constanța, developed over a period of one year starting October 1, 2006.

- OMV Petrom Rally Team: Petrom and OMV continued to jointly support the OMV-Petrom Rally Team, the most successful rally team over the past year. With top drivers such as Constantin Aur, Bogdan Marisca, George Morar and Claudiu David, OMV Petrom Rally Team managed to win the top position in 2006 both in the teams and pilots ranking. In 2007, OMV Romania and Petrom decided to support the participation of Claudiu David in three P-World Rally Championship stages. Petrom will finance the participation of Claudiu David - Mihaela Beldie team in the Great Britain Rally (November 30 – December 2).

Outlook for 2007

Petrom top management recognizes Petrom as a “citizen” of the present day society, with rights and obligations deriving from this condition. The ecological and social aspects go hand in hand with the entrepreneurial activity, leading to companies being measured not only against economic criteria but also against the degree to which they accept their social responsibilities. At Petrom, leading the way in corporate social responsibility is as important as financial performance.

Looking for sustainable ways of proving its commitment to become a role model company in Romania, Petrom has developed a concept and defined the main directions for an integrated and consistent Corporate Social Responsibility approach. In December 2006, the CSR concept, programs and budget (EUR 10 mn for 2007/2008) were approved by the members of the Managing Committee.

In 2007, Petrom will officially enforce its Code of Conduct as a Corporate Policy and will concentrate its CSR involvement on: Petrom employees, education & sport, environment, local communities, quality.

The main objective for Petrom is to become a role model company, a good and responsible corporate citizen in Romania.

Risk Management

Risk identification at Petrom is tailored to the company's strategy, its business and project objectives and to the successful outcomes expected to result from attaining those objectives.

Any events and developments that are likely to endanger the attainment of the company's objectives are being identified by the Risk Manager together with the Risk Coordinators in the Business Divisions.

As the risk management process has started relatively recently, in 2006 training courses were organized for the implementation of the Integrated Risk Management System (IRMS). During these training courses important concepts were explained, such as: risk, risk management, corporate risk management, including processes and the importance of corporate risk management for the value-driven management.

Petrom's Risk Manager, responsible for identification, evaluation and documentation of company-wide risks, assisted Business Divisions in identifying and documenting their risks by compiling a checklist of function-specific risks on the basis of the functional strategies.

Petrom has taken the most appropriate approach to the risk factors identified and a conservative approach towards assessing likelihoods and impacts using Mid Term Plan financial indicators.

The two Risk Reports of May and October 2006 reflected a fair Company risk position, with risks any integrated oil and gas company would normally face, including oil and gas price risks as well as margin risks attached to refining and marketing businesses. In addition, Petrom, like any other company in this line of business, is affected by the changes in demand and, more recently, by climate changes. Petrom's risks in some cases differ from those of other integrated oil companies due to specific currency risks and to the fact that the gas market in Romania is not yet fully liberalized.

Petrom has already improved the risk awareness throughout the company but needs to further focus on a clear risk analysis and risk strategy.

Focus will be put on applying consistent methodologies for assessing certain risks (e.g. currency risks, margin/volume risks, country risks), as well as very low likelihood risks that could have significant impact on the company.

The best practice guideline for risk evaluation is under preparation. More reliable historical data will be available for consideration, while risk likelihoods and impacts will be more accurately and more adequately assessed.

Information technology is of vital importance for Petrom's ability to meet current and future business and finance requirements. At the moment, IT is integrated into all aspects of Petrom's businesses.

Starting with 2005, Petrom developed an IT strategy in line with OMV's standards, aimed at emphasizing the synergies between Bucharest and Vienna and ensuring a congruent development. The strategy's main imperatives were the consolidation, standardization and integration.

During 2006, the experienced IT team has succeeded to deliver many projects in parallel, in order to support the company's very ambitious business goals. The project portfolio consisted of projects in all IT areas, including infrastructure management, application management, IT governance and organization.
2007 will be a transition year as the overall IT focus will shift to cost efficiency and quality improvement. After having established the basics during the last two years, a stronger focus on the running of the business will further increase company reliability, security and performance.

The IT infrastructure was upgraded to international standards in many respects. An example in this respect is the new data center in Petrom Solutions, which was up and running in September 2005 and was later enhanced to meet the increasing business requirements in terms of capacity, quality and security. A new country-wide WAN was set up connecting about 750 locations. Last but not least, an ongoing infrastructure rollout program provided for new IT infrastructure including Internet and e-mail to employees located at company's HQs, Petrom Solutions, the two refineries and a few target-branches.

Application management was transformed to offer a full range of development, management, maintenance and support services to the businesses. The Refining, Marketing and E&P Enterprise Resource Planning (ERP) systems were consolidated in the new data center as planned. In parallel, the centralization of other legacy systems according to Service Center needs was performed. In the course of the ongoing modernization process, some IT systems are to be decommissioned and the overall applications portfolio is to be improved significantly. An important part of this transition period was the stabilization of selected legacy ERP systems.

In terms of organization and governance there was a clear focus on Business-IT alignment. A joint Business-IT program conducted in Q3 and Q4 2006 was set up to further improve collaboration between Business and IT in terms of service quality, requirements' management and speed up implementation. The outcome (implemented as of February 2007) was a proposal to install Divisional Chief Information Officers (CIO). The Divisional CIOs are working directly in the corresponding business units while still reporting to the CIO of Petrom to ensure both an aligned IT strategy and consistent quality delivery. To better address the E&P specifics, realize synergies and bring E&P and IT&C closer together, another organizational change was prepared, namely a new IT department called EP information systems, managed by the respective Divisional CIO (also implemented as of February 2007).

In 2006 the focus was clearly on preparing the rollout waves of the new ERP backbone (SAP) while at the same time enhancing legacy systems (e.g. SIVECO).
Another area of activity was to standardize the applications landscape, for example in the areas of filling stations management systems and document management.
Developments also concerned the terminal management domain as there is an ongoing terminal administration system program in place.

In 2007 we will see a peak in terms of IT&C headcount due to the new focus placed on raising systems and processes quality level, concentrating on key business applications and on delivering key implementation projects.

Outlook 2007

2007 is the year of transition, shifting the focus from speed to quality and costs. Therefore, IT&C and the businesses will bring IT service management to the next level.

Based on the key business topics included in the strategy for 2010, IT&C created an IT strategy facilitating the access of Petrom IT&C to state of the art IT systems and services at competitive costs.

The IT strategy translates into the following selected key IT topics for 2007:

- Providing state of the art IT such as PCs, phones, printers, internet, and e-mail to all employees who need it (ongoing program)
- Setting the basics for the new Petrom City data center
- Finalizing the ongoing SAP implementation
- Focusing on strategic business applications
- Transforming Petrom Solutions IT into a high performance IT service organization (training, organization, processes)
- FIT – International (joint activities with Vienna)
- Clear focus on costs and quality

World

World crude demand in 2006 recorded an increase of 0.8 mn bbl/day versus 2005, representing an average of 84.5 mn bbl/day. Warm weather continued to increase oil demand during its peak cycle. Although transport fuel consumption 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 alleviated pressure on natural gas prices, which in the end encouraged power plants to switch from liquid to gas.

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

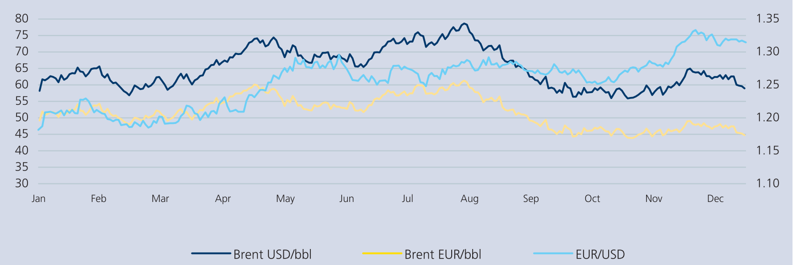
World crude production increased in 2006 by 0.8% or 0.8 mn bbl/day to 85.3 mn bbl/day.

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.

In 2006, the Brent price registered an average of 65.14 USD/bbl, by 10.76 USD/bbl higher compared with the average of USD 54.38 /bbl in 2005. Imported gas price in Romania increased by 45% yoy, with an average of USD 297/1,000 cm [1-12/05: USD 205/1,000 cm]. The regulated gas price for industry (which includes both domestic and imported price components as well as infrastructure costs) increased to USD 287 /1,000 cm [1-12/05: USD 195 /1,000 cm].

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 USD 250 per ton lower than July for gasoline and USD 120 per ton lower for diesel. In November and December there was again a slight increase in gasoline as well as diesel.

Evolution of Brent price and EUR/USD rate in 2006



Romania

Romania and Bulgaria officially joined the European Union as of January 1, 2007, a historic landmark in their protracted transition towards becoming fully fledged market economies. The prospects of joining the EU club constituted a solid external anchor for the transformation of the two countries, placing Bulgaria and Romania on a steady path of converging in income, competitiveness and living standards towards the EU.

The GDP's growth is estimated at 7.7-7.8% for 2006, partly recovering after the massive floods in the previous year. The composite GDP growth rate for the last six years was 5.5% while the government officials were expecting the growth rate at around 6.5% for 2006.

Consumer prices increased by 4.9% per total in December 2006 as against December 2005, slightly less than the 5% target set initially by the central bank. The highest influence to total growth was coming from 8.3% increase in prices for non-food goods which contributed 3.6% points.

Romania is the most attractive foreign direct investments (FDI) destination in SE Europe and will preserve its regional leadership in the next three years, according to a survey on investment attractiveness carried out by Ernst & Young.
In 2006 Romania attracted FDI worth EUR 9.1 bn (9.3% of GDP), EUR 2.2 bn came from one-off privatization inflows linked to the country's largest lender BCR (Romanian Commercial Bank).

The USD average exchange rate decreased in 2006 by 3.4% against 2005, from 2.91 lei to 2.81 lei. The Euro had a similar evolution, the average exchange rate decreasing in 2006 yoy by 2.5%, from 3.62 lei to 3.53 lei.

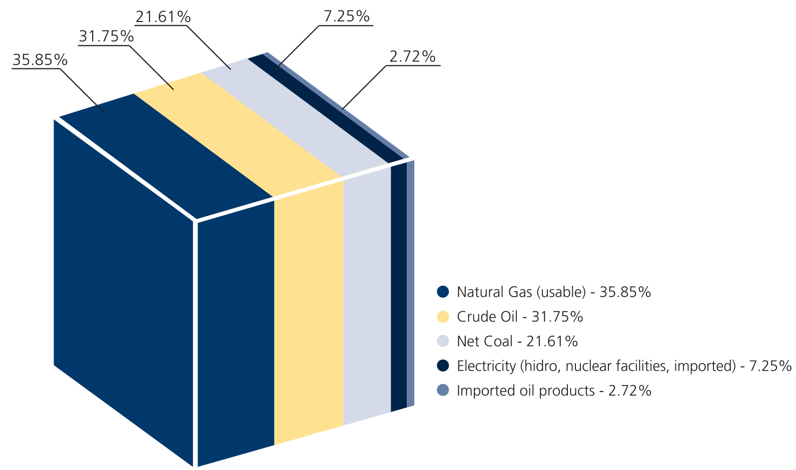
The trade deficit in 2006 was EUR 14.9 bn in FOB/CIF prices (EUR 11.8 bn in FOB/FOB prices), up by 45% yoy. Last year FOB exports stood at 25.8 bn, their value being 16.2% bigger than in 2005, and the CIF imports exceeded EUR 40 bn up by 30.7% from 2005.

Romania's electricity sector is in line with EU requirements and best international practices.

Currently, Romania is the only country in the region having a "Day-ahead" market. In 2008, OPCOM may become a regional power exchange. The prices per KWh on OPCOM are among the lowest in Europe.

In 2006, the main resources of primary energy amounted to 41,951 thousand tons equivalent oil, increasing by 1.1% as against 2005, as a result of import growth by 3.1%. Production of primary energy decreased by 0.3%.

Structure of main resources of primary energy 2006



In 2006, the production of electric energy amounted to 62,208 million KWh, increasing by 4.7% versus 2005. Most of the production is still obtained in thermo-power stations (61.5%), followed by hydro-power stations (29.5%).

The final consumption of electric energy was 50,348 million KWh in 2006, by 2.7% higher than in 2005, while the public lighting and the population consumption registered growths of 6.2% and 5.3%, respectively.

Romania prepared a “Road Map” for Energy, covering the period 2003-2015, a comprehensive and coherent document whose content was agreed with EU and International Financial Institutions.


Exploration and Production

50% exploration success rate
+152% investments

Roll-out of New Technologies shows impact

- Reserves Replacement Rate increase from 11% in 2004 to 33%
- Exploration Success Rate of 50%
- Mature Oilfield Technologies - wells with new downhole technologies showed drop of the intervention frequency from 20 to 3 per well per year

E&P's Strategy execution has triggered a substantial Transformation Program which covers business organization, introduction of new technologies, the redesigning of field operations as well as efficiency measures. This is expected to show results at the end of the 5 years strategy – with the first improvements to be visible by the end of 2007. The management is confident that the strategic targets will be achieved. This has also been recently confirmed when the Board of Directors has reaffirmed the 2010 strategy.
Major pilot projects were successfully finalized and production drilling activity has reached a record level since the privatization. The production volumes increased in the fourth quarter owing to higher gas sales. The 2006 investment program was completed as planned. The completion of the implementation of some major improvement programs will last up to the end of 2008.

2006 Key Achievements

- Based on the 2005 3D seismic work in Romania and Kazakhstan the Reserves Replacement Rate was increased from 11% in 2004 to 33%;
- First exploration wells based on new technologies drilled, achieving a success rate of 50%;
- Downhole Technology: pilot successfully completed, resulting in the reduction of the intervention frequency from 20 to 3 per well per year, full roll-out started in December;
- Up to 20 drilling rigs active in second half of 2006, the highest rig count since privatization;
- An agreement for three new exploration blocks in Romania has been signed with the National Agency for Mineral Resources;
- Petrom has approved a USD 190 mn development plan for the Komsomolskoe oil field located in Kazakhstan which is planned to be finalized in 2008 and is expected to result in a daily production rate of 10,000 boe towards the end of 2008;
- According to its strategy for international growth, Petrom entered to Russia through the acquisition of a 74.9% share in Ring Oil Holding & Trading Ltd. The company is operating 8 exploration licenses and one exploration and production license in Russia;
- In Exploration, the planned six 3D seismic campaigns have been carried out and drilling of the first exploration wells based on new technologies has been started in 2006.

E&P operations in Romania

Exploration

Petrom holds 17 onshore and 2 offshore exploration blocks in Romania, with a total area of 67,000 km^2. The expiry date for 18 of these blocks is September 12, 2008, and for one block (Neptun – offshore) is November 10, 2008. Activities are underway to secure key exploration acreage beyond these dates.

Petrom signed exploration licenses for three new blocks on August 14, 2006, for which the government approval is expected during first half of 2007.

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

Consequently, six onshore 3D seismic surveys amounting to 668 km^2 were planned and executed. In addition, nine 2D seismic surveys amounting to 1,253 km have also been acquired and 3,320 km of 2D and 140 km^2 of 3D seismic were reprocessed for Romanian assets.

Furthermore, exploration drilling based on new technologies commenced. Already four wells out of a total of six wells were drilled based on new technology. Overall five exploration and one appraisal wells were drilled during the year, resulting in two gas discoveries in Romania and one in Kazakhstan, equivalent of a 50% success rate. One exploration and the appraisal well were drilling at year's end. The evaluation of the successful wells is ongoing.

For the next year a further increase of exploration activities including eight 3D seismic surveys and the drilling of about 40 exploration and appraisal wells is planned in Romania. In addition five exploration wells will be drilled in Russia and one appraisal well in Kazakhstan.

Reserves additions from discoveries, extensions and from revisions amount to 24.3 mn boe, resulting in an overall Reserves Replacement Rate of 33%. A strong impact had the 3D seismic in Kazakhstan, finally leading to the investment decision of the Komsomolskoe field.

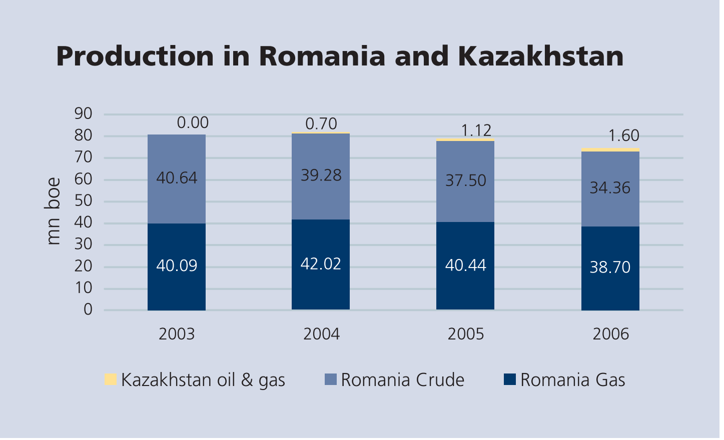
Total proved reserves as of December 31, 2006 amounted to approximately 940 mn boe. Reserves audit by De Golyer & McNaughton was finalized mid 2006 and confirmed Petrom's reserves assessment.

