

**Supervisory Board Report
on S.C. OMV PETROM S.A.'s separate
Financial Statements prepared in accordance with
Ministry of Finance Order no. 1286/2012**

In 2013, the Supervisory Board thoroughly reviewed the position and prospects of the OMV Petrom S.A. ("OMV Petrom" or the "Company"), and performed its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We supervised the Executive Board on the management of OMV Petrom S.A., monitored its work and we were involved in the Company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

The Supervisory Board received detailed information, both verbally and in writing, on issues of fundamental importance for the Company, including its financial position, business strategy, planned investments and risk management. We discussed all transactions significant for OMV Petrom in the plenary meetings, based on the reports of the Executive Board.

The separate financial statements and audit report were presented for Supervisory Board examination in a timely manner. Ernst & Young audited the 2013 separate financial statements, reviewed the conformity of the Directors' Report with the separate financial statements and issued unqualified audit opinions. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the separate financial statements with the auditors and examined them carefully. The Audit Committee reported to the Supervisory Board on its examination and recommended the approval of the annual separate financial statements, including the management report.

We have also reviewed and analyzed the attached Report of the Executive Board (Directors' Report) presented as Appendix 1 which gives a true and fair view of the development and performance of the business and the financial position of OMV Petrom, together with a description of the principal risks and associated uncertainties as of December 31, 2013.

Hence, the separate financial statements prepared in accordance with Ministry of Finance Order no. 1286/2012 were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for approval in the General Meeting of Shareholders to be held on April 29, 2014.

Bucharest, March 25, 2014

Gerhard Roiss

President of the Supervisory Board



Appendix 1

Directors' Report on S.C. OMV PETROM S.A.'s separate Financial Statements prepared in accordance with Ministry of Finance Order no. 1286/2012 and in compliance with the Regulation no.1/2006, Appendix 32, issued by the National Securities Commission

Overview of the Company's nature

The Company's headquarters is located at Coralilor Street no. 22, sector 1 Bucharest, Romania. The Company was set up according to the Government Ordinance no.49/Oct 1997, approved by Law no. 70/April 1998. The Company is registered with the Trade Register under number J40/8302/1997 and has as unique fiscal registration code RO1590082. The Company has as main activities in exploration and production of hydrocarbons and related services, refining and marketing, and gas and power. Petrom unfolds its activity either directly or through its affiliates in Romania, Kazakhstan (only Exploration and Production) and Bulgaria, Serbia and Republic of Moldova (only Marketing).

A 9.36% stake of the Company's shares is free float, traded on the first tier of Bucharest Stock Exchange, under SNP symbol. Market capitalization as of December 30, 2013 was RON 26,611,402,096.

The Company is the parent of Petrom Group ("the Group"). The annual consolidated financial statements are prepared by the Company in accordance with International Financial Reporting Standards (IFRS) as endorsed by European Union (EU). Separate individual financial statements for the year ended December 31, 2013 are also prepared in accordance with IFRS, as the Ministry of Finance Order (MOF) no. 1286/2012 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by EU, starting with the year ended December 31, 2012. In its turn, the parent Company OMV Petrom S.A. is part of the OMV Group which prepares consolidated financial statements at the level of OMV Aktiengesellschaft, which has its registered office at Trabrennstrasse 6-8, 1020 Vienna, Austria. These annual consolidated financial statements (both the Group's and Subgroup's) are public and may be obtained from the companies' websites, i.e. www.omv.com and www.petrom.com.

OMV Petrom S.A. ("Petrom") has vertical integrated activities and presents the following reportable segments: Exploration and Production (E&P), Gas and Power (G&P), Refining and Marketing (R&M), Corporate and Other.

The total share capital amounts to RON 5,664,410,833.50, representing 56,644,108,335 shares with a nominal value of RON 0.1 per share. Following the restatement adjustment in accordance with OMF 1286/2012, the carrying value of the share capital as at December 31, 2012 amounted to RON 18,983,366,110, the difference of RON 13,318,955,276.50 representing inflation adjustment, as Romania was a hyperinflationary economy until January 2004. During 2013, the Company used this inflation adjustment to cover the related accumulated loss. This was approved at the General Meeting of the Shareholders held on April 22, 2013. As a consequence, as at December 31, 2013, the carrying value of the share capital equals its nominal value.

The shareholders' structure as at December 31, 2013 is presented below:

	<u>No. of shares</u>	<u>Percent</u>
OMV Aktiengesellschaft	28,894,467,414	51.01%
Ministry of Economy	11,690,694,418	20.64%
Property Fund S.A.	10,758,648,186	18.99%
Legal entities and individuals	<u>5,300,298,317</u>	<u>9.36%</u>
Total	<u>56,644,108,335</u>	<u>100.00%</u>

1. Analysis of the company's activity

1.1. a) The activity developed or which is to be developed by the company and its subsidiaries.

Petrom develops the following main activities:

- The exploration and production of crude and natural gas on fields located onshore and offshore;
- Emergency works, commissioning and repair of wells;
- Crude refining;
- The distribution, transport, storing, marketing, bunkering of ships and the supply of airships with crude oil products;
- Wholesale and retail trade in merchandise and miscellaneous products;
- The import and export of crude, petroleum products, petrochemicals and chemicals, equipment, machines and specific technologies;
- Production, transmission, distribution, trade of electricity;
- Medical and social activity for its own employees and third parties;
- Other activities established and detailed in the Constitutive Act of the company.

The detailed structure of the consolidated companies in Petrom Group at December 31, 2013 is presented in annex a) to the current report.

b) The date when the company was established

The company was established on October 27, 1997 and began its activity as of November 1, 1997, as per the Emergency Ordinance no. 49/1997 approved through Law no. 70/1998 under the name of S.N.P. Petrom S.A. (SNP – Societatea Nationala a Petrolului/ National Oil Company). In the General Extraordinary Meeting of Shareholders dated September 14, 2004 the change of the company's name from SNP Petrom SA to S.C. Petrom S.A. was approved.

Starting January 1, 2010, the company name is OMV Petrom S.A., based on the Resolution of the Extraordinary General Meeting of Shareholders dated October 20, 2009. The Company's brand and logo remain unchanged.

c) Mergers or significant reorganizations of the company, the subsidiaries or the companies controlled achieved during the financial year.

Not applicable.

d) Asset acquisitions and/or alienation

The sale of Petrom LPG S.A. subsidiary was closed on January 7, 2013.

During Q4/13, OMV Petrom S.A. sold its 99.99% interest in the subsidiary Petrom Distribuție Gaze SRL.

During Q3/13 and Q4/13, OMV Petrom S.A. acquired from OMV Exploration & Production GmbH the companies OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH.

e) Overview of the main results of the company

In 2013, Petrom continued to successfully deliver on its strategic objectives across all business segments.

In E&P, 2013 was the first year of production increase in Romania since privatization, the daily average equivalent production has reached 171.4 kboe/d, compared to 170.5 kboe/d in 2012. Petrom produced in Romania 3.98 mn t crude oil including condensate and 5.19 bcm natural gas, the equivalent of 62.5 mn boe total oil and gas. In 2013, the average crude oil production was 78.4 kboe/d, slightly higher compared to the level recorded during 2012, as the intensive drilling and workover programs counterbalanced the production natural decline.

The domestic gas production was 92.9 kboe/d, slightly higher than last year due to the results of workover at Totea fields and successful offshore workover campaigns.

The good results of the production optimization initiatives successfully counterbalanced the natural decline of some key fields. LTIR (lost time injury rate) in E&P significantly improved to 0.48, a level which is in line with international benchmark.

As part of Petrom's exploration focus, both shallow and deep water exploration continued in the Black Sea, with extensive 3D seismic campaigns finalized mid-year. The 3D seismic coverage of exploration acreage in Romania reached 73% (weighted average for onshore and offshore). In addition, Petrom signed a farm-out agreement with Repsol for the exploration of some onshore blocks.

As of December 31, 2013 the total proved oil and gas reserves in Petrom's portfolio amounted to 707 mn boe, while the proved and probable oil and gas reserves amounted to 977 mn boe, in Romania.

In G&P segment, Petrom managed to maintain a strong position in the Romanian gas market, supplying more than one-third of Romania's estimated gas consumption in 2013. In the power business, 2013 was the first full year of commercial operations at the Brazi power plant, which achieved a net availability of 90%, contributing with almost 5% to Romania's electricity production and 9% to the national balancing market.

In R&M segment, the modernization program of Petrobrazi continued in 2013, with the commissioning of the coker upgrade, a new gas desulfurization and sulfur recovery unit (DGRS) as well as a new hydrogen plant, with a positive impact on energy efficiency and environment. The refinery utilization rate reached 90%, the highest level since privatization, while energy consumption continued to improve. The program of optimizing the fuels terminals in Romania further progressed with the revamp of the Bacau asset.

In Marketing, the Group's market share was maintained in the retail business in the operating region, while in Romania retail sales volumes stabilized for the first time since 2009. Commercial sales reflected a negative trend in all products except gasoline. Marketing campaigns focused on increasing brand awareness and customer loyalty.

1.1.1. General evaluation elements

Item, RON mn	2011 ^{*)}	2012	2013
Net profit	3,730	3,851	4,839
Net turnover	16,184	19,123	18,088
Operating result (EBIT)	4,660	5,068	5,332
Operating expenses	11,899	14,199	13,001
Liquidity (cash and cash equivalents)	567	557	1,083

**) Restated figures according to MOF 1286/2012*

In 2013, Petrom generated a strong operating result (EBIT) of RON 5,332 mn, 5% above previous year's level, triggered by supportive crude price environment, higher contribution from refining, strict overall cost management and decrease of operating expenses by 8% compared to 2012.

The net profit increased by 26% to RON 4,839 mn, being positively influenced by strong operational performance and by the significant improvement in the net financial result. Please see section 5 for a detailed analysis of the financial statements.

1.1.2. Evaluation of the company's technical expertise

a) Main products and services

As Petrom is an integrated oil and gas company, covering the full chain of upstream and downstream activities, the number of products can be grouped into the following categories representative for the company's activity:

- Crude oil;
- Natural gas;
- Petroleum products: gasoline, diesel, kerosene, heavy fuel oil, LPG;
- Electricity.

b) Main outlets for each product or service and the distribution methods

Petrom is present on relevant markets as a producer and supplier of crude oil and natural gas, petroleum products and electricity.

- **Crude:** Petrom accounts for almost the entire oil production in Romania which is mainly delivered to its own refinery - Petrobrazi; the crude transportation is handled by state owned company Conpet.
- **Natural gas:** Petrom accounts for approximately half of the gas production in Romania. A small part of the natural gas produced by Petrom is used in E&P activity. The remaining volume is partly delivered to internal consumers (like the Brazi power plant), while most of it is placed on the market. For the delivery of the natural gas, Petrom uses the national pipeline system of Transgaz and also its own network. In 2013, Petrom supplied more than one third of Romania's total estimated gas consumption.
- **Petroleum products:** These products are sold to both Romanian and international markets. The company uses both retail and wholesale distribution channels, directly or through affiliates, to sell its refined products. The Group's retail supply channel consists in a network of 785 fuel filling stations, both in Romania (with 545 operating filling stations at end of 2013) and in the neighboring countries: Bulgaria, Serbia and the Republic of Moldova. Petrom Group total Romanian market share stood at 34% in 2013 while the overall market share in the operating region reached 26%.
- **Electricity:** Petrom sells the electricity it produces on platforms managed by OPCOM S.A. (the electricity market operator), on the regulated market, as well as to final clients. In 2013, Petrom had a 9% contribution to the balancing market.

c) Overview of the turnover of the company in the last three years and analysis of various revenues types

The majority of Petrom's revenues resulted from the sale of petroleum products. The Company's net turnover in 2013 decreased by 5% to RON 18,088 mn compared to 2012, mainly due to lower crude and petroleum sales which more than offset higher sales of electricity.

