

PETROM

Annual Report 2013

Contents

At a glance	3
1. Company	4
1.1. Highlights 2013	4
1.2. Statement of the Chief Executive Officer	5
1.3. Members of the Executive Board	7
1.4. Members of the Supervisory Board	9
1.5. Our objectives and strategy	10
1.6. Sustainability	14
1.7. Petrom shares	18
1.8. Business environment	21
2. Business segments	23
2.1. Exploration and Production (E&P)	23
2.2. Gas and Power (G&P)	28
2.3. Refining and Marketing (R&M)	30
3. Report of the Governing Bodies	34
3.1. Report of the Supervisory Board	34
3.2. Directors' report	39
3.3. Corporate Governance Report	50
3.3.1. "Comply or Explain" statement	55
3.4. Declaration of the management	67
Abbreviations and definitions	68

Note: In this report, "the company", "Petrom", "Petrom Group" and "the Group" are sometimes used for convenience where references are made to OMV Petrom S.A. and its subsidiaries in general. The financials presented in the report are audited and represent Petrom Group's consolidated results prepared according to IFRS; all the figures refer to Petrom Group unless otherwise stated. Figures may not add up due to rounding differences.

Market share in Marketing includes retail and commercial sales and excludes sales to oil companies.

At a glance

Operational results	2011	2012	2013
Total hydrocarbon production (mn boe)	67.77	66.87	66.64
Gas sales volumes (TWh) ¹	54.2	52.2	52.7
Net electrical output (TWh) ²	0.3	1.7	2.9
Petrobrazil refinery capacity utilization rate (%)	79	73	90
Total refined product sales (mn t)	5.23	5.00	5.22
Number of filling stations	793	798	785
Number of employees at the end of period	22,912	21,650	19,619

¹ Gas sales volumes include transfers within OMV Petrom S.A. (e.g. Brazil power plant).

² 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 Brazil power plant – on August 1, 2012.

Financial results	2011	2012	2013
Sales (RON mn)	22,614	26,258	24,185
EBIT (RON mn)	4,936	5,662	5,958
Net income attributable to stockholders (RON mn)	3,757	3,953	4,821
Clean CCS EBIT (RON mn) ¹	5,475	5,855	6,015
Clean CCS net income attributable to stockholders (RON mn) ¹	4,206	4,307	4,869
Cash flow from operating activities (RON mn)	6,442	7,185	8,048
Capital expenditure (RON mn)	4,803	4,930	5,303
EPS (RON)	0.0663	0.0698	0.0851
ROACE (%)	17.3	16.5	19.0

¹ Clean CCS figures exclude special items and inventory holding effects (current cost of supply – CCS effects) resulting from R&M

1. Company

1.1. Highlights 2013

January

February

On **February 13**, ExxonMobil Exploration and Production Romania Limited (EMEPRL) and OMV Petrom announced the signing of an agreement with Romgaz S.A. to grant Romgaz the option to participate in petroleum operations in the deeper water portion of the Midia Block in the Black Sea offshore Romania.

On **February 22**, Petrom signed a farm-out agreement with Repsol by which the latter acquired a 49% working interest for the area deeper than 2,500-3,000 m of the onshore exploration blocks Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII, located south of the Southern and Eastern Carpathians.

March

On **March 21**, Petrom announced the appointment of Gabriel Selischi as member of the Executive Board of Petrom, in charge of Exploration and Production activity, starting September 1, 2013, following Johann Pleininger's waiver of mandate.

On **March 29**, Petrom announced the start of the implementation phase for the field redevelopment project in Suplacu de Barcău, located in the Northwestern part of Romania. The investments for the project amount to approximately EUR 200 mn for the period 2013-2015.

April

On **April 4**, Petrom provided an update on Neptun Deep referring to the 3D seismic study initiated at the end of 2012 and the investments of up to USD 1 bn estimated to be incurred by EMEPRL and OMV Petrom for the exploration program, which comprises the 3D seismic survey and further exploration and appraisal drilling.

On **April 22**, the Ordinary General Meeting of Shareholders took place. For details please refer to page 19, section General Meeting of Shareholders.