Production

In 2006 Petrom produced 4.78 mn tons of crude oil and NGL and 5.92 bn cm of natural gas or an equivalent of 73.1 mn boe in Romania. In Kazakhstan, Petrom produced 0.17 mn tons of crude oil and 60 mn cm of gas. Petrom overall production amounted to 74.6 mn boe.

The 2006 production in Romania was affected by the high pressure in the national pipeline system, thus preventing Petrom's low pressure gas to be marketed; furthermore the production was impacted by the delayed start-up of the new drilling program, using upgraded Romanian rigs under new contracts. Mature oil field technologies and the application of new technologies for the definition of new drilling projects, as well as modern reservoir management will show their effects starting 2007 and the forthcoming years.

After successful upgrades of rigs from Romanian drilling contractors, the new drilling campaign was kicked off mid of the year, resulting in an average rig count (rigs under contract) of 16, with peaks above 20. Furthermore, the horizontal drilling technology was introduced successfully with 4 wells in the Bacea oil field. Overall Petrom completed 158 wells in 2006, whereof 54 in the last quarter and 15 wells were drilling at the end of the year.



For selected fields IOR (Improved Oil Recovery) project studies were initiated. New investigation and completion technologies were introduced for new production wells at Cartojani Field resulting in significantly increased initial oil production rates. A significant increase in water injection activities was performed in 2006 on planning and implementing new water flooding concepts in different areas e.g. Ţicleni field.

Sales

In 2006, sales quantities of Petrom S.A. went down by 7% in crude, by 1% in NGL and by 3% in gas.

The sales of crude oil amounted 4,755 thousand tons in 2006 thereof the inter-segment sales represented 96%. The gas sales reached 5,157 mn cm in 2006 whereof the main part of the natural gas (76%) was sold to the new Business Unit Gas.

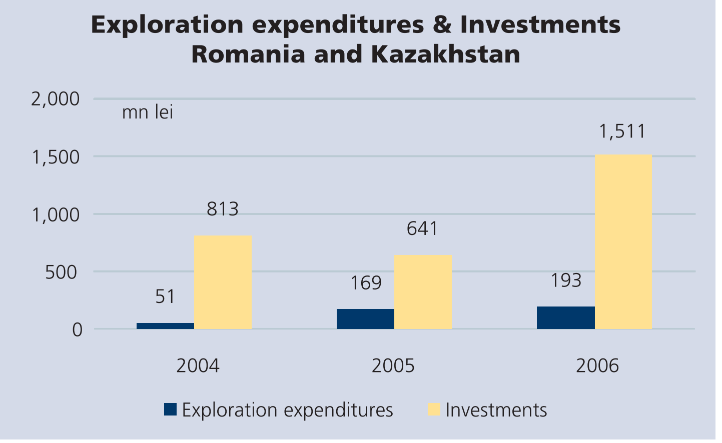
The accumulated realized oil price increased to 55.65 USD/boe in 2006 as compared to 49.43 USD/boe in 2005 due to higher international oil prices.

E&P EBIT in 2006 was lei 3,744 mn lei compared with 2,782 mn lei in 2005. This increase was mainly due to the higher oil and gas prices.

Investments

The group spent 193 mn lei on exploration and 1,511 mn lei on investments in 2006. Whilst exploration expenditures increased by 14% from last year, the investments more than doubled compared to 2005.

In Romania, E&P investments amounted to 1,336 mn in 2006 and targeted production & modernization, growth & development projects as well as investments in participations. In addition, the group invested 175 mn lei through its Kazakhstan affiliates.



Furthermore, 170 mn lei were spent for the 2006 exploration in Romania, thereof 141 mn lei were expensed and 29 mn lei were capitalized for the successful exploration wells. In the Kazakhstan affiliates the exploration expenditures amounted to 23 mn lei.

Change and Restructuring

The full roll-out of mature oil field technologies commenced in 2006. The Downhole Technology Modernization project started already in 2005, when individual production technologies were tested. Thereafter in 2006, a pilot program was designed applying a tailor made package of approximately 10 different technological solutions in the Ciurești Oil field. Overall 20 wells were included in the pilot program and at the end of the year the intervention frequency could be reduced from an average of 20 per well per year to below 3. In December, all relevant contracts were signed and the full roll-out could be started. 55 were modernized until year end. A total of about 5,000 wells will be completed until end of 2008, which will show a major cost reduction.

Gas sales quality could be significantly improved. In order to strengthen the gas marketing and to benefit from the upcoming change from volume to heating value gas sales, the construction and the commissioning of two gas dehydration plants was completed. This has increased the percentage of dry gas sales from 46% to 92% of total delivery.

On the Human Resources side the focus was the introduction of a new Competency Management Development Program (STEP) and a Management Development Program (TOP), including extensive job rotation schemes also into OMV organizations worldwide.

E&P implementation of SAP Materials Management was almost completed in 2006. The SAP Plant Maintenance Module will be implemented in 2007 – 2008 and will be the base for a new pro-active field maintenance system.

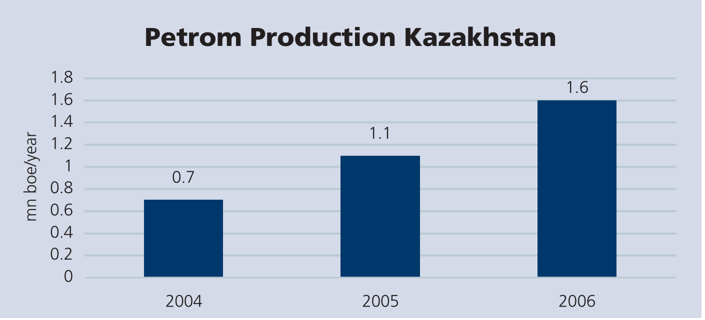
A new IT communication system implementation was completed, connecting now all major E&P locations in Romania.

International E&P operations

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.

Petrom’s production increased from 1.1 to 1.6 mn boe in 2006. Petrom together with its Kazakhstan affiliates spent for its four operating areas in Kazakhstan 24.17 mn lei for exploration and 190.3 mn lei on investments.



Jusaly

In March 1999, Petrom signed the exploration and production contract for Jusaly block. The current size of the license is of 20,872 km^2. The validity period of the license is 25 years, out of which 5 years account for exploration and 20 years for the production phase. In 2005, the exploration license was extended for additional 2 years until September 2007.

During 2006, a gas condensate discovery was made at well South Rovnaya 1 at 2,000 m depth and out of the 4 levels tested the maximum rate was 200,000 cm of natural gas and 70 cm condensate. Following the discovery 70 km of 2D seismic was acquired, interpreted and processed. This discovery is currently being evaluated. An appraisal well is planned for Q1 2007.

Tasbulat Oil Corporation

Tasbulat Oil Corporation LLP is party to the exploration and production contracts concerning Tasbulat, Aktas and Turkmenoy fields. Currently, Tasbulat Oil Corporation LLP has full development and production rights over the Tasbulat field until 2023 and full development and production rights over Aktas and Turkmenoy fields until 2018.

New studies are in progress since 2006 in order to review the geological model, update reserves and optimize development plans.

During 2006, four development wells were drilled and completed in Tasbulat Field. An intensive work over and hydraulic fracturing campaign was carried out on 10 wells in the Tasbulat and Turkmenoy fields. During 2006, production enhanced from an average of 3,500 boe/day in 2005 to 4,800 boe/day at the end of the year.

A new multiphase pipeline from Turkmenoy to Tasbulat is under construction, in order to increase exports from Turkmenoy.

The Tasbulat Oil Corporation LLP drilling campaign for 2007 will also include horizontal wells.

Oztiurk Munai

In 2000, Oztiurk Munai LLP signed an agreement for hydrocarbon exploration and production in the Sinelnikovskoe field with a five-year exploration phase followed by a 20-year production phase. In 2004, the Kazakh State Commission of Exploration approved a 2-year extension of the exploration period until May 2007.

During 2006, the average production was 300 boe/day.

Petrom decided, after having finalized a detailed review of the Kazakhstan portfolio and strategy, to divest Oztiurk Munai. In September 2006, Petrom entered into an agreement with a Kazakh investor for the sale of its entire interests in Oztiurk Munai LLP. This transaction will be closed once the requisite approvals of the Kazkhstan Government are obtained.

Kom Munai

Kom Munai LLP is a party to the development and production contract covering the Komsomolskoe oil field.

In 2006, the well re-entering and testing campaign continued, covering five additional wells displaying very encouraging results. Geological and geophysical reservoir studies, based on the 2005 3D seismic and a full dynamic simulation model were completed in 2006. Petrom approved the investment of USD 190 mn for the development of the Komsomolskoe field in September 2006. Extensive infrastructure works for the development of Komsomolskoe Field are partly completed already. The drilling of four horizontal wells and three vertical wells are planned for the development of Komsomolskoe Field, in 2007. Construction of the production facilities and the export pipeline will start by mid 2007. The field shall be on stream in 2008 and is expected to contribute about 10,000 boe/d by the end of 2008.

Russia

In September 2006, Petrom signed an agreement for the acquisition of a 74.9% share in Ring Oil Holding and Trading Ltd, a holding company, operating eight exploration licenses in the Saratov region in Russia and one exploration and production license in the Komi Republic of Russia.

The closing of the transaction took place in December, 2006.

Overall, the new projects are characterised by their attractive geographical position, which permit year-round activity. Moreover, the projects are located in the proximity of existing infrastructure, such as oil pipelines with free capacities and easy access to transport routes for exploration activities.

During 2006 approximately 18.8 mn lei were spent on the acquisition of over 2,600 km of 2D seismic in the exploration license areas. Drilling of 5 new exploration wells is planned for 2007.

By 2011, Petrom plans to acquire approx. 20,000 km of 2D and approx. 3,000 km² of 3D seismic profiles. By 2013, it is planned to have completed about 40 exploration wells. Petrom's and OMV's special technologies in exploring oil and in optimising recovery from oil deposits will ensure the maximum possible usage of the licenses.

E&P at a glance

	2004	2005	2006
Total production (mn boe)	81.31	77.95	73.06
Crude and NGL production (mn tons)	5.46	5.21	4.78
Gas production (bn cm)	6.44	6.19	5.92
Total revenues (mn lei), o/w	6,158	7,137	9,399
Inter-segment (mn lei)	4,206	5,379	7,272
External sales (mn lei)	1,536	1,704	1,923
EBIT (mn lei)	572	2,782	3,744
EBITDA (mn lei)	1,071	3,414	4,334
Exploration (mn lei) [1]	50.7	150.6	140.9
Investments (mn lei) [2]	669.3	530.5	1,336

[1] in addition 9.3 mn lei in 2005 and 29.4 mn lei in 2006 were spent in exploration but were capitalized and included in Investments.

[2] the unsuccessful wells investment is not included as they are expenses

Figures in the above table refer only to Petrom SA, excl. Kazakhstan affiliates; include the investments of Corporate (in 2005).


Refining and
Marketing

Reposition Petrobrazi
+17% throughput per station

Refinery Modernization efforts begin to show results

- Reduction in total fuel consumption & loss by 1 percentage point of inputs
- Increased refinery utilization from 80% to 86%
- Rationalization of petrochemicals portfolio

In 2006, Refining division intensified the restructuring and reorganization program that started in 2005, including a major repositioning of the petrochemicals operations. The first results of this program can be seen in the reduced energy consumption, higher refinery utilization, and improvement in yield of higher-value products. An updated strategy for the business, called Vision 2010, was developed, which will position the business among the leading refineries in the region.

Financial results were significantly poorer than in the previous year, and were strongly influenced by depressed refining margins and the high cost of energy, as well as by the one-time restructuring-related costs.

2006 Key Achievements of Refining Business

Sustained efforts made throughout the year with technical modernization and improved operations and process control, resulted in improved product yields for diesel, and lower yield for fuel oil compared with 2005. To comply with market demand and legal requirements, in 2006 production was shifted to lower sulfur gasoline grades and cleaner diesel.

Energy efficiency improvement efforts began to take effect in 2006, as 1 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.

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, ethoxylate and ethanolamine) were discontinued.

The quality of the remaining chemical products was improved to international standards allowing access to more international customers. Shortly before the end of the year, the first sales ever of propylene to a Western European customer were realized.

In January, majority ownership of Rafiserv Petrobrazi and Rafiserv Arpechim (two previously outsourced maintenance companies) was acquired and integration and restructuring of these companies commenced. During the year, Rafiserv reduced staff by 1,250 positions and 4 non-core business activities were outsourced.

A sustained effort was made throughout the year to implement an Integrated Management System across the Division. The effort was recognized in December, when Refining Division obtained certification of its Quality Management System (ISO 9001) and Environmental Management System (ISO 14001: 2004), issued by TÜV Rheinland Intercert.

Reorganization activities accelerated this year. Central departments for capital project development and execution were established, while the organization of both refineries and Rafiserv were streamlined. Substantial reduction in the staff number was achieved in close cooperation with the labor unions to ensure fair treatment of the people affected.

Refinery feedstock utilization of 86% was achieved, but without a turnaround at Arpechim, which was deferred to Spring 2007. Rates were held deliberately below maximum capacity for most of the year as low refining margins limited opportunities to generate profit from refining the marginal barrel of imported crude oil.

Operations

Refining – at a glance

Petrom operates two refineries, located in the main strategic industrial areas in the South Central region of Romania. The two refineries, Arpechim and Petrobrazi, account for about 40% of the overall crude processing capacity in Romania. Both refineries are able to process domestic and imported crude oil.

The nameplate capacity of Petrobrazi is 4.5 mn tons/year and of Arpechim is 3.5 mn tons/year.

Arpechim has a Petrochemical facility, including Romania's only operating olefins cracker, which serves both the domestic and the international market. The main products are benzene, toluene, ethylene, propylene and LDPE.

Crude oil is distributed to the refineries mainly by a crude pipeline network or railway tankers. Product delivery is done by railcar and truck.

Crude oil processed

Crude oil, kt	2004	2005	2006
Arpechim	2,993	3,290	3,437
Petrobrazi	3,433	3,110	3,426
TOTAL	**6,426**	**6,400***	**6,863***

** Processed crude oil figure includes condensate and natural gas-associated liquids*

In 2006, 6.86 mn tons of crude oil were processed. Refinery utilization rate was 86%, an increase over the 2005 rate of 80%.

Arpechim experienced no scheduled maintenance stops, as the major turnaround scheduled for 2006 was deferred to Spring 2007. Petrobrazi performed only a 12-day crude unit shutdown in November to install tie-ins for the ongoing distillate hydrotreater (HDS) expansion project.

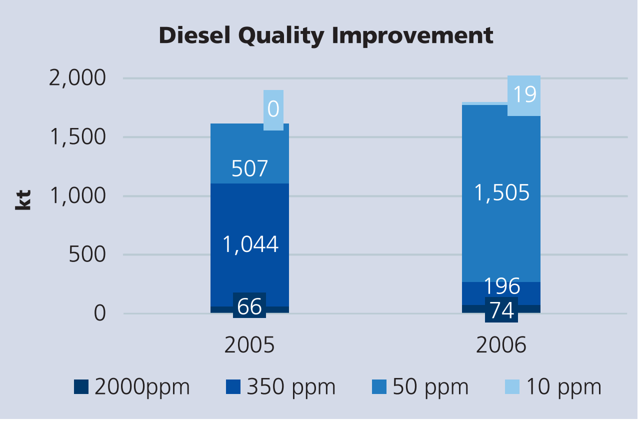
Production

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 maximum 50 ppm sulfur while by 2009, they must have 10 ppm.

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

Product, kt	2004*	2005*	2006
Gasoline	2,286	2,308	2,094
Diesel	1,860	1,617	1,794
Kerosene	131	132	192
HFO	1,143	1,124	753
LPG total	151	200	305
Bitumen	127	139	166
Petroleum Coke	159	153	196

** 2004-2005 production includes internal transfers* to meet market demand. Investment plans are on track to allow production of 10 ppm fuels for the Romanian market by 2009.