The weight of each revenue category in total revenues is presented in the table below:

Item	Total value – RON mn			Percentage in revenues		
	2011 ^{*)}	2012	2013	2011 ^{*)}	2012	2013
Operating revenues ¹	16,558	19,267	18,333	95	97	95
thereof Turnover	16,184	19,123	18,088	-	-	-
Financial revenues	803	598	938	5	3	5
TOTAL	17,361	19,865	19,271	100	100	100

Figures in this and the following tables may not add up due to rounding differences.

¹ the difference to turnover represents other operating income.

**) Restated figures according to MOF 1286/2012*

d) New products

Not applicable.

1.1.3 Evaluation of the provision of technical and material resources (domestic and imports)

Petrom is processing domestically produced crude oil in its Petrobrazil refinery in order to obtain petroleum products. During 2013 Petrom did not acquire imported crude.

1.1.4. Overview of the sale activity

A breakdown of turnover per each business segment is presented in the table below:

Turnover per segments of activity, RON mn	Year ended December 31		
	2011 ^{*)}	2012	2013
Exploration and Production	108	113	142
Gas and Power	2,290	2,583	3,303
Refining and Marketing	13,630	16,276	14,475
Corporate and Other	155	150	167
Total	16,184	19,123	18,088

Turnover per segments refers to sales to third parties (excluding inter-segmental sales).

**) Restated figures according to MOF 1286/2012*

The Company's **turnover** in 2013 decreased by 5% to RON 18,088 mn compared to 2012, mainly driven by lower quantities of crude oil and petroleum products in R&M, while G&P sales increased by 28%, as 2013 was the first full year of commercial operation of Brazil Power Plant.

As the Company's business model envisages the usage of several sales channels and subsidiaries we also present the turnover breakdown at Petrom Group level:

Group turnover per segments of activity, RON mn	Year ended December 31		
	2011	2012	2013
Exploration and Production	571	920	1,108
Gas and Power	3,191	3,696	3,880
Refining and Marketing	18,795	21,587	19,128
Corporate and Other	56	55	70
Total	22,614	26,258	24,185

Group turnover per segments refers to sales to third parties (excluding intra-group sales).

a) Sales evolution and outlook

The figures in the table below reflect Petrom Group total sales of fuels, gas and electricity output.

Products	Year ended December 31			Changes in %		
	2011	2012	2013	13/12	13/11	12/11
Total refined product sales (kt)	5,234	5,004	5,222	4.3	(0.2)	(4.4)
<i>thereof Marketing sales (kt)</i>	4,066	3,829	3,617	(5.5)	(11.0)	(5.8)
Gas sales (mn cbm)	5,055	4,841	4,893	1.1	(3.2)	(4.2)
Total net electrical output (TWh) ¹	0.3	1.7	2.9	71	n.m.	466

¹ It includes net electrical output generated by the power plants during commissioning phase. The Dorobantu wind park commenced commercial operations on October 1, 2011 and the Brazi power plant – on August 1, 2012.

The turnover of the marketing business reflected the oil price environment, stable retail volumes and lower commercial sales. Petrom Group's total marketing sales amounted to 3,617 kt in 2013, 6% lower compared to 2012, driven mainly by lower commercial sales due to unfavorable market conditions.

Group retail sales were similar to the level of the previous year, reaching 3,108 mn liters, as higher sales volumes in Bulgaria were partially offset by decreased volumes in Serbia. Retail sales in the domestic market reached 2,405 mn liters in 2013, in line with last year.

Group commercial sales amounted to 1,138 kt, 15% lower against 2012, with lower volumes in all products except gasoline. In Romania, commercial volumes stood at 625 kt, 27% below the previous year's level (2012: 857 kt). To a relatively large extent, the decrease is attributable to the Petrom LPG divestment, which was completed in January 2013 but also due to portfolio optimization. To counter balance the decline in sales, tailor-made concepts were optimized for the agricultural, mining and construction sectors, as well as for the road and sea transport business.

Petrom Group's **gas** sales volumes slightly increased, by 1%, compared to 2012, driven by the integrated gas supply to the gas fired power plant Brazi.

Petrom Group's net electricity output volumes totaled 2.9 TWh in 2013, 71% higher versus 2012. 2013 was the first year of full operations at the Brazi power plant, which was brought on-stream in August 2012.

In 2014, **fuel products** volumes are expected to be further challenged by high price levels for international crude and oil products and the marginal economic recovery in our operating region and fiscal measures. In the local **gas and power** markets, demand is expected to further decline.

b) Company's market share. Main competitors

With daily hydrocarbon production rates of 171 kboe/d and an oil/gas split of roughly 45%/55% in 2013, Petrom accounts for almost the entire crude oil production and for approximately half of the gas production in Romania.

The estimated Romanian gas consumption was 12.5 bcm in 2013, covered from both domestic and import gas. Petrom supplied more than one-third of Romania's total estimated gas consumption in

2013. The national domestic gas production was ensured mainly by Romgaz and Petrom. Relatively small volumes were also provided by other private operators like Amromco, Rafless Energy and Foraj Sonde. The main providers of import gas were: WIEE Romania, GDF Suez Energy Romania, E.ON Energie Romania, Romgaz etc. Petrom also placed import gas volumes on the market.

According to data published by the National Institute of Statistics, the Romanian gross electricity production was 58 TWh, while the electricity consumption amounted to 56 TWh. In 2013, Romania was a net exporter of electricity. The main power generators in 2013 were: Hidroelectrica, Nuclearelectrica, Complexul Energetic Oltenia (Turceni, Rovinari, Craiova). The thermal power stations covered 46% of the total national electricity production, the hydropower stations – 26%, the nuclear-electric plants – 20%, while the wind parks – 8%. The Brazi power plant covered almost 5% of Romania's electricity production in 2013.

The Romanian refining sector consists of ten refineries. Six of them are not operational: Astra, Darmanesti, Petrolsub, Steaua Romana (Omnimpex Chemicals), Rafo (Balkan Petroleum) and Arpechim. The rest of four refineries: Petrobrazi (owned by Petrom), Petromidia and Vega (Romp petrol – majority owned by Kaz Munay Gas), Petrotel (Lukoil), have a total operational capacity of approximately 12 mn tons. In 2013, the refineries processed a total quantity of approximately 9.3 mn tons of crude, according to the data provided by the National Institute of Statistics (NIS).

In Marketing, total Romanian market share (retail and commercial sales) decreased compared with 2012, to 34% (2012: 36%) mainly as a result of commercial business and product portfolio optimization. Margins remained under pressure, due to the high crude price environment.

c) Description of any significant dependency of the company on a single customer or on a group of customers whose loss would have a negative impact on the company's income

Given the wide range of products, Petrom has a large base of customers. Therefore, there are no clients which can materially affect the activity of the Company.

In addition, as a member of OMV Group, Petrom has broadened its customers' base with some of the affiliated companies within the Group. Transactions with affiliated companies are made on arm's length basis and are reported to the Bucharest Stock Exchange and Financial Supervisory Authority (ASF) as per latter's requirements.

1.1.5. Evaluation of issues related to the company's employees/staff

a) The number and the expertise of the company's employees.

The average number of employees, calculated as average of the headcount of 12 months number of employees is presented below.

	The average number of employees		
	2011	2012	2013
Average for the year	22,037	20,508	19,016

The average number of employees decreased as a consequence of restructuring programs continued by the Company in order to improve efficiency.

The majority of the employees are members of trade union organizations affiliated to SNPE ("Sindicatul National Petrom-Energie"), while a reduced number of employees are members of trade unions affiliated to "Energetica" Federation and "Lazar Edeleanu" Federation.

b) The relationship between management and employees as well as of any conflict elements which characterize this relationship

The dialog between unions and management continues on a regular basis. The key elements of the framework outlining the relationship between management and employees are the Collective Labor Agreement, Internal Rules and Parity Commissions. All the steps of any reorganization process that the company has entered were discussed and agreed by both parties.

The wording of some stipulations in the Collective Labor Agreements (as further on amended) applicable for Petrom resulted in a chain of labor litigations through which employees requested the payment of bonuses allegedly unpaid to them. Most of the claims reach back to issues prior to the privatization of Petrom. These types of litigations are still in progress at various stages, in Bucharest and across the country. Petrom's defence is based on the fact that the respective bonuses were included and maintained in the base salary of the employees, therefore the claims are unjustified. This fact is considered by the courts in the vast majority of the cases which have been won irrevocably by Petrom in final appeal.

During 2013, Petrom continued to receive some claims relating to these matters. Following the assessment of the potential liabilities with respect to ongoing cases, the provision booked in prior years to cover the risk, in line with prudence principles, did not require any increase in 2013. Petrom has taken all possible actions and committed all necessary resources to defend itself against these lawsuits, and also to prevent a further increase in litigation. Furthermore, employee information was substantially increased in order to raise awareness of the topic. These clarifying discussions with claimants resulted in mediation agreements as well as many intentions to reimburse received amounts.

1.1.6. Evaluation of issues related to the impact of the issuer's main activity on the environment

Due to the nature of our business, Petrom has a special responsibility to manage its environmental impact and ensure safe and efficient operations. We aim for best practice in environmental management, with a particular focus on carbon emissions, water resources and on integrating gas into our energy mix as the cleanest fossil fuel.

Energy efficiency is a key driver in reducing Petrom's greenhouse gas (GHG) emissions. We have designed programs to drive down energy consumption across our operations. All Petrom's refining and E&P assets are managed through ISO 50001 certified energy management systems.

We closely monitor carbon intensity performance across all business divisions to drive down GHG emissions. In 2013, we cut our carbon intensity by 3.4% compared with 2012, exceeding our target of 2%. Our strong performance was due to a variety of factors, including a number of energy efficiency projects that took place throughout the year (e.g. in R&M, replacement of steam tracers with electrical ones, upgrade of the coker plant and increase of the gas share to fuel the cogeneration plant), as well as for E&P a reduction in venting emissions through optimization of gas pipeline networks, avoiding incidents caused by loss of integrity, and using vented gases for energy production in gas-to-power and combined heat and power equipment.

Petrom uses natural gas, the cleanest fossil fuel, to generate electricity from highly efficient gas-fired power plants.

To protect water resources, we focus on more efficient water use and investment in state-of-the-art water treatment. For instance, Petrom is investing in new or upgraded water treatment plants at a number of sites in E&P, and a revamped waste water treatment plant at our Petrobrazi refinery.

Environment and energy management

We manage our environmental impacts along our entire value chain. Petrom's goal is to use natural resources efficiently and to minimize waste and emissions to air, water and land. We constantly strive to reduce our GHG emissions and the amount of water we consume for our operations.

Hydrocarbon spillages are a key risk factor for our business due to the potential environmental damage they can cause. A key aim of Petrom's E&P strategy is to be in control of this risk by 2015. In 2013, we saw 1,666 hydrocarbon spillages as a result of our operations. To address this, we carried out a broad range of activities, including creating spill risk maps which provide detailed information on critical points along pipelines and key risk areas in our operations. 60% of Petrom E&P Assets are now covered by the maps. In 2013, we assessed 4,400 pipelines, 12,000 items of static equipment and 600 facilities, such as tank farms and compressor stations. We will be following this with more detailed investigations of our highest risk facilities.

In 2013, we continued to invest in water-related projects. Reducing water loss through effective maintenance was a key focus. We ran a water efficiency campaign which engaged all Petrom employees in identifying opportunities to promote water efficiency across the business. Of the 177 ideas that were generated, 62 have been implemented.

1.1.7 Evaluation of research and development activities

In line with its strategic directions, the Company continued its efforts towards new exploration areas, in order to enhance new potential discoveries.