May

On **May 17**, Petrom announced the implementation of the redevelopment project of Oprisenesti oil field, located in the South-East of the country, in Braila County, envisaging EUR 90 mn investments until end of 2013.

June

On **June 25**, EMEPRL and OMV Petrom announced the successfully completed acquisition of the largest ever Black Sea 3D seismic survey on the Neptun Deep block, covering more than 6,000 km², as well as the procurement of the Ocean Endeavor drilling rig to resume exploration drilling on this block.

July

On **July 10**, Petrom announced the sale of its 99.99% interest in the non-core gas distribution company Petrom Distribuție Gaze SRL to Ligatne SRL. The transaction was completed on November 30, 2013.

On **July 24**, Petrom announced the completion of an audit of its Compliance Management System, by means of an external evaluation performed by one of the world's big four audit firms– KPMG – making Petrom the first Romanian company to have undergone such an audit.

August

On **August 6**, Petrom announced the commissioning of a new gas desulfurization and sulfur recovery unit at Petrobrazi refinery in July, as part of the modernization program initiated in 2010.

September

On **September 18**, Petrom announced the appointment of Johann Pleininger as interim member of the Supervisory Board until the next General Meeting of Shareholders, following Jaap Huijskes's waiver of the mandate.

October

November

On **November 7**, Petrom provided an update on the legal case against the Competition Council regarding the withdrawal of the retail product Eco Premium from the Romanian fuels market.

December

1.2. Statement of the Chief Executive Officer

Dear Shareholders,

In 2013, Petrom performed very well and delivered strong financial and operating results, in spite of persistent macroeconomic challenges in our area of operations. We have registered strong net profit and cash flow from operations, with a 19% return on average capital employed, supported by a favorable crude price environment and following nine years of profound restructuring and investments. The 2013 performance proved the suitability and effectiveness of our strategy and enabled us to make solid investments, of more than EUR 1 bn in the core business. Moreover, we have maintained our healthy financial position, with an almost unleveraged capital structure, which will support the significant investments envisaged for the upcoming years in the Black Sea.

During the year, the domestic macroeconomic and political environment was not short of challenges, yet Romania's economy achieved an estimated annual growth of 3.5%, higher than initially anticipated. Exporting industry, agriculture and net exports were the main contributors to this positive development. However, consumption remained weak, while the fiscal burden increased further. The regulatory and fiscal environment, a prerequisite over the medium and long term to fully unlock our growth potential, was challenging. However, with the domestic oil market already fully liberalized, the liberalization process in the gas and power sector also gathered momentum last year. The Euro area has turned the corner from recession to recovery, while global growth and trade picked up in the second half of 2013. The average Urals crude price remained favorable at USD 108.3/bbl.

On the capital markets, we have further improved our visibility and our free float increased to 9.4%. Our trading turnover increased 40% year-on-year, while the total return for our shareholders was 16% in 2013. Consistent with our financial results, the Executive Management and Supervisory Board will recommend at our General Meeting of Shareholders on April 29 the payment of a RON 0.0308 per share dividend for 2013, increased by 10% compared to 2012 and corresponding to a payout ratio of 36%.

On the operations side, our company achieved several important objectives, in line with our strategy. First and most important, the safety across all our operations, which further improved, evidencing our commitment to apply high standards of health and safety for our own employees as well as contractors'. Combined LTIR employees and contractors decreased to 0.33 from 0.49 in 2012. Moreover, in 2013 the carbon intensity for our operated assets decreased by 3.4% compared with 2012, on the back of energy efficiency initiatives and optimization of gas pipeline networks. In the last nine years, we have reduced the hydrocarbon flaring and venting in the upstream operations by around 20%.