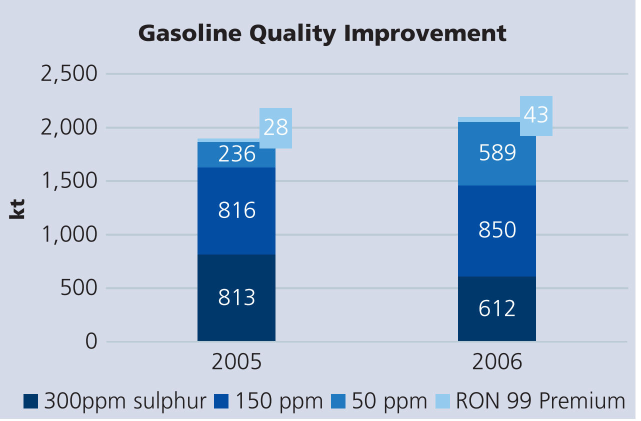


Last year has seen a significant quality shift from 350 ppm diesel to 50 ppm diesel, the latter accounting for most of the production in 2006: the weight of 50 ppm diesel has increased from 31% to 84% of the total diesel production.

A quality shift was possible also for gasoline, specifically for the 50 ppm and 300 ppm types: the weight of the gasoline with 50 ppm sulfur content went up from 17% to 28% of the total gasoline production.

The production of main Petrochemicals was higher in 2006 in comparison with 2005 partly as a result of continuous production and no turnarounds.

Further positive results were obtained by shifting production of propylene to international quality grades and developing cross-border logistic capabilities. This has allowed access to the international market.

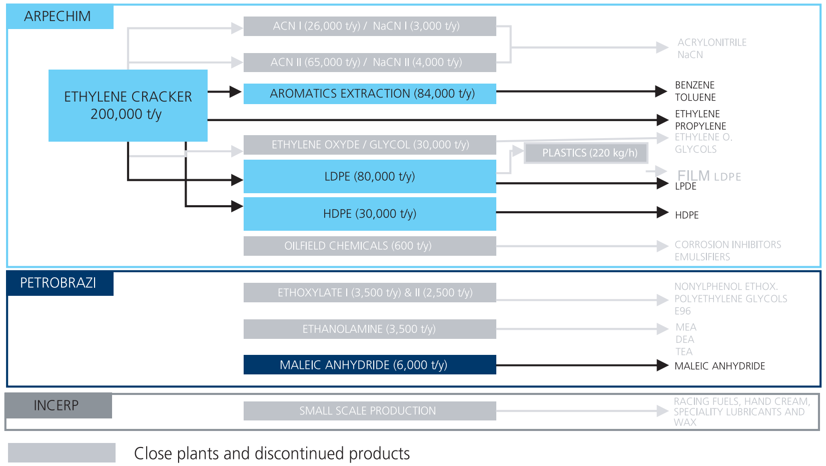


Based on economic and environmental considerations, petrochemical production activities were rationalized by closing units without viable future and discontinuing the respective products.

Product, kt	2004	2005	2006
Ethylene*	183	173	84
Propylene	117	99	124
LDPE	75	62	61
Acrylonitrile	83	85	51

** production number includes internal transfers*

New outlook 2007: closed plants, discontinued products and remaining activities



Sales

Starting with 2005, all the sales of petroleum products from both refineries are reported under the Marketing segment.

Petrochemical Sales were at the same level as last year, approximately EUR 30 mn.

Investments

Petrom made substantial investments in its two refineries in 2006, in order to reduce costs, improve product yield, improve mechanical reliability and comply with the quality and environmental standards imposed by the European Union. The most important projects started or continued in each refinery were as follows:

Petrobrazi

- Gasoil Hydrotreating Unit Revamp
- DCS Implementation
- Railway and truck Logistics Modernization
- CCR Revamp (completed)

Arpechim

- DCS Implementation
- New Hydrogen Plant
- FCC Feed Hydrotreating Unit (completed)
- ADV/VB Revamp
- Online Analyzers Implementation
- New high pressure boiler for olefins unit

2006 Key Achievements of Marketing Business

- At the end of 2006 a total of 359 filling stations were running under the newly introduced Full Agency System;
- Throughput per filling station was at 2.4 mn liters per year and improved by 17% vs previous year;
- Domestic Sales increased by 16% year over year, amounting to 3.2 mn tons;
- Non-oil Business turnover increased by 44% compared to 2005;
- Petrom successfully finished the construction of 46 brand new filling stations;
- Petrom acquired 99.9% of the share capital of three OMV retail networks (OMV Romania, OMV Bulgaria and OMV Jugoslavija);
- Petrom signed a contract with MOL Romania for the taking over of 30 filling stations, of which 15 are located in Bucharest.

Sales

Petrom is the main player on the Romanian fuel market, with a wide network consisting of 40 terminals and about 500 operating filling stations.

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 by a network of 43 PETROMV filling stations. In addition to the standard services, the new filling stations offer a variety of services, from standard to additional facilities, like restaurants, terraces and playgrounds for children. The total number of rebuilt filling stations at the end of 2006 is 49.

Following the reorganization process which started in 2005, a new system for the administration of the filling stations was defined and introduced, namely the Full Agency System, replacing the old COCO system (Company Owned, Company Operated).

Under this new concept the filling stations are administered by a dealer selected by Petrom, who receives a sales oriented commission in return. The dealer is responsible for the personnel of the filling station and has to follow very strictly the Petrom rules.

A total of 359 filling stations were running at the end of 2006 under the Full Agency System, the rest of the network being planned to be handed over to dealers during 2007.

According to Petrom´s estimations, the retail market share at the end of 2006 stood at 28%.

Within Marketing Division a strong commercial department is dedicated to wholesale clients for oil products, LPG, lubricants and jet fuel.

In September 2005, the new Petrom Card system was introduced offering an efficient fleet control and consumption monitoring tool for corporate customers. In order to better meet customer needs, a centralized key account management system was established.

The 2006 total sales volume is 8% over 2005, amounting to 5,465 thousand tons. Commercial domestic sales of 2,230 thousand tons were 20% higher than last year, while retail sales recorded an increase by 7% against 2005, amounting to 990 thousand tons.

Export sales stood at 2,245 thousand tons, 1% lower than the previous year’s level.

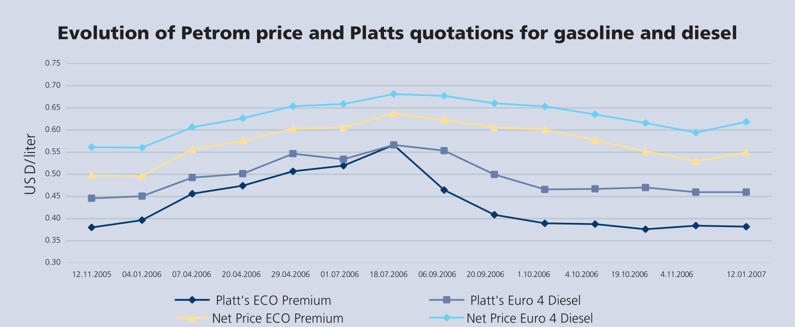
Throughput per filling station improved by 17% to 2.4 mn liters per year.

The Card sales in 2006 amounted to 57.3mn liters, representing 4.7% of total retail sales. They increased gradually from 2.9% in January to 6.6% of total retail sales in December 2006.

The non-oil business (NOB) also registered a significant increase. The total turnover stood at EUR 52.9 mn, 44% above the 2005 figure. This increase resulted from the portofolio reorganization, the purchasing process optimization and from saving consumables through the centralized supply.

Prices

In 2006, the international Platts quotations have registered big fluctuations. Acting according to its 2005 pricing policy, Petrom has adjusted its prices for terminal deliveries and retail pump sales to the price fluctuations at international level.



The highest quotations in 2006 were registered in July, due to geo-political reasons (Iran and Middle East) and speculations on international commodity markets (there were fluctuations of USD 200 per ton in gasoline and USD 100 per ton in diesel).

Supply and Logistics

The retail and commercial segments are supported by the Supply & Logistics activity, which consists of storage facilities and all means of transportation. Supply & Logistic is also undergoing a major restructuring process.

The closing of storages started in 2005 and continued during 2006, with 14 terminals being closed. Until 2010, only 10 out of the 150 storages existing in 2005 will remain.

During 2006, the 32 warehouses that supplied materials and consumables have been replaced in the Marketing Division by a single centralized outsourced location. This central warehouse leads to lower stock levels, less redundant stock and will result in bulk savings.

Transportation logistics: in 2006 the re-engineering process for the whole primary logistic chain was almost completed. The core priorities were to improve the refinery logistics, to have remote control on all the processes, to reduce the order-fulfillment time and to increase the utilization of Petrom´s own railcar fleet. Most of the old and unusable RTC's were sold and more than 200 RTC´s of the old park were repaired and brought back into production. The newly installed technical check-up facility for RTC's is now in full operation and will reduce the loading of defective wagons by 90%.

Investments

The investments in Marketing segment were directed towards: the acquisition of the three OMV filling stations networks, the construction of new filling stations, reconstruction of existing stations and small retail projects and the other business supporting operations ("Petrom Storage Project", "Filling Station System Project" and "Gastro Project").

Affiliated companies

Petrom has acquired 99.9% of the share capital of three OMV retail networks, i.e. OMV Romania, OMV Bulgaria and OMV Jugoslavija. The enterprise value (equity value and assumed debts) of the three companies has been assessed at EUR 234.4 mn by KPMG (mandated by Petrom). This equaled also the transaction value and was subject to customary adjustments for debt and working capital. The transaction is part of Petrom's expansion strategy on the regional market and aims at strengthening the leading position of the company in South Eastern Europe. The deal relating to OMV Bulgaria was closed in March while the other two for OMV Romania and OMV Jugoslavija in August.

Petrom signed a contract with MOL Romania for the take over of 30 MOL filling stations. As part of the transaction, MOL bought 11 Petrom filling stations. Out of the newly acquired filling stations, 15 are located in Bucharest while the rest are spread all over the country, increasing the accessibility of the company for its customers. With additional investments, all the newly purchased filling stations will

be modernized. At the same time, Petrom has acquired a 95% stake in Aviation Petroleum, the aviation business of MOL Romania.

OMV Bulgaria operates a network of 87 filling stations and has a retail market share of 16.9%, representing a 14% increase over the previous year. Out of these, 14 new filling stations have been opened in 2006.

The retail fuel sales increased by 29% in 2006, amounting to 312 mn liters. Meanwhile, the throughput per filling station was 23% above 2005, reaching 4.2 mn liters. The wholesales also registered a significant increase, with total fuel sales increasing by 70% over the previous year.

OMV Romania's distribution network operates 74 filling stations, of which 2 have been opened in 2006.

The retail fuel sales of OMV Romania increased by 14% this year, amounting to 410 mn liters, while its throughput per filling station increased to 5.6 mn liters per year. Commercial sales increased by 22% compared to 2005, amounting to 48 thousand tons.

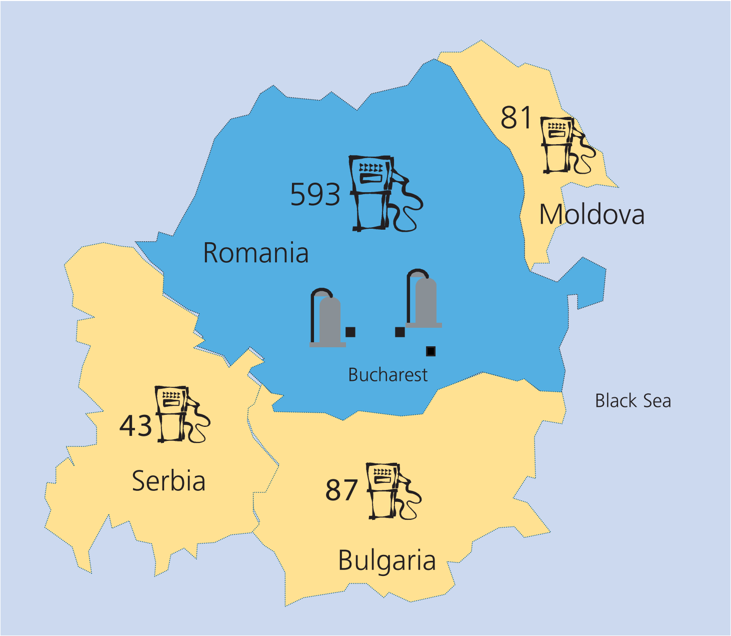
OMV Jugoslavija operates 43 filling stations, of which 12 have been built in 2006. The retail market share increased by 44% over the previous year, reaching 9.2%. The retail fuel sales of OMV Jugoslavija registered a spectacular 63% increase compared to 2005, amounting to 225 mn liters, while the throughput per filling station increased by 11%, amounting to 6.9 mn liters for 2006. The wholesales were 7 times higher than in 2005, amounting to 53 thousand tons.

The company entered the Republic of Moldova's fuel market in 2000 through a joint venture company, ICS Petrom Moldova S.A., 65% owned by Petrom. The activity of the JV has continuously grown since its establishment; currently its distribution network operates 81 filling stations, out of which 23 are its own property, 29 rented and 29 filling stations are leased. In 2006 the total fuel sales increased by 10% over the previous year.

R&M at a glance

	2004	2005	2006
Crude input (mn tons)	6.42	6.40	6.86
o/w imported crude (mn tons)	1.47	1.40	2.14
Utilization rate	83%	80%	86%
Sales (kt), o/w	1,722	5,046	5,465
Gasoline	643	1,849	2,120
Diesel	909	1,581	1,794
Total revenues* (mn lei), o/w	7,300	8,914	10,923
External sales (mn lei)	7,152	8,752	10,792
EBIT* (mn lei)	(1,153)	(914)	(1,136)
EBITDA* (mn lei)	(957)	(662)	(914)
Investments (mn lei)	633.5	585.1	1297.5

**Financial results (revenues, EBIT, EBITDA) and investments for 2004 include also Doljchim.*
Figures in the above table refer only to Petrom S.A.




Gas

5,2 bn cm sales
New organization

The restructuring of the gas business which was started in the 2nd half of 2005 was continued and almost completed in 2006. This structure is required in preparation for the challenges of a more liberalized gas market. The organizational split between natural gas production and natural gas marketing contributes to the performance of Petrom in a market that will become more and more competitive. The Natural Gas Division of Petrom is serving the segment of major customers and gas distribution companies and is responsible for the logistics. The 100% daughter company Petrom Gas SRL is focused on the eligible market.

The introduction of a state of the art accounting system (SAP) will contribute to the efficiency of the day to day business and will satisfy the requirements of un-bundling of the different business objectives according to the EU directives.

Gas sales of the Petrom group remain on a high level

The gas sales[2] of Petrom SA amounted to 4.86 bn cm while the consolidated gas sales of the Petrom group amounted to 5.24 bn cm, 1.7% lower than in the previous year. Petrom, like other domestic producers, was affected by a slight reduction of the overall domestic natural gas consumption in Romania. In addition, the floodings in 2006 have caused some landslides, which had impact on Petrom's production and the transportation capacity in the National Transmission System. The main third party eligible customers were Distrigaz Sud and Distrigaz Nord, Petrom Gas, Electrocentrale București and Termoelectrica. Petrom also has two significant natural gas consumers within its business units, i.e. Doljchim, the fertilizers plant and Arpechim.

As a result of the new regulation introduced as of July 1, new gas does not any more substitute imports; thus Petrom had to import gas in order to offer the mandatory gas basket (import and domestic mix) to its eligible customers. In addition, the regulated price for new gas has been reduced substantially, i.e. from 80% of the price for imported gas of the previous year to 10 USD/1000 cm above the price for old gas. Based on current regulations, starting from January 2007 the category new gas was discontinued.

While the price achieved for domestic natural gas remained, due to the regulation in force, at an unsatisfactory level of around 45% of the international price (Russian gas), an increasing trend for the domestic price is anticipated for the year 2007.

The EBIT for the gas business of Petrom SA in 2006 amounted to 118 mn lei.

Restructuring of the distribution activity

The organizational separation of the distribution activity from the upstream activity was completed. Starting from January 1, 2007 gas distribution will be a part of the Natural Gas Division. In total, Petrom's gas distribution network has a grid of 950 km through which more than 13,500 customers are supplied with natural gas.

Natural gas storage

Each year during the summer period, Petrom stores a part of its natural gas production in the underground storages owned and operated by Romgaz, for additional deliveries during the winter time and as an added security of supply for Romania. As a result of this policy, in 2006 Petrom stored 540 mn Stcm.

[2] *All gas volumes were measured at 15 degrees Celsius*

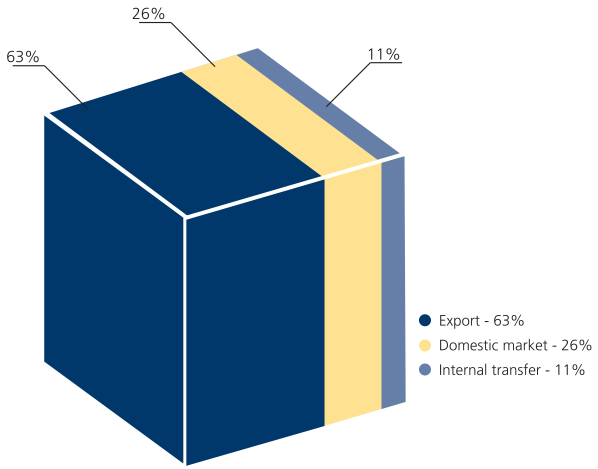
Doljchim

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 products were exported mainly in the neighboring countries, such as Hungary, Bulgaria, Serbia but also in other countries, like Turkey, Spain, Macedonia, Italy and Greece.