1.1.8. Evaluation of the company's risk management activity

As per the Code of Corporate Governance, Petrom's Supervisory Board's role is to adopt strict rules and obtain assurance via its specialized Audit Committee that the company has an effective risk management system in force. Furthermore, Petrom's Executive Board is continuously executing oversight and steers the company's risk management system by close involvement in the risk management process and its development.

For assessing the risks associated with Petrom's entire portfolio of operations, the Executive Board has empowered a dedicated Risk & Insurance Management Department with the objective to lead and coordinate the company's risk management.

Furthermore, Petrom's risk management system is part of the corporate decision-making process. For any new major projects, new strategies or market directions, workshops are organized for assessing the risks associated with the benefits of the respective opportunity, while the risk information collected in the workshops as well as any relevant third party opinions are used for taking informed decisions.

In 2013, Petrom has developed together with the Institute of Risk Management UK an internal company wide training program called "Petrom Risk Academy" which will unfold in 2014 and enhance the risk management competences within top and middle management. Through its risk management process, Petrom secures its liquidity and long-term sustainability, and decreases the uncertainty over its strategic objectives and financial targets.

Petrom's Enterprise Wide Risk Management (EWRM) system is recognized via various benchmarks of external consultants as part of best practice at international level. The EWRM system actively and formally pursues the identification, analysis, evaluation and treatment of all risks (market and financial, operational and strategic) in order to manage their effects on the company's cash flow up to an acceptable level agreed as per the risk appetite.

The EWRM system follows ISO31000 and comprises a dedicated risk organization working under a robust internal regulation framework with quantitative information technology infrastructure as well as assuring that the process is embedded into the day-to-day operational business and delivers against its intended purpose.

Petrom has four levels of risk management roles in a pyramid-type risk organization. The first bottom layer comprises the risk owners represented in all areas of activity by managers of various areas, the second level are the business units and divisional risk coordinators who facilitate and coordinate the risk management process in their division, the third layer is the risk manager function represented by the Risk Management department who coordinates the entire risk management process assisted by the specialized corporate functions (HSSE, Compliance, Legal, Finance, Controlling). The top level role is represented by Petrom's Executive Board which steers and approves Petrom's consolidated risk profile in accordance with the company's objectives and risk appetite. The risk management system and its effectiveness are monitored by the Audit Committee of the Supervisory Board via regular reports.

The objective of Petrom's risk management system is to secure its capacity to deliver positive economic value added for a medium-term time horizon by managing the company's risks and their potential cash flow impact within the limits of the risk appetite. High potential single event risks as well as Long Term Strategic risks are also identified and managed consistently.

The risk categories currently used within Petrom's EWRM system are organized within the market and financial, operational and strategic categories, containing, among others, also market, financial, project, process, health, safety and security, tax, compliance, personnel, legal, regulatory and reputational risks.

In terms of tools and techniques, Petrom follows the best international practices in risk management and uses stochastic quantitative models to measure the potential loss associated with the company's risk portfolio under a 95% confidence level and a three-year horizon. All risks are analyzed based on their causes, consequences, historical trends, volatilities and cash flow potential impact.

Petrom's key financial and non-financial exposures are commodity market price risk, foreign exchange risk and single event hazard operational risks.

As regards **market price risk**, Petrom is naturally exposed to the price driven volatility of cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. Market risk has core strategic importance within Petrom's risk profile and liquidity. The market price risks of Petrom commodities are closely analyzed, quantified and evaluated. Petrom may use hedging instruments to mitigate its exposure to commodity market price risks in order to secure minimum expected cash needs.

Petrom does not enter into or trade financial instruments, including derivative financial instruments for speculative purposes. Derivative financial instruments are used solely for the purposes of managing exposure to commodity price and currency, which are being evaluated, considering Petrom's needs and being approved by Petrom's Executive Board in consistency with the company's risk appetite.

In 2013, the internal commodity risk analysis resulted in no need for hedging the risk of the oil price, hence no financial instruments were used for crude oil hedging during 2013.

In terms of **foreign exchange risk management**, Petrom cash is essentially exposed to the volatility of RON against USD and also to EUR. The effect of foreign exchange risk on cash flows as well as the correlation with the oil price are regularly monitored.

From an **operational risk** perspective, Petrom is an integrated company with a wide asset base, most of these assets being hydrocarbon production and processing plants. A special focus is awarded to process safety risks where Petrom's policy is "prevent incidents, ensure safe operations". The high potential single event risks associated with the operational activity (e.g. blow outs, explosions, earthquakes etc.) are consistently identified and for each of them incident scenarios are developed and assessed. Where required, treatment plans are developed for each

specific location. Besides emergency, crisis and disaster recovery plans, Petrom's policy with regard to insurable risks is to cover them via insurance instruments. These risks are closely analyzed, quantified and, monitored by the risk organization and are managed via detailed internal procedures.

Counterparty credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Petrom. Group's counterparty credit risks are assessed, monitored and managed at company level using predetermined limits for specific countries, banks, business partners and suppliers. On the basis of creditworthiness and available rating information, all counterparties are assigned maximum permitted exposures in terms of credit limits (amounts and maturities), and the creditworthiness assessments and granted limits are reviewed on a regular basis.

For the purpose of assessing **liquidity risk**, in the short term, the budgeted operating and financial cash inflows and outflows throughout Petrom are monitored and analyzed on a monthly basis in order to establish the expected net change in liquidity. This analysis provides the basis for financing decisions and capital commitments. For mid-term risks, to ensure that Petrom remains solvent at all times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

Petrom is inherently exposed to **interest rate risk** due to its financing activities. The volatility of EURIBOR may trigger less or additional cash flow resources necessary to finance the interest payments associated with Petrom's debt. The interest rate risks are closely analyzed, quantified and monitored.

In 2013, the internal risk analysis resulted in no need for hedging the interest rate risk, hence no financial instruments were used for interest rate hedging in 2013.

Petrom's consolidated risk profile is regularly reported in comparison with the company's risk appetite for the Executive Board's approval and for the Audit Committee's information. In 2013, in March and October, the consolidated risk profile was reported and approved by Petrom's Executive Board in accordance with the company's risk appetite and was also presented for information to the Audit Committee which took notice of the information.

1.1.9. Estimates of the company's activity

a) Factors which affect or could affect the company's cash position

Supportive crude price environment and strict cost management led to an increase of cash flows generated from operations, as compared with 2012. Cash outflows were used to sustain high level of investments and also for loans repayments and payment of dividends. As a result, the **Indebtness ratio** reached 4.79% at the end of December 2013 compared to 7.49% at the end of 2012. (Please refer to annex c) for details of Indebtness ratio computation.)

Outlook for 2014

The consolidation of economic recovery requires fiscal and political stability

According to the European Commission, Romania's economy is forecast to grow by 2.3% in 2014 driven primarily by domestic demand, supported by a pick-up in the pace of both consumption and investment. External environment is expected to have an impact on the demand for domestic exports as well as on sovereign borrowing costs. However, the timing and the direction of domestic economic policies will determine the strength of the consolidation of economic growth.

Markets development

We expect the average Brent oil price to remain above USD 100/bbl and the Brent-Urals spread to stay relatively tight.

In the local **gas** market, demand is expected to further decrease, which will lead to increased competition and margin pressure. The gas price liberalization calendars foresee four domestic gas price increases to occur this year for both households and non-households (first in January, already implemented). The Energy Law no. 123/2012 stipulates the option to postpone the gas price liberalization for non-households by one year.

In the **power** market, demand is anticipated to contract which reflects, in part, prospective energy efficiency measures. Prices are expected to remain under significant pressure due to decreasing demand and stronger competition, taking into account the impact of renewables and overcapacity. The intra-day market became functional in January 2014, while the over-the-counter (OTC) platform for electricity trading is planned to become operational in the first quarter of 2014.

Refining margins and **marketing** volumes are expected to be further challenged by high price levels for international crude and oil products, marginal economic recovery in our operating region and fiscal measures mainly in Romania.

Regulatory and fiscal environment

For 2014, we anticipate discussions with respect to the implementation of the gas deregulation calendars and the extraordinary taxation measures introduced at the beginning of 2013 with a view to be applied until the end of 2014, which will have an impact on our financial results. Moreover, this year we are prepared to continue our discussions with the Romanian authorities to achieve a long term, stable and investment-friendly taxation and regulatory framework.

Given the long-term cycle of investments in the oil and gas sector, the recent changes in the fiscal regime have a direct impact on the company's business. These affect both market supply and demand and impact the company's financials and the operating performance. The newly introduced tax of 1.5% applied to the gross value of special constructions, will have a direct negative impact on the operating costs in all segments (mostly in E&P) as well as on the business cases of some of our investment projects.

Sizeable investments

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining a sound financial position, with investment plans for 2014 set at over EUR 1 bn.

b) Capital expenditures (CAPEX) and other additions

Investments ¹⁾ , RON mn	2011 ^{*)}	2012	2013
Exploration and Production	3,600	3,656	4,439
Gas and Power	397	307	39
Refining and Marketing	876	805	905
Corporate and Other	51	53	59
Total	4,924	4,821	5,442

¹⁾ Include amounts for fixed assets acquisition, financial investments, land deeds, financial leasing and increases from reassessment of decommissioning assets

^{*)} Restated figures according to MOF 1286/2012

Investments made by OMV Petrom S.A. in 2013 amounted to RON 5,442 mn, higher by 13% compared to 2012.

Investments in E&P activities accounted for 82% of the total amount invested in 2013, being 21% above 2012 level. These were focused on activities related to drilling development wells, integrated field redevelopment initiatives, workover activities and sub-surface operations, surface facilities, as well as investments related to Totea Deep project. Financial investments in E&P increased during 2013 with RON 198 mn, representing acquisition of two newly incorporated companies: OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH.

Investments in G&P in 2013 were significantly below 2012, as Brazi power plant started commercial operations in August 2012.

R&M investments accounted for 17% of total investments and were mainly relating to the modernization program in Petrobrazil (including modernization of the Gas Desulfurization with Sulfur Recovery unit and of the Vacuum Gas Oil conversion). In addition, investment funds were also directed to efficiency projects, as well as to legal and environmental compliance projects. The increase in financial investments during 2013 represents the contribution in cash to the share capital of OMV Srbija d.o.o. amounting to RON 176 mn.

Corporate & Other investments slightly increased compared to previous year, largely referring to IT projects.

c) Factors which significantly affect the income generated by the company's main activity

EBIT per segments of activity, RON mn	Year ended December 31		
	2011 ^{*)}	2012	2013
Exploration and Production	5,214	5,388	5,375
Gas and Power	5	68	12
Refining and Marketing	(337)	(64)	18
Corporate and Others	(79)	(116)	(98)
EBIT Consolidation ¹	(143)	(208)	25
Total	4,660	5,068	5,332

¹ EBIT Consolidation result represents the inter-segmental profit elimination

*) Restated figures according to MOF 1286/2012

In **E&P** segment, EBIT amounted to RON 5,375 mn, in line with year 2012 when it was RON 5,388 mn. Domestic crude oil production was 28.6 mn bbl, stable versus 2012, as the projects and workover programs compensated the effects of natural decline. Domestic gas production reached 33.9 mn boe, 1% higher compared to 2012.

In the **G&P** segment, EBIT was RON 12 mn, below the prior year level, largely due to lower gas business contribution as the upside from the gas price liberalization is reflected in E&P starting February 2013. EBIT was also negatively impacted by special charges for decontamination activities related to the historical asset base.

R&M obtained a positive EBIT in 2013, amounting RON 18 mn, as compared with RON (64) mn in 2012. The Petrobrazil refinery utilization rate increased to 90%, as compared to 73% in 2012, as the latter was impacted by the planned shutdown in Q2/12.

EBIT in the **Corporate and Other** (Co&O) segment improved to RON (98) mn, as compared with RON (116) mn in 2012.