Second, in E&P, we aimed at and successfully stabilized hydrocarbon production, as in Romania we achieved the first annual production increase since privatization, while at Group level we broadly compensated the natural decline. This is the result of operational improvement activities carried out within upstream assets via accelerated workovers, more wells put into function, progress of the field redevelopment projects and deployment of state-of-the-art technology. In addition, we have put a lot of effort into operational excellence and continued to engage in partnerships to optimize the asset portfolio and unlock onshore growth potential. We have further implemented our mid-term strategic initiative to continue the exploration of the Neptun Deep block, and completed the largest 3D seismic program in the Romanian sector of the Black Sea, covering 6,000 km² in the deep water and additional 1,600 km² in shallow water of the Neptun block. We made progress to secure additional exploration licenses in the Black Sea deep water areas adjacent to the Neptun block, in the Midia Block (Romania) and the Skifska block (Ukraine).

The third key priority refers to R&M, where we planned and delivered on the Petrobrazi refinery modernization program by commissioning the planned coker unit upgrade and the new sulfur recovery plant. The Petrobrazi refinery reached the highest utilization rate, reflecting the positive effects of the ongoing modernization program, which is adapting the refinery's yield structure to market demand, while increasing efficiency and reducing costs. In marketing, retail sales volumes have stabilized for the first time since 2009, but total marketing sales decreased by 4%, because of lower commercial sales. All in all, after many years of challenges, the Refining & Marketing segment delivered a solid operating result, in spite of increased pressure on refining margins.

Fourth, in G&P, we have strengthened our sales and ensured the operations of Brazi power plant within a challenging market environment. Nevertheless, the performance of this segment has been marked by weak gas and power demand and depressed electricity prices. Total gas consumption in Romania decreased by 8%, but Petrom sales were broadly stable helped by the integrated gas supply to the gas fired power plant Brazi. The estimated Romanian gross electricity production decreased by 2%, prices went down by more than 28%, while the estimated domestic consumption contracted by 5%, making Romania a net exporter of electricity. In 2013, our Brazi power plant had the first full year of commercial operations, reaching a 90% net availability and covering approximately 5% of national electricity production. In terms of gas and power market deregulation, the gas price liberalization calendar has been duly implemented since February 2013, while the power market for industrial consumers has been fully liberalized.

All in all, we are well on track to successfully implement our 2021 strategy, capitalizing on the high level of operational integration while delivering sustainable performance to support upstream growth, particularly in the neighboring Black Sea region.

Central to our strong operational and financial performance is the commitment of our employees to reach our strategic goals and secure the future of our company. In line with our strategy, we are developing a performance-based organizational culture and skill pool to achieve business growth and operational excellence. In 2013, we continued our professional development programs and invested around EUR 10 mn in people development, which translates into more than 25 hours per employee.

Moreover, we are implementing a sustainability culture for efficient use of natural resources, high safety and environmental standards and value sharing with stakeholders for our common long-term growth. Sustainability represents the foundation of all projects and activities in Petrom. It ranges from people performance to financial discipline, from corporate governance to simply good business practices, from being a good neighbor to investing in community projects focused on education, entrepreneurship and eco-efficiency.

Looking forward to 2014, we strive to continuously improve our safety and environmental performance and achieve several strategic priorities: to further stabilize production in the upstream, progress on exploration initiatives onshore as well as in the Black Sea, finalize the Petrobrazi refinery modernization and position the company in the challenging gas and power market.

Also this year, we will continue discussions with the Romanian authorities to achieve a long term, stable and investment-friendly taxation and regulatory framework, which will allow to fully unlock our growth potential.

In the recent years, during Romania's integration into the EU, we went through the most complex and successful transformation of a former state-owned company. Following our responsible approach to restructuring, massive investments, strive for competitiveness and sustainable development, we have managed to transform Petrom into a leading company in terms of performance and corporate governance, which generates value for all its stakeholders, a great achievement for which I am truly grateful to all our employees and partners.

Mariana Gheorghe

1.3. Members of the Executive Board

The Executive Board is elected by the Supervisory Board and consists of five members.

It manages the day-to-day business of the company and monitors the activity of its group companies in accordance with the law, the company's Articles of Association, the internal rules and guidelines as well as the resolutions of the Supervisory Board and of the General Meeting of Shareholders.