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

The EBIT showed a positive tendency in comparison with 2005 amounting to 51 mn lei which is mainly the result of improved margins and the gas price which was still relatively modest in 2006.

2006 Sales Structure




Analysis
Financial

ROACE: 21%
EPS: +62%
EBITDA: +30%

The financial condition of the company continued to improve in 2006, driven by the favorable environment for international commodity prices as well as a result of the higher product sales.

In 2006, all the profitability ratios remained at high levels as the company recorded an improved net profit. NOPAT increased significantly (+55%), mainly due to a higher net profit.

Liquidity ratios decreased in comparison with 2005, as current assets are lower in 2006 due to the decrease of the cash position as a result of the investments in financial assets during the year, presented as non current assets.

Financial highlights, lei mn	**Year ended December 31**	
	2005	**2006**
Turnover	10,760	13,078
EBIT	1,884	2,777
EBITDA	2,775	3,596
Net profit	1,416	2,285

The turnover of the company increased by 22% reaching 13,078 mn lei as the volumes sold were significantly above the previous year levels and the trading conditions have been more favorable.

The operating expenses amounting to 10,638 mn lei, were up by 17% versus 2005 figure and were influenced by:

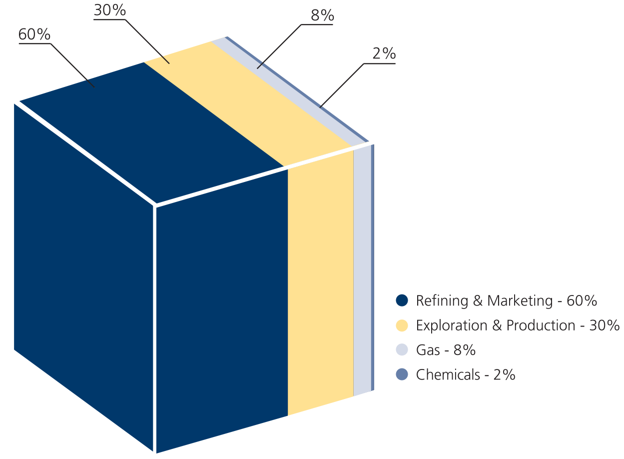
- The increase of the expenses with raw materials, materials and consumables by 1,404 mn lei due to both higher acquisition prices for imported crude oil and quantities used;
- The increase in salary expenses and other benefits by 208 mn lei;
- Other expenses, such as third party services, royalties for crude oil and gas, commissions for the filling stations given in administration to third parties and other services which had a net impact of 388 mn lei increase on the operating expenses.

The growth of the EBIT in 2006 to 2,777 mn lei (+47%) was driven by the increase of the result in E&P as well as the sales growth. The results were negatively impacted by special items amounting to 324 mn lei. The E&P contribution to EBIT raised significantly to 3,744 mn lei [2005: 2,782 mn lei] mainly due to the higher level of crude prices and to a lesser extent to the increase of the gas prices.

E&P revenues amounted to 7,370 mn lei, accounting for 30% of the total revenues while the R&M generated 14,525 mn lei or 60% of the total. The rest of 10% resulted from the contribution of Gas[3] and Chemicals.

The EBIT generated by downstream activities remained negative under the combined pressure of poor refining and marketing margins, partially offset by the sales growth and the booking of the special items. During the year unprofitable filling stations and terminals were closed and the related impairment was booked and a cost reduction related to centralizing the entire Marketing organization was noted.

Total Revenues by Segment in 2006[4]



[3] Gas revenues were included in E&P revenues in the previous years. The separate reporting started in 2006.
[4] Include inter-segment revenues.

EBIT per segments of activity, mn lei	Year ended December 31	
	2005	**2006**
Exploration and Production	2,782	3,744
Refining and Marketing	(914)	(1,136)
Gas*	-	118
Chemicals (Doljchim)	17	51
Total	**1,884**	**2,777**

**The reporting of gas results started in 2006.*

The financial result decreased by 15% as a result of the appreciation of the leu against the EUR and the USD during the year.
Income tax decreased by 2% due to a higher use of the geological quota facility.

In 2006, total investments were 2.6 times higher than in 2005, both E&P (45.6% of total investments) and R&M (44.3% of investments) showing similarly impressive growth figures. E&P capital expenditures were aimed at growth and development projects (42%) and production modernization projects (58%).

Refining investments were directed at continuing improvements in the two refineries, with the aim of aligning their cost positions and environmental compliance to EU standards. The marketing segment expanded both on a national level (new and reconstructed filling stations, storage facilities, implementation of IT projects) and internationally. The acquisition of the regional OMV networks (Bulgaria, Romania, and Jugoslavija) and of Aviation Petroleum accounted for 70% of Marketing investments in 2006.

Corporate investments were previously recorded in E&P. Starting with 2006 corporate level investments are reported separately. The most important projects relate to corporate real estate (mainly works on Petrom City) and to SAP implementations.

Investments*, mn lei	Year ended December 31	
	2005	**2006**
Exploration and Production**	531	1,336
Refining and Marketing	585	1,298
Gas	-	1
Chemicals (Doljchim)	1.6	5.5
Corporate	0	297
Total	**1,117**	**2,937**

**investments include increases of Petrom share participations.*

***include the investments of Corporate (in 2005).*

Total assets increased by 9% amounting to 19,370 mn lei, mainly due to a growth in fixed assets.

Fixed assets recorded a 23% increase against the 2005 figure, mainly due to the acquisition of tangible and intangible assets. The investments in other companies also contributed to the increase of fixed assets during 2006, due to: OMV Bulgaria, OMV Romania, OMV Jugoslavija, MP Petroleum Distribuție and Ring Oil group of companies, refining service companies (Rafiserv Arpechim, Rafiserv Petrobrazi) and due to the increase in loans granted to subsidiaries.

Current assets, including prepayments, decreased by 12% compared to 2005, reaching 6,366 mn lei. The change is attributable to the all current items:

- Increase of accounts receivable by 19% as the turnover within the last month of 2006 was higher in comparison with the similar period of 2005 by 20%;
- Decrease of cash by 23% as a result of the higher investments made in 2006.

Total liabilities accounted for 7,033 mn lei, slightly increasing by 1% as compared to the level registered in 2005.

Non-current liabilities did not change significantly compared to 2005. The company repaid the entire EUR 125 mn Eurobond loan and other bank loans (classified as payables in more than one year in 2005). The provisions remained constant in total, being influenced mainly by: increase in restructuring provisions (127 mn lei), decrease in environment provision (96 mn lei) and decrease in provisions for taxes (83 mn lei).

The slight increase (1%) in current liabilities is associated mainly with the repayment of the Eurobonds (471 mn lei), repayment of the IBRD loan (7 mn lei), decrease in provision for current tax (381 mn lei) and higher dividends payable to the shareholders (342 mn lei), as well as with higher amount of other payables.

Financial highlights, mn lei	**Year ended December 31**	
	2005	**2006**
Fixed assets	10,609	13,093
Current assets	7,204	6,366
Non-current liabilities	4,855	4,878
Current liabilities	2,231	2,258
Shareholders' Equity	10,727	12,325
Net cash flow from operating activities incl. change in Working Capital	2,771	2,955

The taxes paid by Petrom to the state budget in 2006 amounted to 5,218 mn lei, 13% higher than in the last year. 52% of the total taxes paid represented excise tax [2,692 mn lei] and 14% VAT [741 mn lei]. The oil and gas royalty paid to the state amounted to 555 mn lei, 9% above last year's payments. The corporate tax paid for the year 2006 was of 259 mn lei.

Shareholders' equity in 2006 was 15% above the 2005 figure This was mainly the result of the higher profit of the year, cash subscriptions to share capital by OMV (38 mn lei), an increase of the revaluation reserve related to buildings (revaluation performed as of the year end 75 mn lei) and decrease due to the 2005 dividends allocation in amount of 738 mn lei. In addition, the equity was adjusted with the reserve for the umbrella funds purchased in 2005 (90 mn lei - the negative difference between the fair value as of the year end and the acquisition cost).

The net cash generated from operating activities recorded an increase in comparison with the previous year (+7%), mainly due to higher profit before taxation, positive working capital movements, higher interest received and decreased due to the higher taxes paid to the state.

The net cash from investing activities decreased in comparison with 2005, recording a negative amount of 3,170 mn lei, mainly due to the significant investments in companies, due to the increase in loans given to subsidiaries and also due to higher acquisitions of both tangible and intangible assets.

In 2006, the cash flow from financial activities decreased to a negative amount of 836 mn lei, as the company repaid its debts to IBRD and the Eurobonds (478 mn lei), paid dividends to the shareholders in amount of 396 mn lei, and received cash subscriptions of 38 mn lei to the share capital from OMV.

The cash and cash equivalents at the end of the year amounted to 3,451 mn lei, 23% lower than in 2005.

Key ratio and operating statistics	Year ended December 31	
	2005	2006
Revenues growth, %yoy	24%	22%
EBIT margin, %yoy	18%	21%
EBITDA margin, %yoy	26%	28%
Net profit margin, %yoy	13%	17%
ROFA	13%	17%
ROACE	22%	21%
ROE	14%	20%
Current ratio	3.2	2.8
Quick ratio	2.6	2.2

Subsequent Events

Following the issuance of the emergency ordinance no. 101 dated December 20, 2006, the Office of State Ownership and Privatization in Industry (OPSPI) was taken over by AVAS (Agency for the Recovery of State Assets) through the merger by absorption.

On February 26, 2007, Depozitarul Central S.A. performed the transfer of Petrom shares owned by the Ministry of Economy and Commerce in the account of The Authority for State Assets Recovery (AVAS).

As a result, the Authority for State Assets Recovery owns 17,481,773,996 shares representing 30.862% of the Petrom share capital.

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

We believe that in the course of 2007, the crude prices will be slightly lower than in 2006, however still at an absolute high level. We therefore anticipate a satisfactory result for the E&P operations.

During 2007, the E&P activity will see an increase of exploration and appraisal drilling activity by about 40 wells, all based on new technology and a further increase of the aggressive 3D program to 8 new surveys. A constant production drilling rig activity of more than 15 state of the art drilling rigs will run in parallel while the downhole technology modernization roll-out will continue.

For 2007 we will continue our efforts to stabilize production and decrease production costs. However, it needs to be noted that the significant appreciation of the leu against the US dollar may have a negative impact also in 2007 on the dollar production cost per barrel.

In the course of the liberalization of the gas market, Petrom anticipates for 2007 that the domestic gas price will steadily increase reflecting EU recommendations 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 the European levels 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 installation of new dehydration units in combination with new metering stations will guarantee the reliability of Petrom supplies in the National Transmission System. Together with Transgaz SA, Petrom is working on solutions to increase the natural gas off-take from Petrom production sites.

The main focus of Refining business for the year 2007 is further optimization and the beginning of the ambitious investment programe directed towards improving the yield structure of Petrobrazi while increasing capacity to 6 million tons and further reducing energy consumption.

Through the planned investments, the energy efficiency in the refineries will be steadily improved, the fixed costs will be reduced, and product yield will improve in favour of the “white” products.

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 focus on compliance and high return efficiency investments. Arpechim is planned for a turnaround in April 2007, which will have a significantly impact on the results of the 2007 year.

With the integration of OMV Romania into Petrom SA, we have achieved a better market position also with the higher-end customers, a segment targeted also by PETROMV. 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 finalized towards the end of 2007.

In Marketing, 2007 will translate into a network of filling stations completely running under the Full Agency concept. In addition, plans are made to demolish 100 filling stations that have already been closed. The whole network will continue to go through a wide program of modernization. Around 100 filling stations will be built or rebuilt within the next year in order to have a new design and enhanced service quality.

Within the Commercial area, the target is also to increase the sales with a focus on the transportation and construction segments. The total marketing sales are expected to reach 4.7 mn tones in 2007.

In Supply & Logistics, the rebuilding of 3 major terminals and the demolishing of 60 closed terminals will be among the focal points. Furthermore, the program also includes the outsourcing of the secondary transportation and the closing of 10 fuel storages and 10 LPG storages. The restructuring/closure of the old PECO organization will be completed in the first quarter of 2007.

Non-profitable hotels will be closed and the operation of the remaining hotels and motels will be outsourced to a professional hotel management company.

Petrom has started to implement the SAP system in practically all business divisions and has concentrated financial and administrative services into Petrom Solutions, which will service the whole domestic business of Petrom S.A. This concentration will lead to improved efficiencies but also to a faster and more focused reporting.

For 2007, the company estimates a net turnover of lei 10.6 bn, an EBIT of 1.7 bn lei and a net income of 1.7 bn lei.

The total investments of Petrom SA will amount to lei 3.7 bn, with around 50% of the total amount invested in the Exploration and Production segment. In addition, Petrom will invest through its affiliates around 400 mn lei in the international upstream operations. Petrom estimates a total crude and gas production of 74 mn boe.

The total quantity of crude processed by the two refineries is expected to amount to 6 mn tons, with sales of 5.4 mn tons, out of which 5 mn tons represent fuel sales and the rest petrochemicals.

During 2007, the safety issues will focus on workplace safety and improvements in the incident investigation system. The new healthcare system will be implemented, concentrating on the adaptation of the OMV health standards to Petrom's needs. With regards to the environment, Petrom will focus on environmental priority programs: spill reduction, hazardous waste management and energy efficiency and carbon strategy.

We anticipate that the contract for the construction of Petrom City will be signed in 2007, which will mark a milestone for the company. This will enable the company to bring together all of its functions and business units.

March 5, 2007
Bucharest

Wolfgang Ruttenstorfer

EBRD	European Bank for Reconstruction and Development
IBRD	International Bank for Reconstruction and Development
BSE	Bucharest Stock Exchange
GMS	General Meeting of Shareholders
CSR	Corporate Social Responsability
mn	Million
bn	Billion
t	Tons
boe	Barrels of oil equivalent
bbl	Barrel
Stcm	Standard Cubic meters
ppm	Parts per million
lei (RON)	New Romanian leu
DCS	Distributed Control System
LPG	Liquefied Petroleum Gas
HFO	Heavy Fuel Oil
NGL	Natural Gas Liquids
GHG	Green House Gas
RTC	Railway Truck Cars
RAS	Romanian Accounting Standards
EBIT	Earnings Before Interest and Taxes
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed
ROFA	Return On Fixed Assets = NOPAT / Average Fixed Assets
ROE	Return On Equity = Net Profit / Average Equity
NOPAT	Net Operating Profit After Taxes = Net income + (Interest Expense - Interest income)*(1-tax rate)
Current ratio	Current Assets / Current Liabilities
Quick ratio	(Current Assets - Inventories) / Current Liabilities


Refining and Marketing
Gas
Exploration and Production
Role model company
Innovation
Play it Safe!
FIT
Confidence
Growth
We all win!
Efficiency
Integrity

SC PETROM SA
INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2005
AND DECEMBER 31, 2006

Free translation from the Romanian version which is the original

INDEPENDENT AUDITORS' REPORT
(free translation[1])

To the board of directors and shareholders of
Petrom SA
Bucharest, Romania

Report on the Financial Statements

1 We have audited the accompanying financial statements of PETROM SA ("the Company"), which comprise the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presented from the page xx to xx, presenting the following:

- Net assets/Total equity and reserves: 12,324,704,630 lei
- Profit/loss for the year: 2,285,490,203 lei

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Order of the Minister of Public Finance no. 1752/2005 with the related amendments and as described in the accounting policies presented in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

3 Our responsibility is to express an opinion on these financial statements basedon our audit. We conducted our audit in accordance with the Standards issued by the Romanian Chamber of Financial Auditors and the International Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

4 An audit involves performing procedures to obtain audit evidence about the amountsand disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparationand fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriatenessof accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6 In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of S.C. PETROM S.A. as of December 31, 2006 and its financial performance and its cash flows for the year then ended in accordance with the Order of the Minister of Public Finance no. 1752/2005 with the related amendments described in the accounting policies presented in the notes to the financial statements.

7 This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

8 The accompanying financial statements are not intended to present the financial position, results of operations and a complete set of notes to the financial statements of the Company in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Romania. Accordingly, the accompanying financial statements are not designed for those who are not informed about Romanian legal and statutory requirements.