2. Tangible Assets

2.1. The location and the main features of the production equipment owned by the company

OMV Petrom S.A. unfolds its activities in all the counties of the country, in Bucharest and in the Black Sea continental shelf, but also in Kazakhstan and the neighboring countries (Republic of Moldova, Bulgaria and Serbia), directly or via its subsidiaries.

Exploration and Production:

At the end of 2013, Petrom held nine onshore and two offshore exploration licenses in Romania, covering a total area of 32,291 km² (of which 12,321 km² offshore). In September 2013, Petrom relinquished the Maramures, Giurgiu and Rosiori licenses (awarded in the 7th Bidding Round). Petrom operates 239 commercial oil and gas fields in Romania.

The Company has a significant asset base in its Exploration and Production business, in the form of property, plant and equipment used to exploit the Company's hydrocarbon reserves. This base also includes assets related to oil and gas service business, such as workover, maintenance and logistics activities.

Gas:

Being a marketing business, the Gas segment does not have production equipment or a significant asset base.

Power:

Petrom has a gas fired power plant located in Brazi. The plant has a capacity of 860 MW and a high flexibility. If operated at maximum capacity the plant could supply up to 8-9% of Romania's electricity demand.

Doljchim:

Petrom continued the dismantling and decontamination activities at Doljchim in compliance with European environmental and safety standards, to prepare the site for future alternative use.

Refining:

Petrom has two refineries: Petrobrazi and Arpechim.

In 2013, Petrom exclusively operated its upstream integrated refinery at Petrobrazi, with a total operational capacity of 4.2 million tonnes /year.

Through its Supply & Logistics function, OMV Petrom S.A. operates a modern network of 12 terminals. In November 2013 was finalized the construction phase at the Bacau fuel terminal revamp project. This project is part of a broad investment program of six modern terminals in Romania: three new terminals (Jilava, Brazi, Isalnita – all of them in operation) and three revamped terminals. Bacau project was initiated in September 2012 and is the fourth commissioned terminal. Located in the north-east part of Romania (Bacau City), with a surface of 50,000 m² and a storage capacity of 19,000 m³, the project is part of a modular design concept which will improve the performance by maximizing service life and reducing operational costs.

Marketing:

Through its affiliates, Petrom operates 545 filling stations in Romania and 240 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova.

Number of filling stations per country	2011	2012	2013
Romania	545	546	545
Republic of Moldova	94	98	86
Bulgaria	93	93	93
Serbia	61	61	61
Total	793	798	785

OMV Petrom S.A.

Fixed assets, tangible assets, RON mn (Net Book Value)	Balance at 31.12.2012	Balance at 31.12.2013
Land, land rights and buildings, incl. buildings on third-party property	1,755	1,718
Oil and gas assets	17,081	19,032
Plant and machinery	4,808	5,191
Other fixtures and fittings, tools and equipment	160	139
Assets under construction	1,022	1,072
Payments in advance	55	79
Total fixed assets, tangible assets	24,882	27,232

2.2. The degree of wear-out for fixed assets

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

Accumulated depreciation and impairments of the tangible assets is presented in the table below:

Fixed assets, tangible assets, RON mn	Balance at 31.12.2012	Balance at 31.12.2013
Land, land rights and buildings, incl. buildings on third- party property	556	643
Oil and gas assets	7,049	8,573
Plant and machinery	2,123	2,612
Other fixtures and fittings, tools and equipment	189	207
Assets under construction	128	49
Total fixed assets, tangible assets	10,044	12,085

2.3. Potential issues related to ownership rights over the company's tangible assets

The company has received notifications regarding the restitution of the assets confiscated by the Romanian State between March 6, 1945 and December 22, 1989, which falls under the incidence of Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2013 are the following – 1,129 notifications were transmitted to Petrom, out of which:

- ▶ 16 buildings were restored;
- ▶ 1,083 notifications were rejected due to the failure to comply with the requirement of Law no.10/2001;
- ▶ 27 notifications were redirected towards other entities;
- ▶ 3 notifications (files) are currently under analysis.

As per Article 7.2, in conjunction with the provisions of Article 26 of the Methodological Norms for the application of Law no. 10/2001, approved through Government Decision no. 498/2002, the City Halls or the notified Prefectures are under the obligation to identify the owning entity and to direct the notifications to these entities for resolution. At the same time, those who submitted the notifications are informed that the requested asset is not under administration of these entities and also the name of the entity in charge to solve the notification. Due to the fact that up to this date the activity of solving notifications within the City Halls' and Prefectures' Commissions is still in progress, part of the notifications received may be further directed to Petrom.

3. The Market of the Securities issued by the Company

3.1. The markets in Romania and in other countries where the securities issued by the company are traded

Petrom shares are traded on the Bucharest Stock Exchange since September 3, 2001.

Petrom share symbols

ISIN	ROSNPPACNOR9
Bucharest Stock Exchange	SNP
Bloomberg	SNP RO
Reuters	ROSNP.BX

In terms of trading, Petrom's share price continued its upward trend in 2013, thus consolidating the previous year's strong performance. In late May, the stock registered the year low of RON 0.4098 per share, and then steadily increased to its year high of RON 0.4784 per share, reached in early November.

Overall, Petrom's share price gained 9.7% on a full-year basis, still below the performance of the BET index (representing the ten most liquid blue chip stocks listed on the BSE), which advanced by 26.1%, and the BET-C (BET Composite) index, which grew by 20.0% over the same period. Vienna Stock Exchange's ROTX index (comprising the 14 most liquid blue chip stocks traded on the BSE) was up 24.7%, while the BET-NG sector index (comprising stocks in the energy and utilities sectors) moved up by 6.1%.

Petrom's market capitalization at the end of 2013 grew to RON 26.6 bn (EUR 6.0 bn), accounting for 19.9% of total market capitalization of the companies listed on the BSE.

3.2. Description of the company's dividend policy for the last 3 years.

Related to year	2011	2012	2013
Dividends allocated, RON mn	1,755.96	1,586.03	1,744.63 [†]

[†] Proposal to the Annual General Meeting

On March 23, 2012 the Supervisory Board endorsed management's proposal to distribute dividends of RON 0.031 per share, resulting in a payout ratio of 47% of the net profit recorded in 2011. The dividend proposal was approved by the General Meeting of Shareholders on April 27, 2012. The payment of the dividends started on June 18, 2012.

On March 21, 2013 the Supervisory Board endorsed management's proposal to distribute dividends of RON 0.028 per share, resulting in a payout ratio of 40% of the net profit recorded in 2012. The dividend proposal was approved by the General Meeting of Shareholders on April 22, 2013. The payment of the dividends started on June 18, 2013.

3.3 Description of any activity involving the company's purchasing its own shares

As at year-end 2013, according to the Law 31/1990, OMV Petrom held a total of 204,776 own shares, representing 0.0003% of issued share capital.

In 2013 Petrom did not buy back or cancel any of its own shares.

3.4. Where the company owns subsidiaries, mention of the number and the nominal value of the shares issued by the parent company and held by the branches

Petrom has subsidiaries, but none of them owns shares issued by the parent Company.

3.5. Where the company has issued bonds and /or other debt securities, presentation of the way in which the company fulfilled its obligations towards the holders of such securities

Not applicable.

4. Company administration

Corporate Governance Report

To remain competitive in a changing world, Petrom develops and updates its corporate governance practices, so that it can meet new demands and opportunities.

A transparent decision-making process, relying on clear and objective rules, enhances shareholders' confidence in the company. It also contributes to the protection of shareholders' rights, improving the overall performance of the company and providing better access to capital and risk mitigation.

The company has therefore always placed great importance on good corporate governance and has adhered to the principles laid down in the Corporate Governance Code issued by the Bucharest Stock Exchange.

In April 2007, a two-tier system of governance was implemented in the company. Since then, Petrom's governance has been run by an Executive Board, which manages the daily operations of the company, and a Supervisory Board elected by the shareholders to act as a monitoring body, supervising and controlling the Executive Board. The powers and duties of the above-mentioned bodies are described in the company's Articles of Association, available on our website (within the Corporate Governance section) and in the relevant internal regulations.

Commitment to good corporate governance

In accordance with best corporate governance practice, the company is managed in a climate of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have a duty of care and loyalty towards the company. Hence, the Executive Board and the Supervisory Board pass their resolutions as required for the welfare of the company, primarily in consideration of the interests of shareholders and employees.

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) shall be convened by the Executive Board whenever this is necessary, in accordance with the provisions of law. The date of the GSM may not be within less than 30 (thirty) days after publishing the convening notice in the Official Gazette of Romania, part IV. The convening notice shall be also published in one of the widely-distributed newspapers in Romania. In exceptional cases, when the company's interest requires it, the Supervisory Board may convene the GSM. The convening notice will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) in accordance with capital markets regulations. The convening notice will also be made available on the company's website, within the General Meeting of the Shareholders section, together with any explanatory document related to items included on the GSM agenda. The annual financial statements are made available starting with the date of the convening notice of the Ordinary GSM convened to resolve upon them.

General Meeting of the Shareholders organization

The GMS is usually chaired by the President of the Supervisory Board, who may designate another person to chair the assembly. The chairman of the GMS designates two or more technical secretaries to verify the fulfilment of the formalities required by law for carrying out the GMS and for drafting the minutes thereof.

The minutes, signed by the President and by the secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the GMS, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the GMS.

The resolutions of the GMS shall be drafted pursuant to the minutes and shall be signed by the President of the Supervisory Board or by another person appointed by the President. In observance of capital market regulations, the resolutions of the GMS will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) within 24 hours after the event. The resolutions will also be made available on the company's website, within the General Meeting of the Shareholders section.

General Meeting of the Shareholders main duties

The main duties of the Ordinary GMS are the following:

- (a) to discuss, approve or modify the annual financial statements after having reviewed the reports of the Executive Board, of the Supervisory Board, of the financial auditor and of the internal auditors;
- (b) to distribute the profit and to establish the dividends;
- (c) to elect the members of the Supervisory Board and the financial auditor and to revoke the appointment of each of the foregoing; to approve the minimum term of the audit contract.
- (d) to establish the remuneration of the members of the Supervisory Board and of the financial auditor for the current fiscal year;
- (e) to assess the activity of the Executive Board members and of the Supervisory Board members, to evaluate their performance and to discharge them of their duties in accordance with the provisions of law;
- (f) to approve the income and expenditure budget, as well as the business program for the next fiscal year;
- (g) to approve the reports of the Supervisory Board with respect to the supervision activity performed by it;

The Extraordinary GMS is entitled to decide mainly upon:

- (a) changing the corporate form of the company;
- (b) altering the scope of business of the company;
- (c) increasing the share capital of the company;
- (d) reducing the share capital of the company;
- (e) merging with other companies;
- (f) spin-offs from the company;
- (g) an early dissolution of the company;
- (h) converting shares from one class into another;
- (i) any changes to the Articles of Association.

Supervisory Board

The Supervisory Board consists of nine members elected by the Ordinary GMS, in accordance with the provisions of company Law. The Supervisory Board's current mandate started in 2013 and runs until 2017. The members of the Supervisory Board may be shareholders of the company, but they cannot be members of the Executive Board.

Supervisory Board members

At the end of 2013, the membership of the Supervisory Board comprised the following individuals: Gerhard Roiss, David Charles Davies, Joseph Bernhard Mark Mobius, Manfred Leitner, Hans-Peter Floren, Riccardo Puliti, Lucian-Dan Vlădescu, George Băeșu and Johann Pleininger (interim member of the Supervisory Board until the next Ordinary General Meeting of Shareholders).