The Executive Board has the following structure as of the date of this report:

Mariana Gheorghe (1956)

Chief Executive Officer and President of the Executive Board, responsible for: Corporate Affairs and Compliance; Communications and Sustainability; Legal; Strategy and Investor Relations; Health, Safety, Security and Environment; Human Resources; Operational Procurement; Regulatory and Corporate Public Affairs

Mariana Gheorghe graduated from the Academy of Economic Studies, International Relations in 1979, the University of Bucharest, Law School in 1989 and London Business School, Corporate Finance in 1995. She worked for various Romanian companies and for the Ministry of Finance. Between 1993 and June 2006, she worked for the European Bank for Reconstruction and Development (EBRD) in London where she held various banking positions with a geographical focus on Southeastern Europe and the Caucasus Region, her last position being Senior Banker. After Petrom's privatization in 2004 and following the EBRD's proposal, she became a member of the Board of Directors of Petrom until June 15, 2006, when she was appointed as Chief Executive Officer of Petrom. As of April 17, 2007, following the adoption of the two-tier management system, she is also the President of the Executive Board.

Andreas Matje (1964)

Chief Financial Officer, responsible for: Corporate Finance; Corporate Controlling; Internal Audit; Global Solutions

Andreas Matje studied Business Administration at the University of Vienna, specializing in Industrial Management and Marketing. He then followed a doctoral and various management programs, including a Global Executive MBA with Rotman Business School, University of Toronto. Between 1995 and 1999, he was employed with OMV Aktiengesellschaft as division controller upstream. After several years spent on management positions with Polyfelt GmbH (a subsidiary of OMV Aktiengesellschaft until 2005, then known as TenCate Geosynthetics Austria), Matje rejoined OMV Aktiengesellschaft in 2009 as Senior Vice President Controlling. He joined Petrom on January 1, 2013 as Chief Financial Officer and member of the Executive Board.

Gabriel Selischi (1967)

Responsible for Exploration and Production (E&P)

Gabriel Selischi studied engineering at the Polytechnical Institute of Bucharest. He finished his studies in France, where he also graduated with a master degree in Paris in 1994. He served as Senior Manager at Schlumberger Paris and as Principal at Bossard Gemini Consulting Company in Paris and Johannesburg. He successfully managed the post-acquisition transfer of several offshore oil and gas concessions in Africa while stabilizing production of such assets. He acted as Program Manager for the post-merger business integration of Total in nine countries in the EU.

In 2006, he joined the Petrom E&P division where he served as Head of Strategy, Project and Engineering; during 2011-2013 he was Director of the Domestic Asset Business Unit. Following Johann Pleininger's waiver of his mandate, Gabriel Selischi was appointed Executive Board member in charge of Exploration and Production as of September 1, 2013.

Neil Anthony Morgan (1959)

Responsible for Refining and Marketing (R&M)

Neil Anthony Morgan graduated in Chemical Engineering from the University of Salford (Manchester, UK). His experience in the Refining and Petrochemicals business spans over 20 years. Before joining Petrom, he worked four years for Petronas Penapisan (Malaysia), where he held the position of Project Director,

Refinery Expansion Project. Prior to Petronas, he worked for 12 years for Engen Petroleum (Durban, South Africa). After joining the company in 1992 as a Process Control Specialist, he held several positions during his tenure there, from Chief Engineer Process Control and Information Technology to Technical Services Manager and Operations Manager. During 1985-1990, he was Production Manager, Operations Manager and Chief Process Engineer in Sentrachem Ltd (Johannesburg, South Africa). He joined Petrom in 2008 and was assigned responsibility for Refining and Petrochemicals. Further to the consolidation of Petrom Group's marketing activities in OMV Petrom Marketing S.R.L., under the management of Rainer Schlang, the latter's responsibilities as former Executive Board member responsible for Marketing were taken over by Neil Anthony Morgan, starting April 17, 2011.

Cristian Secoșan (1967)

Responsible for Gas and Power (G&P)

Cristian Secoșan studied Mechanical Engineering at Polytechnic University in Timisoara and throughout his career held various management positions in multinational companies active in the energy sector in Romania, such as ABB, ALSTOM and E.ON. Prior to joining Petrom, he held the position of General Manager of Siemens in Romania. He joined Petrom in September 2012 as member of the Executive Board, responsible for Gas and Power.