[1]Free translation from the Romanian version which is the original

INDEPENDENT AUDITORS' REPORT

(free translation[1])

To the board of directors and shareholders of
Petrom SA
Bucharest, Romania

Report on conformity of Administrators' Report with the Financial Statements

In accordance with the Order of the Minister of Public Finance no. 1752/2005, article no. 263 point 2, we have read the Administrators' Report. The Administrators' Report is not a part of the financial statements. In the Administrators' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying financial statements as at December 31, 2006.

Refer to the original Romanian version

Deloitte Audit S.R.L.
Bucharest, March 5th, 2007

Deloitte Audit SRL

[1] TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version. Free translation from the Romanian version which is the original

SC PETROM SA

Balance Sheets as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

City **Bucharest**
Company **S.C. Petrom SA**

ADDRESS **Bucharest** sector **1**
Str, **Calea Dorobanţi** nr, **239**,
TEL: **4060189** FAX **4060429**
No, of trade register **J40/8302/1997**

Type of proprety **22**
State (<50%) and private owned companies

Type of activity: Hydrocarbon extraction

Code group CAEN **11100**
Unique registration code **1590082**

No		Notes	Row	December 31, 2005	December 31, 2006
A	**FIXED ASSETS**				
I	**Intangible assets**				
	1 Set up expenses		**01**	-	-
	2 Development expenses		**02**	-	-
	3 Concessions, patents, licenses, trademarks and other similar rights and assets		**03**	66,652,476	115,821,786
	4 Goodwill		**04**	-	-
	5 Advances and intangible assets in progress		**05**	7,244,716	40,214,383
	Total (rows 01 to 05)	**1 b)**	**06**	**73,897,192**	**156,036,169**
II	**Tangible assets**				
	1 Land and buildings		**07**	4,451,939,794	4,569,464,880
	2 Plant and machinery		**08**	2,149,133,401	2,166,773,872
	3 Other equipment and furniture		**09**	38,595,338	49,123,969
	4 Advances and tangible assets in progress		**10**	882,435,277	1,620,069,725
	Total (rows 07 to 10)	**1 a)**	**11**	**7,522,103,810**	**8,405,432,446**
III	**Financial assets**				
	1 Investments in companies within the group		**12**	104,072,697	1,089,556,583
	2 Loans to the companies within the group		**13**	-	891,927,360
	3 Investments in associated companies		**14**	4,077,402	33,231,787
	4 Amounts owed by subsidiaries and associated companies		**15**	-	-
	5 Long term financial Investments as assets		**16**	1,159,946,054	1,061,381,422
	6 Other debts		**17**	1,745,146,614	1,455,338,985
	Total (row 12 to 17)	**1 c)**	**18**	**3,013,242,767**	**4,531,436,137**

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Notes on pages 104 to 131 form integral part of these financial statements.

SC PETROM SA

Balance Sheets as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	December 31, 2005	December 31, 2006
	TOTAL FIXED ASSETS (rows 06+11+18)		**19**	**10,609,243,769**	**13,092,904,752**
B	**CURRENT ASSETS**				
I	**Inventories**				
	1 Raw materials and consumables		**20**	546,707,521	712,996,617
	2 Work in progress		**21**	187,726,492	227,229,774
	3 Finished goods and merchandise		**22**	694,305,724	485,333,385
	4 Advances for stock purchase		**23**	55,390,491	39,568,843
	Total (rows 20 to 23)	**10.3**	**24**	**1,484,130,228**	**1,465,128,619**
II	**Receivables**				
	1 Trade receivables (net)		**25**	970,097,990	1,049,473,558
	2 Amounts to be received from affiliates		**26**	21,563,576	40,348,014
	3 Amounts to be received from investments		**27**	-	-
	4 Other receivables		**28**	155,216,556	270,894,234
	5 Receivables for subscribed and not paid in share capital		**29**	-	-
	Total (rows 25 to 29)	**5**	**30**	**1,146,878,122**	**1,360,715,806**
III	**Short term investments**				
	1 Investments		**31**	-	-
	2 Other short term investments		**32**	112,932	-
	Total (rows 31 to 32)		**33**	**112,932**	-
IV	**Cash and bank accounts**	**10.2**	**34**	**4,499,960,346**	**3,451,025,681**
	TOTAL CURENT ASSETS (rows 24+30+33+34)		**35**	**7,131,081,628**	**6,276,870,106**
C	**PREPAYMENTS**		**36**	**73,201,848**	**89,716,940**
D	**PAYABLES WITHIN ONE YEAR**				
	1 Debenture loans		**37**	471,139,144	-
	2 Payables to credit institutions		**38**	7,118,676	-
	3 Advances cashed for orders		**39**	18,470,562	47,285,078
	4 Trade payables		**40**	756,332,083	1,208,727,735

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SC PETROM SA

Balance Sheets as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	December 31, 2005	December 31, 2006
	5 Bills of exchange payables		**41**	-	-
	6 Payables to related parties		**42**	3,554,628	-
	7 Payables to other investment companies		**43**	-	-
	8 Other payables,including tax and social security payables		**44**	974,301,445	1,001,216,942
	Total (rows 37 to 44)	5	**45**	**2,230,916,538**	**2,257,229,755**
E	**CURRENT ASSETS LESS CURRENTLIABILITIES (rows 35+36-45-62)**		**46**	**4,921,569,778**	**4,016,232,131**
F	**TOTAL ASSETS LESS CURRENT LIABILITIES (rows 19+46-61)**		**47**	**15,522,569,796**	**17,100,585,546**
G	**PAYABLES IN MORE THAN ONE YEAR**				
	1 Debenture loans		**48**		-
	2 Payables to credit institutions		**49**	-	-
	3 Advances cashed for orders		**50**	-	-
	4 Trade payables		**51**	-	-
	5 Bills of exchange payables		**52**	-	-
	6 Amounts payable to related parties		**53**	-	-
	7 Payables to investments participation		**54**	-	-
	8 Other payables, including tax and social security payables		**55**	34,900,751	22,141,012
	Total (rows 48 to 55)	5	**56**	**34,900,751**	**22,141,012**
H	**PROVISIONS**				
	1 Provisions for pensions and other liabilities		**57**	-	-
	2 Provisions for taxes		**58**	-	400,246

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SC PETROM SA

Balance Sheets as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	December 31, 2005	December 31, 2006
	3 Other provisions		59	4,760,579,208	4,753,339,658
	TOTAL PROVISIONS (rows 57 to 59)	2	60	**4,760,579,208**	**4,753,739,904**
I	**DEFERRED INCOME**				
	1 Investments subsidies		61	8,243,751	8,551,337
	2 Deferred income		62	51,797,160	93,125,160
	TOTAL (rows 61+62)		63	**60,040,911**	**101,676,497**
J	**SHARE CAPITAL AND RESERVES**				
I	**Share capital**				
	- subscribed and paid in share capital		64	5,600,050,608	5,664,410,834
	- subscribed and not paid in share capital		65	-	-
	- patrimony		66	-	-
	TOTAL (rows 64 to 66)	7	67	**5,600,050,608**	**5,664,410,834**
II	**Premium related to capital**		68		**-**
III	**Revaluation reserve**		69	-	74,590,359
IV	**Reserves**				
	1 Legal reserve		70	166,638,190	292,550,780
	2 Statutory or contractual capital reserve		71	-	-
	3 Realized revaluation reserve		72	-	-
	4 Other reserves		73	4,221,981,113	5,277,701,707
	Own shares		74	-	
	TOTAL (rows 70+71+72+73-74)		75	**4,388,619,303**	**5,570,252,487**
V	**Retained earnings**				
	- Cr balance		76	**738,419,926**	**1,015,450,950**
	- Dr balance		77	**-**	**-**
VI	**Profit for the period**				
	- Cr balance		78	**1,416,422,558**	**2,285,490,203**
	- Dr balance		79	**-**	**-**

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SC PETROM SA

Balance Sheets as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	December 31, 2005	December 31, 2006
	Profit appropriation		**80**	1,416,422,558	2,285,490,203
	Total shareholders' equity (rows 67+68+69+75+76-77+78-79-80)		**81**	**10,727,089,837**	**12,324,704,630**
	Public patrimony		**82**	-	-
	TOTAL EQUITY (rows 81+82)		**83**	**10,727,089,837**	**12,324,704,630**

These financial statements were approved on March 5, 2007.

Mrs. Mariana Gheorghe
Chief Executive Officer

Mr. Werner Schinhan
Deputy Chief Executive Officer

Mr. Reinhard Pichler
Chief Financial Officer

Mr. Werner Ladwein
M.C. Member E&P

Mr. Jeffrey Rinker
M.C. Member Refining

Mr. Tamas Mayer
M.C. Member Marketing

Mr. Siegfried Ehn
Director Finance and
Controlling Division

Mrs. Mihaela Milinschi
Director Accounting Department

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SC PETROM SA

Statements of Operations as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	Year ended December 31, 2005	Year ended December 31, 2006
1	**Net turnover (rows 02 to 05)**		**01**	**10,760,228,198**	**13,078,308,815**
	Sales of production		**02**	6,992,774,802	7,478,726,193
	Sales of merchandise		**03**	3,767,453,396	5,599,582,622
	Interest income - from lease companies		**04**	-	-
	Interest from subsidies related to net turnover		**05**	-	-
2	Movements in stocks of finished goods				
	- Cr balance		**06**	120,730,635	-
	- Dr balance		**07**	-	74,581,173
3	Own work capitalized		**08**	28,350,560	26,042,948
4	Other operating revenue		**09**	63,873,984	386,018,992
	Total operating revenue (rows 01+06-07+08+09)		**10**	**10,973,183,377**	**13,415,789,582**
5	a) Raw materials and consumables expenses		**11**	2,278,837,087	3,650,761,504
	Other materials expenses		**12**	40,593,658	72,944,335
	b) Other utilities expenses (energy and water)		**13**	709,688,576	506,697,500
	Purchases of goods for resale		**14**	329,737,178	199,372,209
6	**Salary expenses (rows 16+17)**		**15**	**1,537,408,745**	**1,745,267,588**
	a) Salaries	**8**	**16**	1,147,967,635	1,324,861,157
	b) Social security contributions		**17**	389,441,110	420,406,431
7	**a) Adjusting the value of tangible and intangible assets (rows 19-20)**		**18**	**839,092,170**	**818,802,457**
	a. 1) Expenses		**19**	1,115,944,074	956,473,574
	a. 2) Revenues		**20**	276,851,904	137,671,117
	b) Adjusting the value of current assets (rows 22-23)		**21**	**(454,403,630)**	**1,201,887**
	b. 1) Expenses		**22**	72,022,137	470,542,062
	b. 2) Revenues		**23**	526,425,767	469,340,175

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SC PETROM SA

Statements of Operations as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	Year ended December 31, 2005	Year ended December 31, 2006
8	**Other operating expenses (rows 25 to 28)**		**24**	**3,285,563,733**	**3,673,900,696**
	8.1 Third parties services		**25**	2,389,945,946	2,595,890,355
	8.2 Other taxes, duties and similar expenses		**26**	566,628,467	727,538,747
	8.3 Other operating expenses		**27**	328,989,320	350,471,594
	Interest related to refinancing activities		**28**	-	-
	Adjustments for provisions for risks and charges (rows 30-31)		**29**	**522,466,841**	**(30,546,883)**
	Expenses		**30**	886,230,301	485,614,611
	Revenues		**31**	363,763,460	516,161,494
	Total operating expenses (rows 11 to 15+18+21+24+29)		**32**	**9,088,984,358**	**10,638,401,293**
	Operating result				
	- profit (rows 10-32)	4	**33**	**1,884,199,019**	**2,777,388,289**
	- loss (rows 32-10)		**34**	**-**	**-**
9	Income from investments		**35**	7,367,207	27,764,532
	- out of which, within the group		**36**	3,232,907	20,374,007
10	Income from other financial investments and receivables, part of financial assets		**37**	566,072	-
	- out of which, within the group		**38**	-	-
11	Income from interest		**39**	165,021,252	315,163,275
	- out of which, within the group		**40**	29,235,598	56,733,631
	Other financial revenues including forex gain		**41**	396,245,721	174,317,598
	Total financial revenues (rows 35+37+39+41)		**42**	**569,200,252**	**517,245,405**
12	**Adjustment of financial assets and investments held (rows 44-45)**		**43**	**(42,965,468)**	**151,483,561**
	Expenses		**44**	17,544,507	179,476,613
	Revenues		**45**	60,509,975	27,993,052

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SC PETROM SA

Statements of Operations as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	Year ended December 31, 2005	Year ended December 31, 2006
13	Interest expenses		**46**	55,891,422	38,608,669
	- out of which, within the group		**47**	-	-
	Other financial expenses including forex loss		**48**	757,050,109	558,374,491
	Total financial expenses (rows 43+46+48)		**49**	**769,976,063**	**748,466,721**
	Financial result				
	- profit (rows 42-49)		**50**	**-**	**-**
	- loss (rows 49-42)		**51**	**200,775,811**	**231,221,316**
14	**Current profit(loss)**				
	- profit (rows 10+42-32-49)		**52**	**1,683,423,208**	**2,546,166,973**
	- loss (rows 32+49-10-42)		**53**	**-**	**-**
15	Extraordinary revenues		**54**	-	-
16	Extraordinary expenses		**55**	-	-
17	**Extraordinary result**				
	- profit (rows 54-55)		**56**	**-**	**-**
	- loss (rows 55-54)		**57**	**-**	**-**
	Total revenues (rows 10+42+54)		**58**	**11,542,383,629**	**13,933,034,987**
	Total expenses (rows 32+49+55)		**59**	**9,858,960,421**	**11,386,868,014**
	Profit before tax				
	- profit (rows 58-59)		**60**	**1,683,423,208**	**2,546,166,973**
	- loss (rows 59-58)		**61**	**-**	**-**
18	**Tax on profit**	**10.7**	**62**	267,000,650	260,676,770
19	Other tax expenses not shown above		**63**	-	-

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SC PETROM SA

Statements of Operations as at December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

No.		Notes	Row	Year ended December 31 2005	Year ended December 31 2006
20	**Net result of financial year**				
	- profit (rows 60-62-63)		64	1,416,422,558	2,285,490,203
	- loss (rows 61+62+63); (rows 62+63-60)		65	-	-

These financial statements were approved on March 5, 2007.

Mrs. Mariana Gheorghe
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SC PETROM SA

Statements of cash flows for the years ended December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

	Notes	December 31, 2005	December 31, 2006
Cash flow from operating activities			
Profit before taxation		**1,683,423,208**	**2,546,166,973**
Adjustments for:			
Interest expenses		55,891,422	38,608,669
Interest income		(165,587,324)	(315,163,275)
Net movement in provisions for:			
- Fixed asset impairment	**2**	112,444,248	(27,870,193)
- Financial assets	**2**	(42,965,468)	149,597,954
- Inventories	**2**	(454,201,957)	9,810,913
- Inventories	**2**	1,119,216	(47,396,366)
- Litigations	**2**	7,354,119	22,276,168
- Environmental expenditures	**2**	30,484,443	(95,907,844)
- Retirement benefits	**2**	38,467,225	20,764,297
- Other provisions for risk and charges	**2**	46,265,759	(105,400,599)
- Restructuring	**2**	349,112,353	127,721,095
Loss / (Gain) on disposals of fixed assets		24,095,507	(196,648,044)
Depreciation and amortization expense	**1**	730,750,979	846,672,650
Write off of financial assets		45,691,768	-
Unwinding effect of decommissioning provision		226,577,140	-
Cash generated from operating activities before working capital movements		**2,688,922,638**	**2,973,232,398**
Working capital movements		13,050,195	397,727,569
Interest received		135,301,189	277,518,124
Interest paid		(57,444,858)	(52,072,906)
Tax on profit paid		(8,518,904)	(641,615,815)
Net cash generated from operating activities		**2,771,310,260**	**2,954,789,370**
Cash flow from investment activities			
Purchase of tangible and intangible assets		(1,015,707,082)	(1,920,360,735)
Proceeds from sale of fixed assets		19,912,624	410,110,374
Acquisition of financial assets		(1,174,316,888)	(1,657,373,209)
Net cash used from investment activities		**(2,170,111,346)**	**(3,167,623,570)**

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SC PETROM SA

Statements of cash flows for the years ended December 31, 2005 and December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

	Notes	Year ended December 31, 2005	Year ended December 31, 2006
Cash flow from financial activities			
Repayment of loans		(173,399,893)	(478,257,820)
Dividends paid		(45,447,902)	(395,505,162)
Proceeds from share capital increase		-	37,662,517
Net cash used for financial activities		**(218,847,795)**	**(836,100,465)**
Total cash flows		**382,351,119**	**(1,048,934,665)**
Cash and cash equivalents at the beginning of the year	**10.2**	**4,117,609,227**	**4,499,960,346**
Cash and cash equivalents at the end of the year	**10.2**	**4,499,960,346**	**3,451,025,681**

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SC PETROM SA

Statement of changes in shareholders' equity as at December 31, 2005

(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2005	Increase, out of which	Transfer	Decrease, out of which	Transfer	Balance at 31.12.2005
Subscribed share capital	5,600,050,608	-	-	-	-	5,600,050,608
Share premium	2,060,096,385	-	-	2,060,096,385	2,060,096,385	-
Revaluation reserve	830,831,549			830,831,549	830,785,733	-
Legal reserves	85,596,417	81,041,773	81,041,773	-	-	166,638,190
Other reserves	245,492,699	57,778,913*	-	-	-	303,271,612
Other reserves-geological quota	3,618,709,501	300,000,000	300,000,000	-	-	3,918,709,501
Retained earnings	(3,048,665,901)	3,187,842,977	3,187,842,977	139,177,076**	-	-
Profit for the year	-	1,416,422,558	-	678,002,632	678,002,632	738,419,926
Total	**9,392,111,258**	**5,043,086,221**	**3,568,884,750**	**3,708,107,642**	**3,568,884,750**	**10,727,089,837**

* RON 51,595,648 represents the revaluation of available for sale investments at their fair value. The remaining represents land for which ownership was obtained and will be incorporated in shareholders equity.