Supervisory Board main powers

The Supervisory Board has the following main powers:

- (a) to exercise control over the management of the company by the Executive Board;
- (b) to determine the structure and the number of positions in the Executive Board; to appoint and revoke the members of the Executive Board;
- (c) to create an audit committee and other specialized committees, if appropriate;
- (d) to check that the acts undertaken in the course of the management of the company are compatible with law, the Articles of Association and any relevant resolutions of the General Meeting of Shareholders;
- (e) to submit to the General Meeting of Shareholders a report concerning the supervision activity undertaken;
- (f) to represent the company in relation to the Executive Board;
- (g) to verify the company's financial statements;
- (h) to verify the report of the members of the Executive Board;
- (i) to propose to the General Meeting of Shareholders the appointment and the revocation of the financial auditor, as well as the minimum term of the audit contract.

The responsibilities of the members of the Supervisory Board, as well as the working procedures and the approach to conflicts of interest and own account dealings are governed by relevant internal regulations.

As required by company Law, none of the Supervisory Board members holds an executive position in the company. During the 2013 financial year, the Supervisory Board met six times in person and submitted its approval in writing on four occasions (more details are presented within the report of the Supervisory Board).

Special Committees

The Supervisory Board may assign particular issues to certain of its members, acting individually or as part of special committees, and may also refer to experts to analyse certain issues. The task of the committees is to issue recommendations for the purpose of preparing resolutions to be passed by the Supervisory Board itself, without thereby preventing the entire Supervisory Board from dealing with matters assigned to the committees.

The Supervisory Board members are appointed by the Ordinary GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders. Likewise, the remuneration of the Supervisory Board members is established by the Ordinary GMS.

An **Audit Committee** composed of four Supervisory Board members was established to provide assistance to the governing bodies of the company in the area of internal control and financial reporting.

This committee reviews the annual accounts and the proposal for profit distribution.

In addition, the Audit Committee prepares the proposal of the independent financial auditor to the Supervisory Board, which is to be elected by the Ordinary GMS. Moreover, this committee supervises the company's risk management process and its results and assesses the issues subject to the reports of the internal auditors.

In accordance with company Law, the Audit Committee includes members that have the necessary expertise in the area of financial audit and accounting.

Until April 28, the Audit Committee members were: David Charles Davies, Manfred Leitner, Gheorghe Ionescu and Riccardo Puliti. Following the start of the new mandate of the Supervisory Board, four members of the Audit Committee were appointed, including the President and the Deputy. The Audit Committee consists of the following members: David C. Davies (President of the Audit Committee), Manfred Leitner (Deputy President of the Audit Committee), Riccardo Puliti (Member) and George Băeșu (Member).

During the 2013 financial year, the Audit Committee met three times (more details presented under the corresponding section within the report of the Supervisory Board).

Executive Board (EB)

The Executive Board is appointed and/or revoked by the Supervisory Board. The number of members shall be determined by the Supervisory Board, provided that such number is not lower than three and not higher than seven. One Executive Board member is appointed as the President of the Executive Board (also named Chief Executive Officer of the company). The Executive Board's current mandate started in 2011 and runs until 2015.

The meetings of the Executive Board are held regularly (usually every week) and whenever necessary for the operative management of the company's daily business.

Executive Board members

As of December 31, 2013 the Executive Board of the company consisted of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Andreas Matje (Executive Board member and Chief Financial Officer), Gabriel Selischi (Executive Board member in charge of Exploration and Production), Neil Anthony Morgan (Executive Board member in charge of Refining and Marketing), Cristian Nicolae Secoșan (Executive Board member in charge of Gas and Power).

Executive Board main duties

As provided by the Articles of Association, the main duties of the Executive Board, performed under the supervision and control of the Supervisory Board, are:

- (a) to establish the strategy and the policies regarding the development of the company, including the organizational structure of the company and the operational divisions;
- (b) to submit annually for the approval of the General Meeting of Shareholders, within four months since the end of the fiscal year, the report regarding the business activity of the company, the financial statements for the previous year, as well as the business activity and budget projects of the company for the current year;
- (c) to conclude legal acts on behalf of and for the account of the company, with observance of matters reserved to the General Meeting of Shareholders or to the Supervisory Board;
- (d) to hire and to dismiss, and to establish the duties and responsibilities of the company's personnel, in line with the company's overall personnel policy;
- (e) to undertake all the measures necessary and useful for the management of the company, implied by the daily management of each division or delegated by the General Meeting of Shareholders or by the Supervisory Board, with the exception of those reserved to the General Meeting of Shareholders or to the Supervisory Board through operation of law or of the Articles of Association;
- (f) to exercise any competence delegated by the Extraordinary General Meeting of Shareholders.

The Executive Board coordinates the strategic orientation of the company and reports to the Supervisory Board on a regular basis on all relevant issues concerning the course of business, strategy implementation, the risk situation and risk management of the company.

The Executive Board ensures that the provisions of the relevant Romanian capital markets legislation are complied with and implemented by the company, as earlier presented within this chapter. Likewise, the Executive Board ensures the implementation and operation of an accounting, risk management and internal controlling system which meets the requirements of the company.

The members of the Executive Board and persons closely related to them (the latter term as defined in the applicable capital markets regulations under the Romanian phrase of "*persoană aflată în relații apropiate cu persoane exercitând funcții de conducere*") have the duty to report to the Executive Board, to the Supervisory Board and to the Financial Supervisory Authority (former National Securities Commission) any and all trading/business performed for their own account involving (i) shares or other securities issued by the company and admitted for trading on regulated markets; and/or (ii) derivative financial instruments using securities issued by the company and/or (iii) any other instruments relating thereto.

The members of the Executive Board have the duty to disclose immediately to the Supervisory Board any material personal interests they may have in transactions of the company as well as all other conflicts of interest. Furthermore, they have the duty to notify other Executive Board colleagues of such interests forthwith.

All business transactions between the company and the members of the Executive Board as well as persons or companies closely related to them must be in accordance with normal industry standards and applicable corporate regulation. Such business transactions as well as their terms and conditions require the prior approval of the Supervisory Board.

In 2013, 57 meetings of the Executive Board were held in order to pass resolutions on all matters requiring its approval in accordance with the Articles of Association and the company's internal regulations, as well as to allow the members of the Executive Board to be aware of all significant matters concerning the company and to inform each other about all relevant issues of their activity.

Shareholders' rights

Rights of the company's minority shareholders are adequately protected according to relevant domestic legislation.

The shareholders have the right to obtain relevant information on the company on a timely and regular basis. They have the right to be informed about the decisions concerning fundamental corporate changes with the view to understand their rights.

Several key decisions are assigned to shareholders via the General Meeting of Shareholders. Among these decisions are included:

- appointment and revocation of the members of the Supervisory Board and auditors;
- approval of the remuneration for the members of the Supervisory Board and auditors;
- approval of the annual financial statements;
- approval of any amendments to the Articles of Association;
- resolutions on share capital increase, decrease, mergers and/or spin-offs.

Moreover, the shareholders have the right to participate effectively and vote in the GMS and to be informed of the rules, including voting procedures that govern the General Meetings of the Shareholders.

One share, one vote, one dividend

Petrom observes the one share, one vote, one dividend principle. There are no preference shares without voting rights or shares conferring the right to more than one vote.

GMS calling

Shareholders holding at least 5% of the share capital may request that a GMS be called. Such shareholders have also the right to add new items to the agenda of a GMS, provided such proposals are accompanied by a justification or a draft resolution proposed for approval and copies of the identification documents of the shareholders who make the proposals. Proposals with respect to adding new items on the agenda of such GMS can be submitted at the headquarters of the company, or by e-mail having attached an extended electronic signature, in compliance with Law no. 455/2001 using a digital signature.

Likewise, shareholders holding at least 5% of the share capital are entitled to submit draft resolutions for the items listed on the agenda or proposed by other shareholders to be added on the agenda of such GMS.

GMS attendance

The company actively promotes the participation of its shareholders in the GMS, as they are invited to raise questions concerning items to be debated during such meetings. The shareholders may attend in person or may be represented in the GMS either by their legal representatives or by representatives having a special proxy, based on the special proxy template made available by the company. Such proxy template may be obtained from the company headquarters and/ or can be found on the company's website, within the General Meeting of Shareholders section.

The shareholders duly registered in the shareholders' register may vote by correspondence, prior to the GMS, by using the voting bulletin for the votes by correspondence made available by the company at the headquarters and/ or on the company's website.

Taking shareholders' questions

The shareholders of the company, regardless of the stake of the share capital held, may submit written questions with respect to the items on the agenda of the GMS, provided that such questions are accompanied by copies of their valid identification at the headquarters of the company. The shareholders may also send such questions by e-mail having attached an extended electronic signature. The disclosure of commercially sensitive information that could result in a loss or competitive disadvantage for the company will be avoided when providing the answers, in order to protect the interests of our shareholders.

Women's advancement

The company supports gender diversity and promotion of women in management positions. While there are no female members of the Supervisory Board of the company, the President of the Executive Board is Mariana Gheorghe.

By the end of 2013, around 24% of the first line directors Executive Board were women whilst the percentage of women in middle management was around 36%. Given the strong technical bias of our operations, the proportion of women in the Group as a whole by year end was 23%, in line with that of the OMV Group, which Petrom is part of.

Bucharest Stock Exchange Corporate Governance Code

The Company adheres to the Corporate Governance Code issued by the Bucharest Stock Exchange starting from the 2010 financial year. The details about the compliance with the principles and recommendations stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange are presented in the "Comply or Explain" statement, which is enclosed under section 6 below.

Internal control

The Group has implemented an internal control system, which includes activities implemented in order to prevent or detect undesirable events and risks such as fraud, errors, damages, non-compliance, unauthorized transactions and misstatements in financial reporting.

Petrom's internal control system covers all areas of group operations with the following goals:

- Compliance with laws and internal regulations
- Reliability of financial reporting (accuracy, completeness and correct disclosure)
- Prevention and detection of fraud and error
- Effective and efficient business operations

Petrom's internal control system framework consists of the following elements:

Element	Description
Internal control environment	The existence of a control environment forms the basis for an effective internal control system. It consists of the definition and adherence to group-wide values and principles (e.g. business ethics) and of organizational measures (e.g. clear assignment of responsibility and authority, commitment to competence, signature rules and segregation of duties).
Assessment of process and compliance risks	Generally all business, management and support processes are within the scope of the internal control system. They are assessed to identify risky and critical activities.
Risk mitigation via control activities	Control activities and measures (such as segregation of duties, checks, approvals, IT access rights) are defined, implemented and performed to mitigate significant process and compliance risks.
Documentation and information	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
Monitoring and audit	Management and Internal Audit evaluate the effective implementation of the internal control system.

For Petrom an important prerequisite to form a comprehensive set of standards is to establish and maintain a rigorous Business Management System (BMS) designed to match the integrated set of processes and tools used by the Company in developing its strategy, and translated into proper actions and in monitoring and improving effectiveness of both.

The Corporate Affairs and Compliance Department is responsible for BMS coordination. This department provides support to the various Petrom entities in view of achieving regulatory requirements, coordinates the elaboration of corporate regulations and provides a quality check. The Directive "Regulation Management" sets out the classification, definition and standardized structure of corporate regulations (directives, standards, procedures, instructions, recommendations etc.) as well as their elaboration, approval, communication, monitoring and reporting process.

Internal Audit assesses the effectiveness and efficiency of the organization's policies, procedures and systems which are in place to ensure: proper identification and management of risks, reliability and integrity of information, compliance with laws and regulations, safeguarding of assets, economical and efficient use of resources and accomplishment of established objectives and goals.

Internal Audit carries out regular audits of individual group companies and informs the Audit Committee about the results of the audits performed.

The Company has an Accounting Manual that is applied consistently in order to ensure uniform accounting treatment is applied for the same business cases. The Accounting Manual is updated regularly with changes in International Financial Reporting Standards. Furthermore, the organization of the accounting and financial reporting departments is set up in order to achieve a high quality financial reporting process. Roles and responsibilities are specifically defined and a revision process – the “four-eyes’ principle” – is applied in order to ensure correctness and accuracy of the financial reporting process. The establishment of standards for the preparation of annual and interim financial statements by means of the Accounting Manual is also regulated by an internal Corporate Guideline.