1.4. Members of the Supervisory Board

The Supervisory Board represents the interests of the company and of its shareholders and is responsible for the supervision of the company's overall management. At the date of the report, the Supervisory Board of Petrom consists of nine members, elected for a four-year mandate, effective starting April 28, 2013 and until April 28, 2017, as follows:

Gerhard Roiss (1952) – President

Chief Executive Officer of OMV and Chairman of the OMV Executive Board. He pursued economics studies at Vienna, Linz and Stanford Universities and started to work at OMV in 1990. First elected at the GMS held on January 11, 2005, he has been the President of the Supervisory Board since April 26, 2011.

David C. Davies (1955) – Deputy President

Chief Financial Officer of OMV and Deputy Chairman of the OMV Executive Board. Graduated from Liverpool University and joined OMV in 2002. First elected at the GMS held on January 11, 2005.

Manfred Leitner (1960)

Member of the OMV Executive Board, responsible for Refining and Marketing. He studied commerce at the Vienna University of Economics and Business and began his career with OMV in 1985 in the E&P division. First elected at the GMS held on April 26, 2011.

Johann Pleininger (1962) – interim member

Vice-President of the CEE & Black Sea Region Division within OMV. He replaced **Jaap Huijskes**, who was member of the Petrom Supervisory Board between 2010 and 2013. Johann Pleininger was appointed as interim member of the Petrom Supervisory Board starting September 18, 2013, with effect until the next GMS.

Hans-Peter Floren (1961)

Member of the OMV Executive Board, responsible for Gas and Power. He studied mechanical engineering and economics at the University of Essen, Germany. He began his career with OMV in 2012. First elected at the GMS held on April 27, 2012.

George Băeșu (1970)

President of the National Authority for Property Restitution. He 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. First elected at the GMS held on April 22, 2013.

Lucian-Dan Vlădescu (1973)

He graduated from the Faculty of Law within the University of Bucharest. First elected at the GMS held on April 22, 2013.

Joseph Bernhard Mark Mobius (1936)

Executive Chairman, Templeton Asset Management Ltd. appointed to the Petrom Supervisory Board following the Fondul Proprietatea's proposal. He earned Bachelors and Masters degrees from Boston University, and a PhD in economics and political science from the Massachusetts Institute of Technology. First elected at the GMS held on April 29, 2010.

Riccardo Puliti (1962)

Managing Director in charge of the energy and natural resources sectors at the EBRD. 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 the EBRD in 1996. First elected at the GMS held on April 28, 2009.

1.5. Our objectives and strategy

Petrom in 2013

Petrom is the largest oil and gas group in Southeastern Europe, with activities in the business segments of Exploration and Production, Gas and Power as well as Refining and Marketing. The Group consolidated its position in the oil and gas market following a comprehensive modernization and efficiency increase process backed by investments accounting for more than EUR 10 bn over the past nine years. Petrom is part of the OMV Group, which is also an integrated, international oil and gas player. OMV Aktiengesellschaft, the holding company of the OMV Group, holds a 51% share in Petrom and is one of Austria's largest listed industrial companies.