** RON 132,752,109 represents tax on revaluation reserve transferred to retained earnings, The remaining RON 6,424,967 represents corrections for expenses related to prior year.

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SC PETROM SA

Statement of changes in shareholders' equity as at December 31, 2006

(all amounts are expressed in RON, unless otherwise specified)

Shareholders' equity	Balance at 1.01.2006	Increase, out of which	Transfer	Decrease, out of which	Transfer	Balance at 31.12.2006
Subscribed share capital	5,600,050,608	64,360,226	26,697,709	-	-	5,664,410,834
Revaluation reserve	-	74,590,359*	-	-	-	74,590,359
Legal reserves	166,638,190	125,912,590	125,912,590	-	-	292,550,780
Other reserves	303,271,612	2,781,306	-	91,187,375**	26,697,709	214,865,543
Other reserves-geological quota	3,918,709,501	1,144,126,663	1,144,126,663	-	-	5,062,836,164
Retained earnings	738,419,926	-	738,419,926***	-	-	-
Profit for the year	-	2,285,490,203	-	1,270,039,253	1,270,039,253	1,015,450,950
Total	**10,727,089,837**	**3,697,261,347**	**1,296,736,962**	**2,099,646,554**	**1,296,736,962**	**12,324,704,630**

* RON 74,590,359 is related to buildings revaluation performed as at December 31, 2006. For further details please see Note 1a.

** RON 91,187,375 is made up from RON 64,489,666 representing revaluation for available for sale investments at their fair value (see Note 1c) and RON 26,697,709 representing land for which ownership was obtained and was incorporated in share capital.

*** RON 738,419,926 represents dividends distributed to shareholders in 2006.

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(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS

a) Tangible assets

GROSS BOOK VALUE	Balance at 1.01.2006	Increase, out of which	Revaluation	Decrease, out of which	Revaluation	Balance at 31.12.2006
Land	558,416,164	23,458,417***	-	10,170,675	-	571,703,906
Buildings and constructions	920,365,058	177,897,983	83,524,491*	59,593,764	39,525,745	1,038,669,277
Wells, infrastructure and related assets	5,104,343,933	453,055,844	-	59,602,249	-	5,497,797,528
Machinery and equipment	3,130,635,054	435,426,838	-	120,804,503	-	3,445,257,389
Other equipment and furniture	76,112,459	26,055,685	-	1,371,696	-	100,796,448
Advances and tangible assets in progress	1,301,395,974	1,829,126,840	-	1,136,337,492	-	1,994,185,322
Total	**11,091,268,642**	**2,945,021,607**	**83,524,491**	**1,387,880,379****	**39,525,745**	**12,648,409,870**

ACCUMULATED DEPRECIATION	Balance at 1.01.2006	Increase, out of which	Revaluation	Decrease, out of which	Revaluation	Balance at 31.12.2006
Buildings and constructions	70,097,403	47,434,706	8,934,132*	8,482,441	6,292,551	109,049,668
Wells, infrastructure and related assets	842,157,004	474,902,946	-	79,755,689		1,237,304,261
Machinery and equipment	535,483,735	290,229,398	-	44,294,737	-	781,418,396
Other equipment and furniture	17,176,566	10,055,231	-	534,388	-	26,697,409
Total	**1,464,914,708**	**822,622,281**	**8,934,132**	**133,067,255**	**6,292,551**	**2,154,469,734**

* Buildings were revalued at 31 December 2006 by Colliers Romania, independent appraisers, on the basis of market value. The valuation was performed in accordance with International Valuation Standards. As a result, the net book value of the buildings increased by RON 74,590,359 RON against revaluation reserve and decreased with RON 33,233,194 which was shown in statement of operations.

** The decrease in tangible assets includes also write off of capital work in progress amounting to RON 54,789,136.

*** The increase in land includes an amount of RON 2,781,306 RON representing land title deeds obtained by the Company during 2006.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

a) Tangible assets (continued)

ACCUMULATED IMPAIRMENT LOSSES	Balance as at 1.01.2006	Increase	Decrease	Balance as at 31.12.2006
Land	453,652,820	3,983,514	43,878,345	413,757,989
Buildings and constructions	283,726,398	44,321,260	35,407,382	292,640,276
Wells, infrastructure andrelated assets	481,551,738	42,863,805	38,461,904	485,953,639
Machinery and equipment	446,017,917	72,188,301	21,141,096	497,065,122
Other equipment and furniture	20,340,555	4,796,470	161,955	24,975,070
Advances and tangible assets in progress	418,960,696	73,576,189	118,421,291	374,115,594
Total	**2,104,250,124**	**241,729,539**	**257,471,973**	**2,088,507,690**
NET BOOK VALUE	**7,522,103,810**			**8,405,432,446**

As at December 31, 2004, as detailed in Note 2 the Company assessed for the first time the carrying value of its property, plant and equipment and recorded the necessary provisions.

The net decrease in impairment provision during 2006 relates mainly to reversal of the impairment made in 2004 for Suplacu de Barcau cash generating unit.

The total accumulated impairment computed for the cash generating units (tangible and intangible assets) is as follows:

	December 31, 2005	December 31, 2006
Exploration and production	**284,896,798**	**254,130,941**
Refinery and Chemicals		
Arpechim	595,199,307	598,237,548
Doljchim	62,628,327	68,160,866
Petrobrazi	369,619,368	364,118,571
	1,027,447,002	**1,030,516,985**
Marketing	829,265,753	829,091,434
Total	**2,141,609,553**	**2,113,739,360**
	(Note 2)	**(Note 2)**

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

b) Intangible assets

COST	Balance at January 1, 2006	Increase	Decrease	Balance at December 31, 2006
Intangible assets	153,781,662	107,659,118	44,732,240	216,708,540
Advances and intangible assets in progress	7,244,716	137,114,830	101,580,667	42,778,879
Total	**161,026,378**	**244,773,948**	**146,312,907**	**259,487,419**

ACCUMULATED AMORTIZATION	Balance at January 1, 2006	Increase	Decrease	Balance at December 31, 2006
Intangible assets	49,769,757	32,984,501	4,534,678	78,219,580
Total	**49,769,757**	**32,984,501**	**4,534,678**	**78,219,580**

ACCUMULATED IMPAIRMENT LOSSES	Balance at January 1, 2006	Increase	Decrease	Balance at December 31, 2006
Intangible assets	37,359,429	3,893,074	16,020,833	25,231,670
Total	**37,359,429**	**3,893,074**	**16,020,833**	**25,231,670**
NET BOOK VALUE	**73,897,192**			**156,036,169**

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets

COST	**Balance at 01.01.2006**	**Increase**	**Decrease**	**Balance at 31.12.2006**
Investments (a)	204,560,362	1.014,127,767	39,126,402	1,179,561,727
Other financial assets (b)	1,125,871,089	-	64,489,665	1,061,381,424
Other receivables (c)	543,923,985	835,568,639	117,411,964	1,262,080,660
Expenditure recoverable from from State (d)	1,205,061,584	96,380,429	57,257,480	1,244,184,533
Total	**3,079,417,020**	**1,946,076,835**	**278,285,511**	**4,747,208,344**
WRITE DOWN ALLOWANCE				
Investments (a)	62,335,296	16,732,187	22,294,127	56,773,356
Other receivables	3,838,957	166,662,164	11,502,270	158,998,851
Total	**66,174,253**	**183,394,351**	**33,796,397**	**215,772,207**
NET BOOK VALUE	**3,013,242,767**			**4,531,436,137**

(a) The increase in investments in 2006 represents the acquisition of several subsidiaries: Rafiserv Arpechim, Rafiserv Petrobrazi, OMV Jugoslavija, OMV Bulgaria, OMV România, SC Aviation Petroleum, SC MP Petroleum Distribuție and Ring Oil group of companies. The decrease mainly represents the sale of investment in Petrom Hungary and in MBH Carpatina SA Rădăuți.

(b) The amount represents investment in mutual funds and other financial instruments through umbrella funds. Umbrella funds are classified as available for sale financial assets and are presented at fair value at year end. The differences in fair value are presented in equity until sold.

(c) Other receivables include an amount of RON 206,384,000 representing public bonds issued by World Bank and acquired by Petrom in September 2006. The bonds bear an interest of 6.5% p.a. payable each semester and the maturity is September 2009. The remaining amount of other receivables represents loans given to subsidiaries in Kazakhstan (KOM MUNAI, OZTIURK MUNAY, TASBULAT OIL CORPORATION) whose principal activities are exploration and production of oil and gas and loans given to newly acquired subsidiaries (OMV Jugoslavija, OMV Bulgaria, OMV România) with activities in marketing segment.

(d) As part of the privatization agreement, the Company is required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the Company from the State as these pertain to E&P activities prior to privatization of the Company in 2004. Consequently, the Company has recorded decommissioning liabilities against receivable from the State for approximately 11,120 wells as at December 31, 2006. The change during the year 2006 is related to reassessment of the recoverable expenditure from the State.

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Investments as at December 31, 2006 consist of the following:

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Subsidiaries (>50%)				
Petrogas	Carbon dioxide production and distribution	100.00%	17,997,547	10,219,637
TASBULAT OIL CORPORATION LLP.	Oil exploration and drilling In Kazahstan	100.00%	13,426,985	-
PETROM GAS SRL București	Intermediary in fuel, minerals and chemical products trade	99.99%	8,601,510	-
Petrom Distribuție Gaze	Gas distribution	99.99%	1,990	-
Rafiserv Petrobrazi	Maintenance support for refineries	99.94%	6,251,593	-
OMV România	Fuel distribution	99.90%	380,125,971	-
OMV Bulgaria	Fuel distribution	99.90%	138,024,259	-
OMV Jugoslavija	Fuel distribution	99.90%	5,594,968	-
Rafiserv Arpechim	Maintenance support for refineries	99.75%	19,838,861	-
PETROM NĂDLAC SRL Nădlac	Oil products distribution	98.51%	6,521,923	1,608,463
POLIFLEX ROMÂNIA SRL Brazi	Polyetilene production and distribution	96.84%	518,170	-
SC MP PETROLEUM DISTRIBUȚIE	Fuel distribution	95.00%	116,488,056	-
KOM MUNAI	Oil fields exploration and production	95.00%	33,121,000	-
OZTYURK MUNAI	Oil fields exploration and production	95.00%	22,383,557	22,383,557
SC Aviation Petroleum	Kerosene distribution	95.00%	13,587,275	-
RING OIL	Oil exploration and drilling in Russia	74.90%	333,946,263	-
PETROM MOLDOVA	Oil products import and distribution	65.00%	7,338,313	-

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Associated companies (20-50%)				
LINDE GAZ BRAZI SRL Brazi	Industrial gas production and distribution	49.00%	1,910,243	-
SOCIETATEA ROMÂNĂ DE PETROL	Oil products production and distribution	49.00%	49,000	49,000
PETROM AVIATION Otopeni-Ilfov	Aircraft fuel distribution	48.50%	23,467,291	12,054,308
ROBIPLAST CO SRL București	Plastic materials production	45.00%	1,080	1,080
SHELL GAS ROMÂNIA	GPL distribution	44.47%	1,914,723	-
BEYFIN GAZ SRL	Gas production and distribution	40.00%	1,222,367	528,259
FRANCIZA PITEȘTI	Other financial services	40.00%	144,000	-
BRAZI OIL & ANGHELESCU PROD COM SRL Brazi	Oil products distribution	37.70%	310,800	310,800
FONTEGAS - PECO SA Mehedinți	Fuel distribution	37.40%	295,881	194,442
CONGAZ SA Constanța	Natural gas distribution	28.59%	14,158,085	-
DEEM ALGOCAR SA Buziaș	Oil products distribution	27.92%	17,035	17,035
ACETILENA BRAZI SRL Brazi	Basic chemical products processing	21.28%	1,242,664	-
BURSA MARITIMĂ ȘI DE MĂRFURI CONSTANȚA	Other financial services	20.09%	100,000	100,000
TRANSGAS SERVICES SRL București	Transportation G.P.L on railroad	20.00%	284,219	284,219

(all amounts are expressed in RON, unless otherwise specified)

1. FIXED ASSETS (continued)

c) Financial assets (continued)

Company Name	Field of Activity	Share interest percentage	Cost	Write down allowance
Other financial investments (<20%)				
GTI OIL CO	Fuel distribution	13.00%	61,722	61,722
PRIMA PETROL	Fuel distribution	11.98%	11,975	11,975
AIR TOTAL ROMÂNIA SA	Aircraft fuel distribution in Romania	6.41%	8,929,975	8,845,145
BUTAN GAS ROMÂNIA SRL București	Natural gas distribution	6.07%	1,559,520	-
BURSA DE MĂRFURI OLTENIA Craiova	Other financial services	2.63%	1,526	691
TELESCAUN TIHUȚA	Installations for cable transportation	1.68%	420	13
AGRIBAC SA Bacău	Animals breeding	0.79%	28,060	28,060
BENZ OIL	Oil products distribution	0.48%	700	-
CREDIT BANK	Other financial services	0.22%	500	500
INSTITUTUL ROMÂN PENTRU ASIGURĂRI	Insurance services	0.10%	7,250	-
Oficiul Patronal Județean Mureș		0.01%	1,000	1,000
MD INDIA	Onshore and offshore oil and gas exploration and exploitation activities in India	0.00%	73,450	73,450
TOTAL			**1,179,561,727**	**56,773,356**

(all amounts are expressed in RON, unless otherwise specified)

2. PROVISIONS

PROVISIONS FOR RISKS AND CHARGES	Balance at 01.01.2006	Increase	Decrease	Balance at 31.12.2006
Provision for litigations (ii)	139,864,755	74,730,028	52,453,860	162,140,923
Provision for decommissioning expenses - Petrom (iii)	2,464,213,724	-	36,360,122	2,427,853,602
Provision for expenditure to be incurred on behalf of State (Note 1d)	1,205,061,584	96,380,429	57,257,480	1,244,184,533
Provision for retirement benefits (iv)	160,832,699	64,673,313	43,909,016	181,596,996
Provision for environmental expenditures (v)	315,509,218	6,342,000	102,249,844	219,601,374
Provision for restructuring (vi)	349,112,353	347,991,386	220,270,291	476,833,448
Other provisions for risk and charges (vii)	125,984,875	23,744,854	108,200,701	41,529,028
Total	**4,760,579,208**	**613,862,010**	**620,701,314**	**4,753,739,904**
OTHER PROVISIONS				
Provisions for clients (Note 5)	696,980,132	409,123,721	456,520,087	649,583,766
Provisions for depreciation of inventories (Note 10.3)	56,774,592	29,986,514	20,175,600	66,585,506
Provisions for impairment of fixed assets i(Note 1) and Note i) below	2,141,609,553	245,622,613	273,492,806	2,113,739,360
Provisions for depreciation of financial assets (Note 1c)	66,174,253	183,394,351	33,796,397	215,772,207
Total	**2,961,538,530**	**868,127,199**	**783,984,890**	**3,045,680,839**

2. PROVISIONS (continued)

(i) The net decrease in impairment provision during 2006 relates mainly to reversal of the impairment made in 2004 for Suplacu de Barcău cash generating unit. As at December 31, 2006, no impairment provision is required for this cash generating unit based on the net present value of future cash flows.

(ii) The Company monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and outside legal advisors. The Company has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

(iii) Decommissioning provisions were set up using the best possible estimate considering the applicable legislation. In determining those provisions management considered existing and future technologies that were expected to be used from the period when it was expected that the costs will be incurred.