4.1. Presentation of the company’s administrators and the following information for each administrator:

a) CV (family name, first name, age, skills, professional expertise, position and length of employment)

On April 17, 2007, Petrom’s Extraordinary General Meeting of Shareholders approved the change of the Company’s management system into a two tier system, whereby the Company is managed by the Executive Board, under the control and supervision of the Supervisory Board, consisting of nine members.

During 2013, the Supervisory Board had new members: Johann Pleininger succeeded Jaap Huijskes, member of Petrom’s Supervisory Board, responsible for Exploration and Production; George Băeșu and Lucian-Dan Vlădescu replaced Constantin Dascălu and Gheorghe Ionescu, both members of the Petrom Supervisory Board appointed following the Ministry of Economy’s proposal.

At the date of the report, the Supervisory Board of Petrom consists of nine members, elected for a four-year mandate, effective as of 28 April 2013 and valid until 28 April 2017, as follows:

Name	Age (years)	Position	Other information
Gerhard Roiss	62	President of the Supervisory Board First elected at the GMS held on January 11, 2005	Economics studies in Vienna, Linz and Stanford, USA. Started to work at OMV in 1990. CEO and Chairman of the OMV Executive Board
David Davies	59	Deputy-President First elected at the GMS held on January 11, 2005	Graduated Liverpool University. Since April 1, 2002, he is member of the Executive Board and Chief Financial Officer (CFO) of OMV.
Johann Pleininger	52	Interim member starting September 18, 2013, with effect until the next GMS	Graduated the Technical College for Mechanical Engineering and Economics in Vienna, obtained the International Project Management certificate and graduated in Industrial Engineering. Senior Vice-President of the CEE & Black Sea Region Division within OMV.

Name	Age (years)	Position	Other information
Manfred Leitner	54	Member First elected at the GMS held on April 26, 2011	Studied commerce at the Vienna University of Economics and Business and began his career with OMV in 1985 in the Exploration & Production division. Member of the OMV Executive Board, responsible for Refining and Marketing
Hans-Peter Floren	53	Member First elected at the GMS held on April 27, 2012	Holds an engineering degree and an economics degree from the University of Essen. Held various managerial roles in the energy sector since 1987, working in transport and storage management, dispatching and system planning. Most recently, worked as Board Member of E.ON Ruhrgas AG (Essen) and of E.ON Energy Trading SE (Düsseldorf). Member of the OMV Executive Board, responsible for Gas and Power
Riccardo Puliti	52	Member First elected at the GMS held on April 28, 2009	He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for EBRD in 1996. Business Group Director in charge of the energy and natural resources sectors within EBRD
George Băeșu	44	Member First elected at the GMS held on April 22, 2013	Graduated from the Lucian Blaga University in Sibiu, the Law Faculty and was awarded the MA Degree in Business Law by the Nicolae Titulescu University. In 2011 he was awarded the PhD Degree in Law by the University of Bucharest. President of the National Authority for Property Restitution.
Lucian-Dan Vlădescu	41	Member First elected at the GMS held on April 22, 2013	Graduated from the Faculty of Law within the University of Bucharest
Joseph Bernhard Mark Mobius	78	Member First elected at the GMS held on April 29, 2010	Mr. Mobius earned Bachelors and Masters degrees from Boston University, and a PhD in economics and political science from the Massachusetts Institute of Technology. Executive Chairman, Templeton Asset Management Ltd

b) Any agreements, understanding or family connection between the respective administrators and another person who is responsible for appointing of the respective person in the position of Director.

Petrom's governance follows a two-tier system, with the Executive Board ensuring the management of the company under the control and supervision of the Supervisory Board.

The members of the Supervisory Board are not appointed by certain persons or certain shareholders. They are appointed by the Ordinary General Meeting of Shareholders based on shareholders' votes and in compliance with the statutory requirements relating to quorum and majority. Therefore, there are no such agreements and understandings to be disclosed herein.

c) The participation of the Supervisory Board members at the share capital of the company.

Lucian – Dan Vlădescu holds a number of 985 shares since 2002. Petrom does not have knowledge of any other member of the Supervisory Board holding shares issued by the Company during the year under review.

d) The list of related parties to the company

Please see annex b).

4.2. Executive Board

a) Terms of office for the person who is member of the executive management

The Executive Board's current mandate started in April 2011 and runs until April 2015.

Changes in the Executive Board structure during 2013

Starting September 1, 2013 Gabriel Selischi took over the responsibilities of Johann Pleininger, who was member of Petrom's Executive Board in charge with Exploration and Production activity between June 2007 and August 2013.

Following the aforementioned, as of January 1, 2014, Petrom's Executive Board is composed of the following members:

Name	Position
Mariana Gheorghe	Chief Executive Officer of Petrom, President of the Executive Board
Andreas Matje	Chief Financial Officer
Gabriel Selischi	Member of the Executive Board responsible for Exploration and Production
Cristian Secoșan	Member of the Executive Board, responsible for Gas and Power
Neil Anthony Morgan	Member of the Executive Board, responsible for Refining and Marketing

b) Any agreement, understanding or family connection between that person and another person who is responsible for appointing him/her member of the executive management

Petrom does not have knowledge of any such agreement or understanding.

c) The participation of the respective person at the share capital of the company.

Following the share buy-back program, 100 shares were assigned to Mariana Gheorghe, President of the Executive Board. Likewise, as a matter of good corporate governance, we outline that Mariana Gheorghe's husband holds 60,000 shares issued by Petrom.

4.3. The potential litigations and administrative procedures in which the persons presented under Sections 4.1 and 4.2 were involved over the last 5 years

To the best of our knowledge at the time of drafting this report, in 2013 there were no litigations or administrative procedures against any members of the Executive or Supervisory Board of the Company directly linked with their activity in the company having a significant impact upon the price of the Company shares or the capacity to hold the position of members of such corporate bodies. However, members of the Executive Board are involved in some court cases or preliminary procedures which do not fall under the aforementioned categories.

5. Analysis of the Financial Position, Performance and Cash Flows of the Company

Financial highlights, RON mn	Year ended December 31		
	2011 ^{*)}	2012	2013
Sales revenues	16,184	19,123	18,088
Gross profit	6,158	6,447	6,495
EBIT	4,660	5,068	5,332
Net financial result	(193)	(484)	335
Net profit	3,730	3,851	4,839
Non-current assets	30,513	32,719	34,461
Current assets (including assets held for sale)	5,112	4,692	4,434
Equity	20,697	22,911	26,165
Non-current liabilities	9,044	8,459	8,073
Current liabilities	5,883	6,040	4,657
Cash and cash equivalents at the beginning of the year	1,416	567	557
Net cash generated from operating activities	5,936	6,665	7,579
Net cash from investment activities	(4,597)	(4,596)	(4,024)
Net cash from financing activities	(2,196)	(2,081)	(3,029)
Effect of foreign exchange rate changes on cash and cash equivalents	8	2	0
Cash and cash equivalents at the end of the year	567	557	1,083

^{*)} Restated figures according to MOF 1286/2012

Ratios	Year ended December 31		
	2011 ^{*)}	2012	2013
Liquidity ratios			
Current ratio	0.87	0.78	0.95
Acid test	0.58	0.49	0.62
Risk ratios			
Gearing ratio	14%	12%	4%
Indebtness ratio	11%	7%	5%
Operational ratios			
Stock turnover – days	65	50	51
Days in receivables – days	40	35	31
Tangible assets turnover	0.72	0.77	0.66
Total assets turnover	0.45	0.51	0.47
Profitability ratios			
Net profit margin	23%	20%	27%
EBIT margin	29%	27%	29%
EBITDA margin	43%	39%	45%
Return on fixed assets (ROFA)	21%	21%	20%
Return on equity (ROE)	19%	18%	20%

^{*)} Restated figures according to MOF 1286/2012

Please see annex c) for definitions of the above ratios.

Compared to 2012, **sales revenues** decreased by 5% to RON 18,088 mn mainly due to lower crude and petroleum products sales that more than offset higher sales of gas and electricity in 2013.

Petrom is an integrated oil and gas company. As oil produced by the E&P segment is mainly processed at the Petrobrazi refinery, the R&M business segment represents the largest share of total sales to external customers: 80% or RON 14,475 mn (2012: RON 16,276 mn). After elimination of intra-group sales, the **G&P** segment's contribution was RON 3,303 mn or approximately 18% of total sales, 28% above 2012.

EBIT amounted to RON 5,332 mn, with RON 264 mn higher than in 2012, being influenced also by the following more significant evolutions

- **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, reduced with RON 1,099 mn. This was mainly due to decreased cost of sales for traded goods, higher in 2012 due to the impact of the Petrobrazi refinery shutdown, partially offset by higher impairments and new taxes in 2013.
- **Other operating income** increased with RON 101 mn, mainly due to damages received in relation with termination of land sales agreements and revenues from insurance indemnities within Power business division.
- **Other operating expenses** decreased with RON 189 mn compared to 2012, the latter being impacted by higher expenses related to uncollected receivable and higher restructuring provisions.
- **Exploration expenses** increased with RON 94 mn, reflecting highly intensive geological and geophysical work level during the year, materialized through intensive 2D and 3D seismic acquisition campaigns.

The Company's **net financial result** shows a gain of RON 335 mn and has improved in comparison with the previous year (2012: loss of RON 484 mn) when it was negatively influenced by the special charges of RON 209 mn for alleged late payment interest following the receipt of the preliminary results of the fiscal review for the years 2009 and 2010, concluded in 2012, and by discounting effect of receivables. Other significant positive impact was the increase of dividends received from affiliates, by RON 247 mn.

Net profit increased by 26% in 2013 compared to 2012, to RON 4,839 mn due to the positive impact of both the operational and financial results.

As a result of its business activities, Petrom contributed RON 9,618 mn to the Romanian State budget. Out of this amount, direct taxes represent RON 2,233 mn and indirect taxes RON 7,386 mn.

Total assets amounted to RON 38,895 mn as of December 31, 2013, up by 4% compared to the end of 2012 (RON 37,411 mn), mainly as a result of investments realized in 2013.

Non-current assets increased by 5% to RON 34,461 mn, mainly due to significant investments in oil and gas assets in E&P segment for the development and modernization of wells, work over activities, sub-surface operations & surface facilities, field re-development initiatives and investments related to the Totea Deep project.

The ratio of intangible assets and property, plant and equipment to total assets amounted to 72% (2012: 69%).

Total current assets, including assets held for sale, decreased by 5% to RON 4,434 mn compared to RON 4,692 mn at the end of 2012, mainly as a result of lower trade receivables and inventories. The decrease in **trade receivables** was influenced by lower commercial sales in R&M segment and lower gas sales due to milder winter compared to previous year. These reductions were partially compensated by the increase in cash and cash equivalents from RON 557 mn in 2012 to RON 1,083 mn at the end of 2013, following the higher free cash flows which more than covered the payments of dividend and bank loans reimbursements.

The increase in **equity** by RON 3,254 mn resulting from higher net profit of the year improved the equity ratio to 67% (2012: 61%).

Total liabilities decreased by 12% to RON 12,730 mn as of December 31, 2013, mainly due to reduction in **interest-bearing debts** (both, **long term and short term**) following the loans reimbursements which occurred in 2013: RON 675 mn to European Bank for Reconstruction and Development, RON 84 mn the European Investment Bank and RON 66 mn to Black Sea Trade and Development Bank. Amounts due to affiliates from cash pooling reduced as well, from RON 965 mn at the end of 2012 to RON 343 mn at December 31, 2013. **Trade payables** increased slightly by RON 73 mn mainly related to investment activities. **Other current liabilities** show a net decrease of RON 495 mn in 2013 mainly due to the payments made in Q1/13 related to the fiscal review for the years 2009 and 2010 and due to the reduction in provisions.