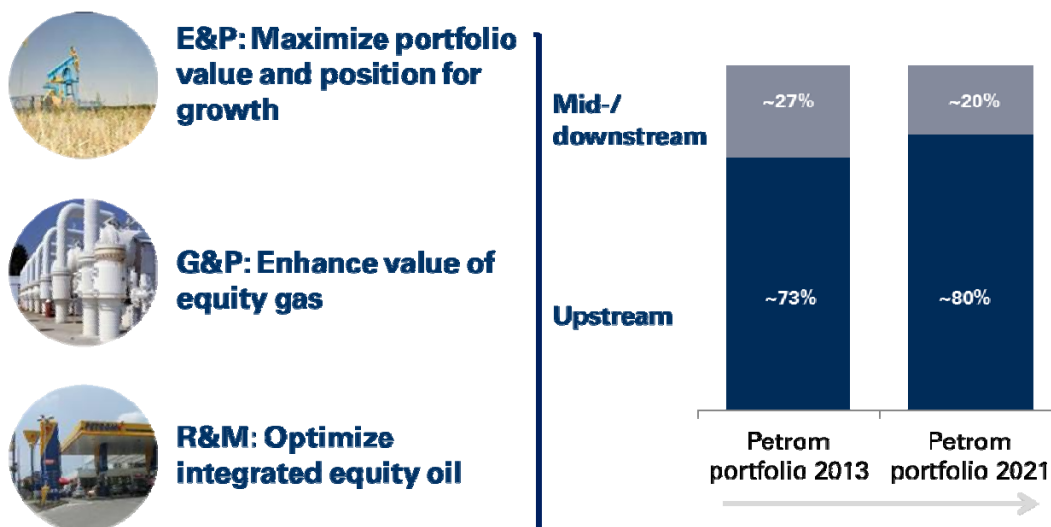
In E&P, Petrom is the largest hydrocarbon producer in Southeastern Europe. In 2013, Group total hydrocarbon production was 66.64 mn boe. The proved oil and gas reserves in Petrom Group's portfolio at the end of 2013 amounted to approximately 728 mn boe and hydrocarbon production averaged 182.6 kboe/d throughout the year.

In G&P, Petrom maintained a strong position in the Romanian gas market and leveraged its gas value chain by having entered the power generation industry. In 2013, Petrom delivered 4.9 bcm of gas and generated a total net electrical output of 2.9 TWh, of which more than 2.7 TWh came from the Brazi plant and 0.1 TWh from the Dorobantu wind park, thus covering approximately 5% of Romania's electricity production over the full year.

In R&M, Petrom processed 3,771 kt of crude oil at the Petrobrazî refinery and had a wide geographical market, covering Romania, Bulgaria, Serbia and the Republic of Moldova with approximately 800 filling stations. The company maintains a leading position in the Romanian market, having a total market share (retail and commercial sales) of approximately 34%.

With Group sales of RON 24.2 bn, a workforce of 19,619 employees and a market capitalization of RON 26.6 bn at the end of December 2013, Petrom has proven strong execution capabilities to deliver on its strategic objectives and focus on two key enablers to achieve its long-term targets: People and Resourcefulness.

Petrom total assets 2021



Petrom strategy: "Sustainable performance for growth"

In 2013, Petrom continued to successfully deliver on its strategic objectives across all business segments, thus pursuing its vision of remaining the leading regional, integrated oil and gas company with sustainable performance to support potential upstream growth in the neighboring Black Sea region.

In E&P, the first increased level of domestic production year-on-year since privatization was achieved, while completing the largest 3D seismic acquisition campaign in the Black Sea and continuing to focus on operational excellence initiatives.

In line with its strategy to optimize downstream operations, Petrom exited gas distribution activity to end-consumers and will continue to focus on supplying gas to commercial and industrial clients, while consolidating its market share.

In R&M, a new unit for gas desulfurization was commissioned in Petrobrazî, with expected positive impact on the energy efficiency, while works on revamping the Bacau terminal have been completed.

The asset base¹ was further shifted towards upstream from 70% in 2011 to 73% in 2013, and continues to do so, as 85% of CAPEX will be invested in E&P.