In accordance with the latest provisions of Romanian accounting law (OMF 1752/2005), the decommissioning provision related to Company liability has not been reassessed, being only used for the decommissioning work done during the year. As at December 31, 2006, the decommissioning provision for Company liability is RON 2,427,853,602.

(iv) The Collective Labor Agreement between the Company and its employees provides that on retirement an employee will receive a one-off payment amounting to two to four month salaries according to the length of service. The collective labor agreement also provides that the Company will pay funeral expenses for the family members of the employees. Employees that have worked for more than 15 years in the oil industry are entitled to receive a payment of four monthly salaries. The Company assessed the accrual of post-employment obligations based on independent professional actuarial calculation.

(v) The environmental provision is estimated by the management based on the list of environment related projects that must be completed by the Company. The Company experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2006.

(vi) The Company embarked on a restructuring plan during the year 2005 and continued with this plan in 2006. In order to run the Company in the most effective and efficient manner, the Company's Board of Directors has approved this restructuring plan and the plan has been communicated.

(vii) Other risks and charges primarily relate to the provision for excises, VAT and other taxes related to the missing stock and alkylation unit.

(all amounts are expressed in RON, unless otherwise specified)

3. PROFIT ALLOCATION

	December 31, 2005	December 31, 2006
Net profit to be allocated	**1,416,422,558**	**2,285,490,203**
- legal reserve	81,041,772	125,912,590
- geological quota	300,000,000	1,144,126,663
- coverage of previous loss	296,960,860	-
- dividends	738,419,926	-
Profit not allocated	**-**	**1,015,450,950**

Allocation of the profit amounting to RON 738,419,926 to dividends has been approved by General Meeting of the Shareholders on April 25, 2006.

4. ANALYSIS OF OPERATING PROFIT

	December 31, 2005	December 31, 2006
1. Net turnover	**10,760,228,198**	**13,078,308,815**
2. Costs of goods sold and services rendered (3+4+5)	**7,963,347,524**	**9,331,447,345**
3. Operating activity expenses	6,001,368,261	7,032,400,854
4. Secondary activity expenses	1,226,224,873	1,436,889,800
5. Indirect production expenses	735,754,390	862,156,691
6. Gross profit due to net turnover (1-2)	**2,796,880,674**	**3,746,861,470**
7. Selling and distribution expenses	798,146,365	981,344,000
8. Administrative expenses	299,139,905	299,567,000
9. Other operating revenues	184,604,615	311,437,819
10. Operating profit (6-7-8+9)	**1,884,199,019**	**2,777,388,289**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES

Receivables	December 31, 2005	Liquidity term: Up to 1 year	Liquidity term: Over 1 year
Customers and similar accounts	1,451,040,640	1,449,829,411	1,211,229
Advances to suppliers	16,710,474	16,710,474	-
Sundry debtors	166,721,031	127,981,390	38,739,641
Advances to personnel	9,037,752	8,677,103	360,649
Interest receivable	21,909,452	21,909,452	
Other receivables	49,737,401	49,737,401	-
Provision for doubtful receivables*	(696,980,132)	(696,980,132)	-
VAT not due	150	150	-
Other taxes and similar accounts	127,324,528	127,324,528	-
Special funds – taxes and similar accounts	1,376,826	1,376,826	-
TOTAL	**1,146,878,122**	**1,106,566,603**	**40,311,519**

* Refer to Note 2 for movement in above provision.

Payables	December 31, 2005	Due term: Up to 1 year	Due term: Between 1-5 years	Due term: Over 5 years
Short term loans	464,793,583	464,793,583	-	-
Interest for loans	13,464,237	13,464,237	-	-
Suppliers and similar accounts	756,332,080	756,332,080	-	-
Advance payments from customers	18,470,562	18,470,562	-	-
Sundry creditors	21,241,727	21,241,727	-	-
Guarantees from suppliers	45,343,808	10,443,057	13,009,071	21,891,680
Employees rights	66,126,331	66,126,331	-	-
Contribution to social security	39,622,662	39,622,662	-	-
Contribution to unemployment fund	3,283,933	3,283,933	-	-
Contribution to special funds	8,630,392	8,630,392	-	-
Tax on salaries	9,674,584	9,674,584	-	-
Tax on profit	382,585,857	382,585,857		
VAT payable	5,546,844	5,546,844	-	-
Dividends to be paid	142,172,339	142,172,339	-	-
Other payables	288,528,350	288,528,350		-
TOTAL	**2,265,817,289**	**2,230,916,538**	**13,009,071**	**21,891,680**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

Receivables	December 31, 2006	Liquidity term: Up to 1 year	Liquidity term: Over 1 year
Customers and similar accounts	1,224,650,216	1,224,650,216	-
Advances to suppliers	55,647,432	55,647,432	-
Sundry debtors	431,730,972	427,299,686	4,431,286
Advances to personnel	7,153,255	7,153,255	-
Interest receivable	23,882,704	23,882,704	-
Other receivables	95,695,560	95,695,560	-
Provision for doubtful receivables *	(649,583,766)	(649,583,766)	-
VAT not due	65,409,184	65,409,184	-
Other taxes and similar accounts	68,232,674	68,232,674	-
Special funds- taxes and similar accounts	1,489,213	1,489,213	-
Loans granted to subsidiaries – short term portion	36,408,362	36,408,362	-
Total	**1,360,715,806**	**1,356,284,520**	**4,431,286**

* Refer to Note 2 for movement in above provision.

Payables	December 31, 2006	Due term: Up to 1 year	Due term: Between 1-5 ani	Due term: Over 5 years
Suppliers and similar accounts	1,208,727,735	1,188,303,858	20,423,877	-
Advance payments from customers	47,285,078	47,285,078	-	-
Sundry creditors	43,202,547	43,202,547	-	-
Guarantees from suppliers	15,737,973	14,020,838	1,717,135	-
Employees rights	60,724,148	60,724,148	-	-
Contribution to social security	36,051,412	36,051,412	-	-
Contribution to unemployment fund	2,369,509	2,369,509	-	-
Contribution to special funds	14,002,033	14,002,033	-	-
Tax on salaries	10,873,454	10,873,454	-	-
Tax on profit	1,646,812	1,646,812	-	-
VAT payable	34,819,411	34,819,411	-	-
Dividends to be paid	485,087,103	485,087,103	-	-
Other payables	318,843,552	318,843,552	-	-
Total	**2,279,370,767**	**2,257,229,755**	**22,141,012**	**-**

(all amounts are expressed in RON, unless otherwise specified)

5. RECEIVABLES AND PAYABLES (continued)

As at December 31, 2006, the Company does not have any loans from financial institutions.

Short term loans	**December 31, 2005**	**December 31, 2006**
Loans in currency		
BIRD II 3723 (a)	7,118,676	-
Eurobonds (a)	471,139,144	-
Total short term loans	**478,257,820**	**-**

(a) All loans were repaid during the year.

Short term loans

Petrom – Ministry of Finance – Subsidiary Loan Agreement no. 3723/June 1994

Lender	Ministry of Finances (MoF) under the Main Loan Agreement between MOF and IBRD for USD 175,600,000
Borrower	SC "Petrom" SA - Subsidiary Loan Agreement for USD 36,900,000
Value	USD 36,900,000
Purpose	Finance the acquisition of assets and/or services necessary to upgrade production units and environmental protection
Maturity	April 25, 2014 per contract but the management notified the Bank of their intention of pay earlier. Almost the entire loan was paid in 2005.
Interest	The interest rate is the cost qualified borrowings of the previous three months plus 0.5% per annum.
Repayments	As per agreement the repayments are half-yearly, began on 25 October 1999 and end on October 2014, and installments are due 15 days prior to the Ministry of Finance having to pay its installments to IBRD, according to the loan agreement dated June 1st 1994, between Romania and IBRD. In 2006 the remaining loan is expected to be paid.
Undrawn amounts	USD 0.00
Security	MoF
Comment	

5. RECEIVABLES AND PAYABLES (continued)

SHORT TERM LOANS

International Eurobonds issue – October 2, 2001

Managers	ABN Amro and ING Bank (Lead Managers), Alpha Bank, Caboto, HVB, NBG International, RZB Austria (co- managers)
Issuer	SC "Petrom" SA
Value	Euro 125 million
Purpose	The net proceeds of the issue of the bonds are to be used by Petrom for general corporate purposes.
Maturity	October 2, 2006
Interest	11.625% payable annually in arrears on October 2nd each year
Repayment	Bullet (October 2006)
Undrawn amounts	USD 0.00
Security	Unsecured
Comments	Redemption at the option of note holders: If at any time any of the following events occurs: (i) the government of Romania, acting directly or through any authorized institution, ceases to control the Issuer or no longer directly owns shares of the Issuer representing a majority of the nominal value of the issued share capital of the Issuer; or (ii) the Issuer ceases to be a producer of crude oil

6. ACCOUNTING PRINCIPLES AND METHODS

Accounting principles used for drawing up financial statements

The Company maintains its accounting records in Romanian Lei ("RON") and prepares its statutory financial statements in accordance with the Regulations on Accounting and Reporting issued by the Ministry of Finance in Romania. The Company prepared the financial statements for the year ended December 31, 2006 in accordance with Ministry of Public Finance Order no. 1752/ 2005 and with Accounting Law 82/ 1991 republished. MOF no. 1752/ 2005 adopts the accounting regulations given by 4th and 7th European Directives and supersedes MOF no. 1827/ 2003 and MOF no. 94/ 2001 which were applied until 31st December 2005.

Although starting with January 1, 2004, Romania ceased to be hyperinflationary economy, the beginning balances were not restated in accordance with IAS29 "Financial Reporting in Hyperinflationary Economies". This treatment was requested by Ministry of Public Finance Order no. 1872/ 2005.

Prior Year Restatements and Retained Earnings

Potential current period errors discovered in that period are corrected before the financial statements are authorized for issue. However, material errors are sometimes not discovered until a subsequent period, and these prior period errors are corrected retrospectively in the account "Retained earnings from correction of errors".

Geological quota

The Company benefits from geological quota facility whereby it can charge up to 35% of the market value of the volume of oil and gas extracted during the year. Starting with 2005, this facility was recognized directly in reserves without recording as an expense. This quota is restricted to investment purposes and is not distributable. The quota is non-taxable.

Currency used for presentation

Financial statements are presented in Romanian Leu (RON).

Use of estimates

The preparation of financial statements in conformity with Romanian Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. As discussed in Notes 1 and 2 the Company used best possible information and estimation available. Actual results could differ from those estimates.

Comparatives

Although starting January 2006 the statutory accounting framework has changed from MOF 94/2001 to MOF 1752/2005, the financial statements are presented on a comparable basis, except for decommissioning liability which has not been reassessed starting 2006. Please see Note 6 (v) for further details.

In order to comply with the MOF1752/2005 the following reclassifications were made for 2005 figures: rows 33 "Income from investments" and 35 "Income from other financial investments and receivables" from the Statement of Operations presented into 2005 were reclassified this year into row 35 "Income from investments"; row 37 "Income from interest" from the Statement of Operations presented into 2005 was reclassified this year into rows 37 "Income from other financial investments and receivables" and 39 "Income from interest.

In addition, revenues from investments and interest from group companies (row 36 and 40) have been presented also for 2005. Also, Note 4 "Analysis of Operating Profit" from 2005 has been modified in order to present provisions on a net basis comparable with 2006.

Property plant and equipment

(i) Cost/ Valuation

Property, plant and equipment is valued at cost, except for buildings which are stated at revalued amounts.

The cost of purchased fixed assets is the value of the consideration given to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to their present location and condition necessary for their intended use. The cost of produced assets includes cost of direct materials, labor, overheads and other directly attributable costs that have been incurred in bringing the assets to their present location and condition.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

The buildings have been revalued as at December 2006. Revaluations of buildings are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of such land and buildings is credited in equity to the properties revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in the carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued buildings is charged to profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognized.

The revaluation of the buildings recorded in December 2006 did not influence the fiscal book value of the assets and consequently the profit tax calculation for the year ended December 31, 2006.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognized in Statement of Operations.

Exploration and Appraisal Costs

Exploration and appraisal costs are accounted for on the successful efforts basis. Costs relating to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as capital work in progress oil and gas assets pending determination of the commercial viability of the relevant oil and gas properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon commencement of the production. The status of such prospects is reviewed regularly by executive management.

Development and Production Costs

Development costs including costs incurred to gain access to proved reserves and to prepare well locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as incurred. Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

(ii) Depreciation

Tangible and intangible assets are depreciated on a straight-line basis according to estimated useful life, from the moment they are put in function, except for the core items within the Exploration & Production segment which are depreciated using the unit of production method.

Useful lives used for different categories of tangible assets are as follows:

	Years
Property and plant	10 - 40
Machinery and equipment	5 - 20
Vehicles	5
Office equipment	5 – 10

Intangible assets

(iii) Intangible assets

Intangible assets that are acquired by the Company are stated at cost less accumulated amortization and impairment losses. They are depreciated on the estimated useful life.

(iv) Impairment of assets

Provision is made for the impairment of the Company's assets, other than deferred tax assets and financial assets, whenever the carrying value of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of its net selling price and value in use. Value in use of an asset is the present value of estimated future cash flows expected from the continuing use of an asset and from its disposal.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss, unless the asset is carried at revalued amount in accordance with another Standard (for example, in accordance with the revaluation model in IAS 16

Property, Plant and Equipment). Any impairment loss of a revalued asset shall be treated as a revaluation decrease in accordance with that other Standard.

(v) Provision for Decommissioning Costs

Decommissioning of oil and gas production assets describes the process of:

- plugging and abandoning wells;
- dismantlement of wellheads and production and transport facilities;
- restoration of producing areas in accordance with license requirements and the relevant legislation.

Until December 2005, a decommissioning provision was made for oil and gas installations in accordance with environmental regulations in force. These provisions were recorded in full at the commencement of oil and gas production. The amount recognized was the present value of the expenditures expected to be required to settle the obligation, determined in accordance with local conditions and requirements. A corresponding property, plant and equipment of an amount equivalent to the provision was also created. This was subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure was reflected as an adjustment to the provision.

Starting January 1st, 2006, changes in the amount of estimated expenditure are not recorded as an adjustment to the amount already capitalized. Decommissioning provision is only decreased with the amounts used for actual work performed. The change in accounting policy is applied prospectively as requested by MOF no. 1752/2005.

Based on the privatization agreement, part of the Company decommissioning cost will be reimbursed by the Romanian State. The portion of decommissioning provision to be reimbursed by the Romanian State has been reassessed in order to reflect the current best estimate of the cost at present value. A non-current receivable is established in respect of the reimbursement.

Inventories

Inventories are registered at the lower of cost and net realizable value. Cost is determined by first in first out method for all types of stocks. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and selling expenses. Appropriate provisions are made for any obsolete or slow moving stocks based on the management's assessments.

Receivables

Receivables are stated at their recoverable amounts. Doubtful debts are removed from the balance sheet when they are considered to be irrecoverable.

Contributions for employees

The Company pays contributions to the State Budget for social insurance, pension fund and unemployment fund according to the levels established by the legislation during the year. The value of these contributions is recorded in the income statement in the same period with corresponding salary expenses.

Tax on profit

The charge for current tax is based on the results for the year as adjusted for items, which are non-assessable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Operating leases

Leases are classified as operating leases whenever risks and rewards of ownership are not assumed by the Company. Rental payables under operating leases are charged to expenses on accrual basis over the term of the relevant lease.

Borrowing costs

All borrowing costs are recognized in the statement of operations in the period in which they are incurred.

6. ACCOUNTING PRINCIPLES AND METHODS (continued)

Revenue recognition

- Revenue for goods sold is recognized upon transfer of title of the goods to customers.
- Services revenue is recognized upon delivery of services.
- Interest income is recognized when due.

Provisions

Provisions are recognized where it is probable that expenditure will be required and liability will arise in the future as a result of a past transaction.

Operational expenses

Operational expenses are recorded as expenses within the period they occurred.

Foreign currency transactions

Foreign currency transactions are recorded at the exchange rate ruling on transaction date. Monetary assets and liabilities expressed in foreign currency are converted into RON at the exchange rate on the balance sheet date. At December 31, 2006 the exchange rate was RON 2.5676 to USD 1 and RON 3.3817 to EUR 1 (31 December 2005: RON 3.1078 to USD 1 to USD 1 and RON 3.6771 to EUR 1).

All differences resulting from foreign currency amounts settlements are recognized in profit and loss account in the year they occurred. Unrealized foreign exchange gains and losses related to monetary items are recognized in profit and loss account for the year.

Components of cash and cash equivalents

For the purpose of the Statement of Cash Flows, cash is considered to be cash on hand and in operating accounts in banks. Cash equivalents represent deposits and highly liquid investments with maturities of less than three months.