The annual stock count of assets, liabilities and equity was performed according with Romanian legislation (Order no. 2861/2009) and the results were recorded in the financial statements as at December 31, 2013.

Cash flow

The cash flow statement of the Company was prepared using the indirect method, whereby adjustments were made for other non-cash transactions.

Net cash flow from operating activities increased with RON 914 mn or 14%, from RON 6,665 mn in 2012, to RON 7,579 mn.

Net cash outflow from investment activities decreased with RON 572 mn or 12%, from RON 4,596 mn in 2012 to RON 4,024 mn in 2013.

Net cash outflow from financing activities increased with RON 948 mn from RON 2,081 mn in 2012 to RON 3,029 mn in 2013.

During the year ended December 31, 2013 the Company maintained the investments at a high level and reimbursed significant amounts from interest-bearing debts, using the positive cash flow from operations.

6. "Comply or Explain" statement

BSE Corporate Governance Code

The "Comply or Explain" statement below was prepared taking into account the particularities of the two-tier system applicable to OMV Petrom S.A. ("Petrom" , or "the company" or "the Issuer"), whereas the statement template is structured according to the one-tier management system.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P19	Is the Issuer managed in a two tier system?	*		Since April 2007, Petrom is managed in a two-tier system by an Executive Board, which manages the daily operations under the supervision of the Supervisory Board.
P1	R1 Has the Issuer drawn up a Statute/Corporate Governance Regulation which describes the main aspects of the corporate governance principles?	*		The corporate governance principles are also laid down in the Issuer's Articles of Association, the internal rules of the Supervisory Board and the Executive Board, as well as in other internal regulations. The Issuer has drawn up a Corporate Governance Statute which describes the overall picture of the company's corporate governance.
	Is the Statute/Corporate Governance Regulation (mentioning the date of its last update) posted on the website of the Issuer?	*		The Corporate Governance Statute is posted on the website of the Issuer bearing the date of its last update.
	R2 In the Statute/Corporate Governance Regulation, are there defined corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board?	*		The corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board are defined in the Articles of Association of the Issuer. They are also laid out in the Corporate Governance Statute.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
R 3	Does the Annual Report of the Issuer contain a chapter referring to corporate governance, which describes all the relevant events related to corporate governance registered in the previous financial year?	*		Petrom's 2013 Annual Report has a chapter describing all the relevant events related to the corporate governance issues in the 2013 financial year.
	Does the Issuer disclose on its website the information related to the following aspects of its corporate governance: a) a description of the Issuer's corporate governance structures?	*		Petrom's website has a special section where details about corporate governance bodies are entered. The structure of the Executive Board and of the Supervisory Board is presented on the website. Likewise, the details regarding the organization of the GMS of the company are also presented on the website.
	b) the updated Articles of Association?	*		The last version of Petrom's Articles of Association is posted on its website, under the Corporate Governance section.
	c) the internal regulation governing the functioning /its essential aspects for each special commission/ specialized committee?	*		The rules governing the functioning of each special commission/committee are bundled in the Corporate Governance Statute which is posted on the website of the Issuer.
	d) the "Comply or Explain" Statement?	*		"Comply or Explain" Statements are posted on Petrom's website.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	e) the list of the Supervisory Board members specifying which members are independent, of the Executive Board and of the special commissions/committees?	*		Details about the members of the Supervisory Board, the Executive Board and the Audit Committee are presented on the Issuer's website.
	f) a brief version of the CV of each Supervisory Board and Executive Board member?	*		Petrom has a special section on its website where short versions of the CVs of the members of the corporate bodies are posted.
P2	Does the Issuer respect the rights of the holders of the financial instruments issued by the Issuer, ensuring equal treatment for them while also submitting any change of the granted rights for approval by the special meetings of such holders?	*		The Issuer complies with the regulations setting forth the rights of the shareholders. Any changes of the already granted rights are submitted for the approval of the shareholders.
P3	R 4 Does the Issuer publish in a special section of its website the details of the holding of the General Meetings of Shareholders ("GMS"): a) the GMS convening notice?	*		Petrom's website has a special section where the GMS convening notices are posted.
	R 4 b) the materials/documents relating to the items on the agenda, as well as any other information about the items on the agenda?	*		Petrom's website has a special section where materials/ documents/ any other information relating to the items on the agenda of the GMS are posted.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 4 c) the templates of the special power of attorney?	*		Petrom's website has a special section where the templates of the special power of attorney can be found.
	R 6 Has the Issuer drawn up and submitted for the GMS approval procedures for an efficient and methodical holding of the GMS according to procedure, however without prejudice to the right of any shareholder to freely express their opinion on the topics subject to the debates?	*		The details of the organization of the GMS are mentioned in the Issuer's Articles of Association and Statute of Corporate Governance. Likewise, Petrom publishes at every GMS extensive convening notices describing in detail the procedure to be followed for the respective meeting. In this manner, the Issuer ensures that the General Meetings of Shareholders are adequately conducted and well organized while the shareholders' rights are duly communicated and observed.
	R 8 Does the Issuer disclose in a special section of its website the shareholders' rights as well as the rules and procedures for the attendance at GMS?	*		The rights of the shareholders are outlined on the Issuer's website. Likewise, the rules and procedures for attendance at the GMS, as well as the rights of the shareholders, are always described in the convening notice which is always posted on Issuer's website. The rights of the shareholders are laid down in each and every annual report.
	Does the Issuer provide the information in due time (immediately after the GMS) to all shareholders through the special section on the Issuer's website: a) the resolutions passed by GMS?	*		Petrom's website has a special section where the resolutions passed by the GMS are posted in due time.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	b) the detailed results of voting?	*		Petrom's website has a special section where detailed results of voting are posted in due time.
	Does the Issuer disseminate through the special section of the Issuer's website, which is easily identifiable and accessible: a) ad-hoc reports/official statements?	*		Petrom's website has special section where ad-hoc reports and official statements are posted.
	b) the financial calendar, the annual, quarterly and half-yearly reports?	*		Petrom's website has an easily accessible special section where the financial calendar and periodical reports are posted.
	R 9 Has the Issuer set-up a special department or has appointed a person dedicated to the relation with investors?	*		Petrom has set up a special department dedicated to investor relations that can be contacted at phone number +40 (0) 214022206 or via e-mail: investor.relations.petrom@petrom.com . Likewise, a special section of the company's website is dedicated to investors.
P4, P5	R 10 Does the Supervisory Board meet at least once a quarter for supervising the activity of the Issuer?	*		The Supervisory Board meets whenever necessary, but at least once every three months. In 2013, the Supervisory Board met six times in person and passed resolutions by circulation on four additional occasions.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 1 2 Has the Issuer a set of rules referring to the conduct and the reporting obligations relating to the trading of the shares or of other financial instruments issued by the Issuer (" issuer securities ") made on their account by the members of the Executive Board and other related natural persons?	*		Such rules are laid down in the internal regulations of the Issuer, while the Issuer has set up special structures to follow the implementation of such internal regulations.
	Are the trades with the issuer's securities made by the members of Supervisory Board, Executive Board or any other insiders on their own account disclosed via the Issuer's website, according to applicable rules?	*		All these transactions are posted on the Bucharest Stock Exchange website, in the section dedicated to the market news related to Petrom. Petrom's website also contains a link to the Bucharest Stock Exchange website, in the section Petrom>Investor Relations>Corporate Governance>Insider Trading.
P6	Does the structure of the corporate bodies of the Issuer ensure a balance between the executive and non-executive members (and especially independent non-executive members) so that the decision-making is not to be dominated by a single person or a group of persons?	*		The Supervisory Board comprises nine members who are non-executives and who supervise the activity of the five members of the Executive Board. Therefore, the balance between executives and non-executives is ensured.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P7	Does the structure of the Supervisory Board provide a sufficient number of independent members?	*		The Supervisory Board structure complies with the provisions of company Law no. 31/1990 on the number of independent members of the Supervisory Board.
P8	R15 In the course of its activity, is the Supervisory Board supported by any consultative commissions/committees nominated by the Supervisory Board, which deal with the analysis of some specific subjects in order to counsel the Supervisory Board on such topics?	*		The Audit Committee supports the Supervisory Board by performing the following main activities: <ul style="list-style-type: none"> • reviews and prepares the adoption of the annual accounts, • prepares the proposal for the distribution of profits • prepares a proposal of an independent financial auditor • supervises Petrom's risk management arrangements and its financial performance • monitors the reports delivered by the internal auditors.
	Do the consultative commissions/committees submit activity reports to the Supervisory Board on the specific subjects assigned to them?	*		The Audit Committee submits activity reports to the Supervisory Board on the specific subjects assigned to it.
	R16 For the assessment of the independence of their members, does the Supervisory Board use the assessment criteria listed in Recommendation 16?	*		The criteria used for the assessment of Supervisory Board independence are those mentioned in Company Law no. 31/1990, which are substantially similar to those provided by Corporate Governance Code.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 1 7 Do Executive Board members permanently improve their knowledge through training/information in the corporate governance field?	*		The Executive Board members permanently improve their corporate governance knowledge via training/ roundtable discussion meant to enhance the corporate governance practice in the company. The CEO is also President of the Corporate Governance Institute at the Bucharest Stock Exchange and regularly attends conferences on this topic.
P9	Is the appointment of the Supervisory Board members based on a transparent procedure (objective criteria regarding personal/professional qualifications etc.)?	*		The Supervisory Board members are appointed by the GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders, as provided for in the Issuer's Articles of Association and applicable law. Prior to the GMS, their CVs are available for the shareholders for consultation, while the shareholders are allowed to supplement the candidates list for the position of member of the Supervisory Board
P10	Is there a Nomination Committee within the Issuer set-up?		*	Establishment of the Nomination Committee is a pending subject for the assessment of the corporate bodies of the company.
P11	R 2 1 Does the Supervisory Board assess the necessity to have a Remuneration Committee/remuneration policy for the Supervisory Board and Executive Board members at least once a year?		*	The remuneration of the Supervisory Board members is resolved upon by the GMS every year. The setting up of a Remuneration Committee is being considered.
	Has the remuneration policy been approved by the GMS?		*	The remuneration of the Supervisory Board members is resolved upon by the GMS and it is made public.
	R 2 2 Is there a Remuneration Committee made exclusively of non-executive members of the Supervisory Board?		*	The Remuneration Committee has not been established yet.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 2 4 Is the remuneration policy of the Issuer mentioned in the Statute/Corporate Governance Regulation?		*	Please see above.
P12 , P13	R 2 5 Does the Issuer disclose the information subject of the reporting requirements in English: a) periodical information (regular providing information)?	*		Petrom discloses periodical information in English.
	b) permanent information (continuous providing information)?	*		Petrom discloses permanent information in English.
	Does the Issuer prepare and make public the financial report according to the IFRS standards?	*		Petrom has prepared and published consolidated financial statements in accordance with IFRS for the year ended December 31, 2006 for the first time. Starting 2010, Petrom also reports on a quarterly basis the condensed consolidated interim financial statements in accordance with the IFRS standards. Furthermore, in line with Romanian legal requirements applicable for listed companies, starting December 31, 2012 Petrom also prepares separate individual financial statements in accordance with IFRS.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 2 6 Does the Issuer organize, at least once a year, meetings with financial analysts, brokers, rating agencies and other market specialists with the view to presenting the financial elements relevant for the investment decision?	*		Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists with a view to presenting the financial elements relevant for investment decision. A total of more than 100 one-to-one or group meetings and presentations were held throughout 2013, including more than 150 investors and analysts. The company also attended analyst and investor conferences, organized in Romania and abroad.
	R 2 7 Is there an Audit Committee within the Issuer?	*		Petrom's Supervisory Board has set up an Audit Committee.
	R 2 8 Does the Supervisory Board or the Audit Committee, as the case may be, assess on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by the Issuer?	*		The Audit Committee assesses on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by Petrom.
	R 2 9 Is the Audit Committee comprised exclusively of non-executive members of the Supervisory Board and is it comprised of a sufficient number of independent members of the Supervisory Board?	*		The Audit Committee comprises exclusively non-executive members of the corporate bodies and a sufficient number of independent members of the Supervisory Board, as provided for by Company Law no. 31/1990.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
	R 30 Does the Audit Committee meet at least twice a year, with the view to draw up and disclose to the shareholders half-yearly and annual financial statements?	*		Petrom's Audit Committee meets at least quarterly in order to deal with significant accounting, reporting and risk management issues as well as with the review on the financial statements.
	R 32 Does the Audit Committee make proposals to the Supervisory Board regarding the selection, the appointment, the re-appointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration?	*		Petrom's Audit Committee makes proposals to the Supervisory Board regarding the selection, the appointment, the re-appointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration.
P14	Has the Issuer approved a procedure with a view to identifying and to settling any conflicts of interest?	*		The Issuer has established internal rules on how to deal with conflicts of interest.
P15	R 33 Do the members of the Supervisory Board inform the Supervisory Board on conflicts of interests as they occur and do they refrain from debates and the vote on such matters, according to relevant legal provisions?	*		Petrom Supervisory Board has put in place rules relating to conflicts of interest as well as the approach in this respect.