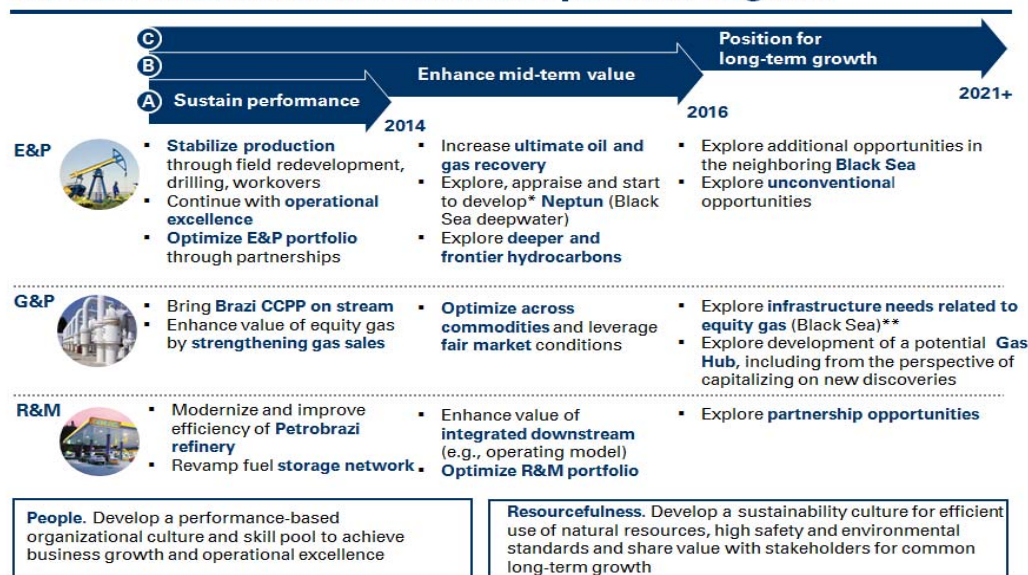
The cornerstones of Petrom's strategy at a glance:

Maximize upstream portfolio value and position for growth.

Enhance the value of equity gas.

Optimize integrated equity oil.

Petrom strategic initiatives assuming continued robust market fundamentals and competitive regime



Maximize upstream portfolio value and position for growth

Exploration and Production continues to be the company's backbone and is positioned to capture future growth potential. In the short-term, upstream activities are set to maintain the efforts towards stabilizing production, operational excellence and optimizing the portfolio through partnerships. Mid- and long-term value will be built by increasing ultimate oil and gas recovery, by further developing the Neptun gas discovery and by exploring additional opportunities, including the neighboring Black Sea.

¹ Includes upstream and downstream assets only, excluding Corporate and other

In 2013, Petrom successfully delivered on its short-term strategic objectives by compensating the domestic production decline and recording the first production growth year-on-year in Romania after privatization. This goal was accomplished as a result of accelerated drilling and workovers, operational excellence initiatives and state-of-the-art technologies deployed to increase recovery rates.

Furthermore, Petrom continued to optimize its portfolio through partnerships with world class companies: in the beginning of 2013, a farm-out agreement was signed with Repsol for joint deep onshore exploration in the Peri-Carpathian area of Romania. The drilling projects have already been agreed upon under the new partnership and are scheduled to be executed in 2014, thus supporting Petrom's mid-term strategic direction to explore deeper and frontier hydrocarbons.

Petrom has also made significant progress in delivering on other mid-term targets in E&P. During 2013, we continued to expand our field redevelopment portfolio by bringing seven capital projects to execution phase.

Moreover, Petrom further strengthened its position in the Black Sea with a view towards future growth. Together with our co-venturer ExxonMobil Exploration and Production Romania Limited (EMEPRL), we completed the largest 3D seismic acquisition in the Romanian sector of the Black Sea, with more than 6,000 km² covered in the Neptun Deep area. Moreover, we performed additional 1,600 km² seismic study in the shallow waters of the block, fully operated by Petrom. In the second half of the year, we continued with the seismic data interpretation.

In 2013, the consortium to which Petrom is part in, continued negotiations with the Ukrainian authorities for the Skifska production sharing agreement. Moreover, together with EMEPRL, Petrom took steps forward to secure an additional exploration license in the deepwater sector of the Midia block adjacent to the Neptun block.

Enhance value of equity gas

In Gas and Power, Petrom aims to increase the value of equity gas. In the short term, this translates into ensuring a sustainable operation of the Brazi power plant and strengthening gas sales. In the mid-term, Petrom will also focus on optimizing across commodities and on leveraging fair market conditions in order to further enhance the value of equity gas. Long-term strategic directions of the division involve assessing prospective infrastructure investments related to equity gas, which will support gas monetization and envisaged Black Sea growth, as well as exploring the development of a potential gas hub in Romania.