Long-term investments

Long term investments are carried at lower of cost and share of net assets of the investee or quoted market value of shares if available.

Retirement Benefit Costs

Past service cost is recognized immediately to the extent that the benefits are already vested, and otherwise is amortized on a straight-line basis over the average period until the benefits become vested. The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized past service cost, and as reduced by the fair value of scheme assets. Actuarial gains and losses are recognized in full in the period in which they occur as a provision for risks and charges.

Restructuring provision

A provision for restructuring is recognized in when the entity has a detailed formal plan for the restructuring of a part of the business and has raised valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it.

Available-for-sale financial assets

Available-for-sale financial assets represent investments intended to be held for an undetermined period of time, which may be sold for liquidity purposes due to changes in interest rates, exchange rates and equity prices. They are initially recorded at cost and are subsequently measured at fair value without any deduction for transaction costs that may be incurred on sale or disposal. Gains and losses resulting from subsequent measurement are recognized in equity until the financial asset is derecognized, at which time the cumulative gain or loss previously recognized in equity is recycled to the Income Statement

Segmental reporting

The Company has vertical integrated activities and presents the following reportable segments: E&P, refining, marketing and chemicals. The pricing of inter-segment transfer is based on market price for various types of products transferred between segments. As a result, the Earnings Before Interest and Taxes per segments presented in Note 10.8 reflects the results of each segment based on the transfer price. Financial assets have been presented according to their nature of activity.

(all amounts are expressed in RON, unless otherwise specified)

7. SHARES AND BONDS

SHARE CAPITAL

The total share capital amounts to RON 5,664,410,834, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share.

	December 31, 2005	December 31, 2006
As at January 1 (no of shares)	56,000,506,078	56,000,506,078
Share issued	-	643,602,257
As at December	**56,000,506,078**	**56,644,108,335**

Shareholder Structure as at December 31, 2005

	No. of shares	Percent
OMV Aktiengesellschaft	28,560,258,100	51.00%
Ministry of Economy and Commerce	22,814,847,516	40.74%
European Bank for Reconstruction and Development	1,134,494,321	2.03%
Legal entities and physical persons	3,490,906,141	6.23%
Total	**56,000,506,078**	**100.00%**

Shareholder Structure as at December 31, 2006

	No. of shares	Percent
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy and Commerce	17,481,773,996	30.86%
Fondul Proprietatea SA	5,600,050,608	9.89%
European Bank for Reconstruction and Development	1,147,770,061	2.03%
Legal entities and physical person	3,520,046,256	6.21%
Total	**56,644,108,335**	**100.00%**

The Ordinary General Meeting of Shareholders on November 22, 2005 decided to increase the share capital in 2006 with shares to be subscribed between January 9 – February 9, 2006, due to land ownerships obtained as per HG 834 / 1999.

In 2006 the share capital increased through the incorporation of land owned by the State for which the Company obtained title deeds in amount of RON 26,697,709 and through cash contribution made by the other shareholders amounting to RON 37,662,517.

(all amounts are expressed in RON, unless otherwise specified)

7. SHARES AND BONDS (continued)

BONDS

On October 2, 2001, the Company issued bonds amounting to EUR 125 million with maturity on October 2, 2006. The bonds bear interest of 11.625% p.a. and were listed at Luxemburg Stock Exchange.

As at December 31, 2005, Company liability related to bonds is as follows:

Principal liability	457,674,907
Interest accrued as at December 31, 2005	13,464,237
Total	**471,139,144**

Bonds were fully reimbursed in 2006 at their maturity date.

8. INFORMATION REGARDING EMPLOYEES, ADMINISTRATORS AND MANAGERS

The average number of employees during 2005 and 2006 and related salaries as follows:

	No. of employees in 2005	Salaries in 2005	No. of employees in 2006	Salaries in 2006
Administrators and directors	37	4,425,857	42	6,162,872
Direct and administrative employees	48,408	1,143,541,778	38,150	1,318,698,285
Total	**48,445**	**1,147,967,635**	**38,192**	**1,324,861,157**

(all amounts are expressed in RON, unless otherwise specified)

9. EXAMPLES OF COMPUTATION AND ANALYSIS FOR MAJOR FINANCIAL INDICATORS

	2005	2006
Liquidity ratios		
Current assets	3.23	2.82
Acid test	2.56	2.17
Risk ratios		
Gearing	0.32%	0.18%
Interest cover	31.12	66.95
Operational ratios		
Stock turnover – day	44	37
Days in receivables – days	28	28
Days in payables – days	16	21
Total assets turnover	0.60	0.67
Profitability ratios		
Return on capital employed (%) ROCE	16.16%	20.93%
Earnings per share (RON)	0.0253	0.0405
Gross margin (%)	15.64%	19.47%

10. OTHER INFORMATION

10.1. Nature of activity

The Company is located at Calea Dorobanti no 239, sector 1 Bucuresti, Romania. The Company was set up according to the Government Ordinance no.49/ oct.1997, modified by Law no.70/ April 1998 and includes the following segments: exploration and production, refining, chemicals and marketing.

The Company has activities in exploration and production, refining, gas distribution, petrochemicals and marketing and also has operations in Kazahstan. The Company is listed on Bucharest Stock Exchange.

10.2. Cash and bank accounts

	December 31, 2005	December 31, 2006
Bank accounts	4,497,232,958	3,442,643,220
Petty cash	1,718,145	6,394,049
Treasury advances	351,109	796,058
Other values	658,134	1,192,354
Total	**4,499,960,346**	**3,451,025,681**

As at December 31, 2006 the bank accounts in foreign currency represented 13% of the total bank accounts of the Company.

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.3. Inventories

	December 31, 2005	December 31. 2006
Raw materials and materials	420,692,380	488,058,531
Small tools	35,652,466	22,543,681
Finished goods	185,422,759	152,031,741
Work in progress	188,314,349	227,955,486
Goods purchased for resale	245,518,988	236,752,670
Packaging and other	1,165,756	2,095,831
Materials at third parties	133,645,240	259,507,216
Products at third parties	151,946,522	84,385,189
Goods purchased for resale at third parties	123,155,869	18,814,937
Provision for inventories*	(56,774,592)	(66,585,506)
Advances for stocks	55,390,491	39,568,843
Total	**1,484,130,228**	**1,465,128,619**

* Refer to Note 2 for movement in above provision.

10.4. Earning per share

Calculations of earnings per share are based on the following data:

	December 31, 2005	December 31, 2006
Net profit for the year	1,416,422,558	2,285,490,203
Weighted average of ordinary shares during the year	56,000,506,078	56,429,574,249
Basic earnings per share – RON	**0.03**	**0.04**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.3. Related Parties Transactions and Balances

During 2006, the Company had the following purchases transactions with related parties:

Related party suppliers

	Transactions	Balance
OMV Aktiengesellschaft	10,241,344	377,664,541
OMV Bulgarien Ltd.Sofia	1,557,531	1,531,059
OMV Deutschland GmbH	25,788	1,336
OMV Exploration & Production GmbH	31,023,679	2,559,027
OMV GAS GmbH	1,697,842	77,174
OMV Gas International GmbH, Wien	681,940	681,940
OMV Refining & Marketing AG	52,651,412	7,778,316
OMV Slovenija d.o.o	-	308
OMV Solutions Gmbh (OMV Service Netzwerk GesmbH)	11,995,894	3,389,833
OMV Supply & Trading AG	3,064,770,906	241,490,398
SC OMV România Mineraloel SRL	16,277,500	8,810,755
SC AVIATION PETROLEUM	5,461	5,461
SC MP PETROLEUM DISTRIBUTIE	2,211,074	1,989,271
TASBULAT OIL CORPORATION LLP.	548,447	-
RAFISERV ARPECHIM	186,803,503	32,391,412
RAFISERV PETROBRAZI	113,032,455	31,143,358
PETROGAS	1 1,460	-
PETROM AVIATION Otopeni-Ilfov	74,416	72,593
PETROM GAS SRL București	29,989,765	-
PETROM MOLDOVA	131,375	-
PETROM NADLAC SRL Nădlac	183,739	40,666
ACETILENA BRAZI SRL Brazi	169,031	2,005
AIR TOTAL ROMÂNIA S.A.	1,860	249
AMI Agrolinz Melamine International GmbH	254,455	-
BEYFIN GAZ SRL	127,995	20,551
BUTAN GAS ROMÂNIA SRL București	643,130	31,006
CONGAZ SA Constanța	172,043	7,621
FONTEGAS - PECO SA Mehedinți	41,765	12,979
FRANCIZA PITEȘTI	695,026	99
LINDE GAZ BRAZI SRL Brazi	5,238,052	778,992
LINZER AGRO TRADE S.r.l. Bukarest	1,446,135	-
MOL Hungarien Oil and Gas PLC	1,461,200	-

(all amounts are expressed in RON, unless otherwise specified)

Related party suppliers

	Transactions	Balance
OZTYURK MUNAI	351,954	-
Petrochemie Sub-Holding Gmbh	14,138,202	-
POLIFLEX ROMÂNIA SRL Brazi	15,137	9,365
SHELL GAS ROMÂNIA	857,892	91,684
M-I PETROGAS SERVICES ROMÂNIA SRL București	35,484,100	4,710,822
TOTAL	**3,585,013,508**	**715,292,821**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.5. Related Parties Transactions and Balances (continued)

During 2006, the Company had the following sales transactions with related parties:

Related party receivables

	Transactions	Balance
OMV - JUGOSLAVIJA d.o.o.	128,039,669	7,185,010
OMV Bulgarien Ltd. Sofia	499,306,625	36,805,586
OMV Slovenija d.o.o	11,592,695	-
SC OMV România Mineraloel SRL	1,281,318,590	100,453,192
SC AVIATION PETROLEUM	33,017,201	6,972,421
SC MP PETROLEUM DISTRIBUȚIE	24,227,242	12,640,946
TASBULAT OIL CORPORATION LLP.	8,951,442	8,765,237
RAFISERV ARPECHIM	5,617,818	965,359
RAFISERV PETROBRAZI	2,511,247	45,324
PETROGAS	6,145	23,580
PETROM AVIATION Otopeni-Ilfov	170,247,160	11,820,051
PETROM GAS SRL București	122,843,064	25,735,138
PETROM MOLDOVA	116,971,883	5,949,507
PETROM NĂDLAC SRL Nădlac	32,228,309	1,328,902
ACETILENA BRAZI SRL Brazi	132,738	1,632
AIR TOTAL ROMÂNIA S.A.	77,742,868	8,382,843
BEYFIN GAZ SRL	1,685,782	-
BUTAN GAS ROMÂNIA SRL București	50,278,208	1,462,270
CONGAZ SA Constanța	20,014,443	-
FONTEGAS - PECO SA Mehedinți	509,668	-
KOM MUNAI	19,916,164	895,083
LINDE GAZ BRAZI SRL Brazi	3,621,841	307,896
LINZER AGRO TRADE S.r.l. Bukarest	7,359,819	4,650,057
OZTYURK MUNAI	1,092,075	300,355
POLIFLEX ROMÂNIA SRL Brazi	2,493,161	-
ROBIPLAST CO SRL București	76,711	-
ROMEXTERA	387,363	-
SHELL GAS ROMÂNIA	81,108,226	3,646,835
TOTAL	**2,703,298,157**	**238,337,224**

(all amounts are expressed in RON, unless otherwise specified)

10. OTHER INFORMATION (continued)

10.6. Legal reserves

At December 31, 2006 the legal reserve amounted to RON 292,550,780 (December 31, 2005: RON 166,638,190). The legal reserve is established as a transfer of net income up to 5% of gross profit but no more than 20% of share capital. Legal reserve cannot be distributed to the shareholders but can be utilized by the Company in accordance with relevant regulations.

10.7. Tax on profit calculation

	December 31, 2005	December 31, 2006
Revenues	12,851,224,090	13,933,034,987
Expenses	11,167,800,882	11,386,868,014
Gross profit	**1,683,423,208**	**2,546,166,973**
Deductions	(1,569,700,265)	(2,487,345,155)
Non-deductible expenses	1,837,278,812	1,914,127,795
Fiscal depreciation for fixed assets	(795,153,938)	(768,670,107)
Accounting depreciation for fixed assets	704,452,973	762,648,366
Other taxable elements	51,816,409	24,022,095
Other non taxable elements	(139,679,191)	(292,925,166)
Taxable profit	**1,772,438,008**	**1,698,024,801**
Preliminary tax on profit	283,590,081	271,683,968
less sponsorship expenses	(16,589,431)	(11,007,198)
Income tax due	**267,000,650**	**260,676,770**

(all amounts are expressed in RON, unless otherwise specified)

10, OTHER INFORMATION (continued)

10.8. Segmental reporting

	E&P	Refining	Chemicals	Marketing	Intersegmental elimination	Total
Revenue						
External Sales	1,923,330,863	6,266,202,246	363,446,094	4,525,329,612	-	**13,078,308,815**
Inter-segment Sales	7,272,644,678	3,601,956,904	51,965,210	-	(10,926,566,792)	**-**
Other revenues	203,696,237	9,448,234	2,628,590	121,707,706	-	**337,480,767**
Total Revenue	**9,399,671,778**	**9,877,607,384**	**418,039,894**	**4,647,037,318**	**(10,926,566,792)**	**13,415,789,582**
Total Expenses	**5,537,945,510**	**10,662,885,513**	**366,734,075**	**4,997,402,987**	**(10,926,566,792)**	**10,638,401,293**
EBIT	**3,861,726,268**	**(785,278,129)**	**51,305,819**	**(350,365,669)**	**-**	**2,777,388,289**
Financial loss						**(231,221,316)**
Income tax						**(260,676,770)**
Net Result						**2,285,490,203**
Other information						
Capital expenditure - Tangibles and intangibles	1,301,276,680	309,116,579	5,664,620	307,084,162	-	**1,923,142,041**
Capital expenditure - Investments	334,217,911	26,090,474	-	653,819,382	-	**1,014,127,767**
Depreciation and amortization	642,759,704	92,868,634	155,056	110,889,256	-	**846,672,650**
Impairment (gain)/ loss, net	(36,242,315)	(714,285)	(16,195,335)	25,281,742	-	**(27,870,193)**
Balance Sheet						
Segment tangibles and intangibles assets	6,463,652,011	1,113,682,004	293,727	983,840,873	-	**8,561,468,615**
Segment financial assets	3,445,152,875	29,761,532	-	1,056,521,730	-	**4,531,436,137**

10. OTHER INFORMATION (continued)

10.9. Commitments and guarantees

Commitments

As at December 31, 2006 the total commitments amount is of RON 973,296,000 related to acquisition of property, plant and equipment for all segments, mainly for E&P.

10.10. Contingent liabilities

Litigations

The Company is and may become party in some lawsuits in front of different courts and governmental agencies, involving contractual aspects, tax and duties and other aspects. As presented in Note 2 the Company booked a provision for certain potential liabilities related on-going litigation.

Tax system

In Romania are a number of agencies that are authorized to conduct audits (controls) of Romanian companies as well as of foreign companies doing business in Romania. These controls are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the applicable agency may be interested. In addition, the agencies conducting these controls appears to be subject to significantly less regulation and the company under review appears to have significantly less safeguard than is customary in many countries. It is likely that the Company will continue to be subject to controls from time to time for violations and alleged violations of existing and new laws and regulations. Although, the Company can contest the allegations of violations and resulting penalties when management believe there is cause to do so, the adoption or implementation of laws or regulations in Romania could have a material effect on the Company.

10.11. Audit fees

The fee for the audit of the financial statements for the year ended December 31, 2006 prepared in accordance with OMF 1752/2005 was of EUR 45,000.

10.12. Market risk

The financial assets, which could lead the Company to an exposure credit risk, mainly consist of receivables (customers and assimilated receivables). Given the big number of Company's customers, the credit risk is quite limited.

10.13. Foreign exchange and inflation risk

The Company undertakes transactions denominated in other currencies, including US Dollars. The official inflation rate in Romania, during the year ended December 31 2006 was under 10% (respectively 6.56%) as provided by the National Commission for Statistics of Romania. The cumulative inflation rate for the last 3 years was under 100%. This factor, among others, led to the conclusion that Romania is not a hyperinflationary economy starting with January 1, 2004. The official exchange rates for the years ended December 31, 2005 and 2006 were RON 3.1078 and RON 2.5676 for 1USD.

10.14. Interest rate risk

The Company has a variable and a fix interest rate for short-term facilities (see Note 5).

10.15. Credit risk

In the normal course of its business, the Company incurs credit risk from trade debtors and on funds deposited at the financial institutions. Management closely monitors its exposure to credit risk on a regular basis.

The Company believes that it does not require any further collateral or security to support the financial instruments due to the quality of the financial institutions dealt with.

10.16. Subsequent events

No significant events subsequent to the balance sheet date.

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