Principle/ Recommendation	Question	YES	NO	Please EXPLAIN
P16	R34 / R35 Has the Issuer approved the specific procedures in order to provide procedural compliance (criteria to identify the significant impact of transactions, transparency, impartiality, non-competition, etc.) with the view to identify the transactions between related parties?	*		Petrom has internal regulations in place and submits reports on transactions with related parties to the Financial Supervisory Authority and to the Bucharest Stock Exchange. During 2013 Petrom has revised the internal processes and databases in order to achieve the highest standards in reporting.
P17	R36 Has the Issuer approved a procedure regarding the internal flow and disclosure to third parties of the documents and information referring to the Issuer, considering especially inside information?	*		Petrom has internal regulations in place for such matters.
P18	R37 / R38 Does the Issuer carry on activities regarding the Issuer's social and environmental responsibility?	*		Petrom conducts various activities regarding social and environmental responsibility. Please see the Annual Report's section relating to community involvement.

Declaration of the management

We confirm to the best of our knowledge that the separate financial statements prepared in accordance with IFRS as requested by Ministry of Finance Order no. 1286/2012 give a true and fair view of the financial position of OMV Petrom S.A. as of December 31, 2013, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the Directors' report gives a true and fair view of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties associated with the expected development of the Company.

Bucharest, March 25, 2014

The Executive Board

Mariana Gheorghe
Chief Executive Officer
President of the Executive Board



Andreas Matje
Chief Financial Officer
Member of the Executive Board



Gabriel Selischi
Member of the Executive Board
Exploration & Production



Cristian Secosan
Member of the Executive Board
Gas & Power



Neil Anthony Morgan
Member of the Executive Board
Refining & Marketing



7. Annexes

a. List of consolidated companies in Petrom Group at December 31, 2013

Parent company			
OMV Petrom S.A.			
Subsidiaries			
EXPLORATION & PRODUCTION		REFINING & MARKETING	
Tasbulat Oil Corporation LLP ¹	100.00%	OMV Petrom Marketing S.R.L.	100.00%
OMV Petrom Ukraine E&P GmbH	100.00%	ICS Petrom-Moldova S.A.	100.00%
OMV Petrom Ukraine Finance Services GmbH	100.00%	Petrom Aviation S.A.	99.99%
Kom Munai LLP	95.00%	OMV Srbija DOO	99.96%
Petrom Exploration & Production Ltd.	50.00%	OMV Bulgaria OOD	99.90%
GAS & POWER		CORPORATE & OTHER	
OMV Petrom Gas S.R.L.	99.99%	Petromed Solutions S.R.L.	99.99%
OMV Petrom Wind Power S.R.L.	99.99%		
¹ Owned through Tasbulat Oil Corporation BVI as holding company.			
Associated company, accounted for at equity			
Congaz S.A. (Romania)			28.59%

b. The list of the persons affiliated to the company

Code of Company	OMV Group consolidated companies - including Petrom Group consolidated companies as of 31 December 2013
OMV	OMV Aktiengesellschaft
KONAI	Kom Munai LLP
TASBU	Tasbulat Oil Corporation LLP
TOCBVI	Tasbulat Oil Corporation BVI
OPETUA	OMV Petrom Ukraine E&P GmbH
OPFSUA	OMV Petrom Ukraine Finance Services GmbH
PEPL	Petrom Exploration & Production Limited
OFARO	OMV (Faroe Islands) Exploration GmbH
OIRAN	OMV (Iran) onshore Exploration GmbH
ONOR	OMV (Norge) AS
OTNPRO	OMV (Tunesien) Production GmbH
OTNSID	OMV (Tunesien) Sidi Mansour GmbH
OUK	OMV (U.K.) Limited
YEM2	OMV (Yemen Block S 2) Exploration GmbH
YEALMA	OMV (Yemen) Al Mabar Exploration GmbH
OAUST	OMV Australia PTY LTD
OEPA	OMV Austria Exploration & Production GmbH
OBINA	OMV Bina Bawi GmbH
OYEM70	OMV Block 70 Upstream GmbH
OMVEP	OMV Exploration & Production GmbH
OEPL	OMV Exploration & Production Limited
MAURI	OMV Maurice Energy GmbH
NZEA	OMV New Zealand Limited
OLIB	OMV of Libya Limited
OGEX	OMV Oil and Gas Exploration GmbH
OILEXP	OMV Oil Exploration GmbH
OILPRO	OMV Oil Production GmbH
PETEX	OMV Petroleum Exploration GmbH
OROVI	OMV Rovi GmbH
OSARTA	OMV Sarta GmbH
OUPI	OMV Upstream International GmbH
PEIV	PEI Venezuela Gesellschaft mit beschränkter Haftung
PIL	Petroleum Infrastructure Limited
OPEI	Preussag Energie International GmbH
OJA3	OMV Jordan Block 3 Upstream GmbH
OTANAG	OMV Anaguid Ltd.
MAURIL	OMV Maurice Energy Limited
OTUSO	OMV South Tunisia Ltd.
ODORRA	OMV Dorra Limited
ABU	OMV Abu Dhabi E&P GmbH
OFFBLG	OMV Offshore Bulgaria GmbH
OEOIL	OMV Tellal Hydrocarbons GmbH (former OMV (Egypt) Oil & Gas Exploration GmbH)
OFFMOR	OMV Offshore Morondava GmbH
OYEM86	OMV Myrre Block 86 Upstream GmbH
OPK	OMV (Pakistan) Exploration Gesellschaft m.b.H.
PEARL	Pearl Petroleum Company Limited
AGGM	AGGM Austrian Gas Grid Management AG
BOGL	Baumgarten-Oberkappel Gasleitungsgesellschaft m.b.H.
HUB	Central European Gas Hub AG
ECONDE	EconGas Deutschland GmbH
ECOGAS	EconGas GmbH
ECONHU	EconGas Hungária Földgázkereskedelmi Kft.
ECONIT	EconGas Italia S.r.l.
EGBV	EGBV Beteiligungsverwaltung GmbH
OGI	OMV Gas & Power GmbH
GERMY	OMV Gas Germany GmbH
OGSG	OMV Gas Storage Germany GmbH
OGSA	OMV Gas Storage GmbH
GASTR	OMV Enerji Ticaret Limited Şirketi

Code of Company	OMV Group consolidated companies - including Petrom Group consolidated companies as of 31 December 2013
OKH	OMV Kraftwerk Haiming GmbH
PETGAS	OMV Petrom GAS SRL
WINDPP	OMV Petrom Wind Power SRL
OPI	OMV Power International GmbH
BORASC	OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş.
GPTHOL	OMV Gaz ve Enerji Holding Anonim Şirketi
GPTRAD	OMV Trading GmbH
POGI	Petrol Ofisi Gaz İletim A.Ş.
ECONHR	EconGas d.o.o. za opskrbu plinom
OGDAS	OMV Gaz Depolama A.Ş. (former BORTOP)
OGG	Gas Connect Austria GmbH
CONGAZ	Congaz SA
ENERCO	Enerco Enerji Sanayi Ve Ticaret A.Ş.
FREYKG	Freya Bunde-Etzel GmbH&Co
ROMAN	OMV Petrom Marketing SRL
PETAV	Petrom Aviation SA
BULG	OMV Bulgaria OOD
OSERB	OMV Srbija d.o.o.
MOLDO	ICS Petrom Moldova SA
AWPIP	Adria-Wien Pipeline GmbH
ISERV	OMV - International Services Ges.m.b.H.
OTCH	OMV Česká republika, s.r.o.
OMVD	OMV Deutschland GmbH
OHUN	OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság
OMVRM	OMV Refining & Marketing GmbH
SLOVJA	OMV SLOVENIJA trgovina z nafto in naftnimi derivati, d.o.o.
OMVSK	OMV Slovensko s.r.o.
OSUP	OMV Supply & Trading AG
VIVTS	VIVA International Marketing- und Handels-GmbH
ERK	Erk Petrol Yatırımları A.Ş.
MARMA	Marmara Depoculuk Hizmetleri Sanayi ve Ticaret Anonim Şirketi
POAS	OMV Petrol Ofisi A.Ş.
PORAF	Petrol Ofisi Havacılık Operasyonları A.Ş.
OSTSIN	OMV Supply & Trading Singapore PTE Ltd.
BOIL	Bayernoil Raffineriegesellschaft mbH
BORA	Borealis AG
DTAL	Deutsche Transalpine Oelleitung GmbH
EPSKG	EPS Ethylen-Pipeline-Süd GmbH & Co KG
GENOL	GENOL Gesellschaft m.b.H.& Co
SIOT	SIOT Società Italiana per l'Oleodotto Transalpino SpA
OETAL	Transalpine Ölleitung in Österreich Gesellschaft m.b.H.
ELG	Erdöl-Lagergesellschaft m.b.H.
PETMED	Petromed Solutions SRL
AMIC	Amical Insurance Limited
DIRA	Diramic Insurance Limited
OCTS	OMV Clearing und Treasury GmbH
OTHOLD	OMV Petrol Ofisi Holding Anonim Şirketi
OFIN	OMV Finance Limited
OFS	OMV Finance Services GmbH
OFSNOK	OMV Finance Services NOK GmbH
SNO	OMV Solutions GmbH
OMVINT	OMV International Oil & Gas GmbH
OFSUSD	OMV Finance Solutions USD GmbH

c. Definitions

Liquidity ratios

Current ratio = Current assets/ Current liabilities

Acid test = (Current assets - Inventories)/ Current liabilities

Risk ratios

Gearing ratio = Net debt/ Equity in %

Net debt = Interest- bearing debts + Liabilities on finance leases- Cash and cash equivalents

Indebtness ratio = Interest- bearing debts (long term)/ Equity in %

Equity ratio = Equity/ (Total Assets) in %

Operational ratios

Stock turnover – days = Average inventories/ Cost of sales in days

Days in receivables – days = Average trade receivables/ Sales revenues in days

Tangible assets turnover = Sales revenues/ Tangible assets

Total assets turnover = Sales revenues/ Total assets

Profitability ratios

Net profit margin = Net income for the year/ Sales revenues in %

EBIT margin = EBIT/ Sales revenues in %

EBIT = Earnings before interest and taxes

EBITDA margin = EBITDA/ Sales revenues in %

EBITDA = EBIT + Depreciation and amortization + Net impairment losses

Return on fixed assets (ROFA) = EBIT/ Average fixed assets in %

Return on equity (ROE) = Net income for the year/ Average equity in %