In recent years, European gas markets have undergone fundamental structural changes. The subsidized expansion of renewable power generation capacity and strong utilization of coal-fired power plants continued to negatively impact European gas demand. The latter was due to the evolution of CO₂ prices, which together with the increased focus on energy efficiency, as well as the development of new sources of gas were additional factors constantly putting pressure on the gas markets.

2013 was a challenging year for the Romanian gas market, with an 8% drop in total consumption mainly due to the ongoing price liberalization process. Despite the unfavorable market conditions, Petrom consolidated its gas sales and recorded a slight increase above the previous year, while strengthening its gas market share. Additionally, in line with its strategy to optimize downstream operations in view of increasing efficiency and focusing on core activities, Petrom discontinued gas distribution to end-consumers by divesting its subsidiary Petrom Distributie Gaze SRL.

In June 2013, the Shah Deniz II consortium decided not to select Nabucco West as their preferred pipeline option to transport Azeri gas to Europe. Following this development, Petrom updated its long-term strategic direction to exploring infrastructure investments related to equity gas (Black Sea). Moreover, as part of its long-term strategy to explore the development of a potential gas hub in Romania, Petrom is undertaking an analysis of the gas logistics value chain and will subsequently focus on gaining strategic stakeholder involvement.

After starting commercial operations in August 2012, the Brazi power plant reached a net availability of 90% in 2013, contributing approximately 5% to the national electricity production and 9% to the balancing market. At the same time, the Dorobantu wind park was focused on maximizing availability (more than 97% achieved in 2013), while optimizing operational costs.

Optimize integrated equity oil

Petrom's potential in value delivery in Refining and Marketing lies in the optimization of integrated equity oil. Leveraging our integrated business model, we will continue with the modernization program of our vertically integrated Petrobrazî refinery, which will be finalized mid-2014. Additionally, we are further enhancing our supply network chain with revamped storage facilities to fully support the retail network.

In 2013, following its defined strategy, R&M made solid progress with the Petrobrazî refinery modernization program by commissioning the coker unit upgrade and the new sulfur recovery plant. The program is on track to be finalized in 2014, with upgrades of the diesel hydro-treater and the fluid catalytic cracker units due to be commissioned during the mid-year planned refinery shutdown. Moreover, Petrom continued to make progress in terms of improving Petrobrazî's energy efficiency, with good refinery performance in a depressed refining margin environment.

As part of its "3+3 terminals strategy" aimed at revamping the fuel storage network, R&M made significant progress in 2013 by finalizing the revamping of the Bacau terminal, with operations scheduled to start in the first quarter of 2014. The terminal optimization program will then continue with the reconstruction of the Cluj facility, scheduled to start in the course of 2015.

In 2013, R&M's mid-term strategy implementation was supported through actions to further optimize the retail filling station network in order to increase profitability. As a result, this year has seen the Marketing business unit achieve a consolidated position, despite a declining market environment. Thereafter a business and market review for each country in which Petrom operates will be performed, to further support continuous R&M portfolio optimization and value enhancement for integrated downstream.

In the long-term, R&M will explore partnership opportunities, to further optimize its integrated asset portfolio and efficiency of operations. The first steps in this direction will be taken in 2014, by examining the concept of shop-in-shop² cooperation for the retail network.

People & Resourcefulness

Petrom focuses on two key enablers considered to be essential in implementing its Strategy 2021: People and Resourcefulness. To this end, we are working towards developing a performance-based organizational culture and a skill pool to achieve business growth and operational excellence. Furthermore, we focus on developing a sustainability culture for efficient use of natural resources, high safety and environmental standards, as well as on sharing value with stakeholders for common long-term growth.

As part of its People strategy, in 2013 Petrom opened a technical training center in Ploiesti, which became operational in the fourth quarter. This initiative is dedicated to technical training of blue collar workers from all of Petrom business divisions and was determined by the need for continuous professional development among the employees, according to the technological evolution and best practices of the industry.

A highlight of Petrom's Resourcefulness activity in 2013 was the launch of "Made in Andrei's Country" – a national competition of social businesses in 28 Petrom communities. Out of the 20 finalists that benefited from personalized business training, 10 social businesses were selected and financed for implementation in 2014 with a total amount of EUR 350,000. Moreover, in view of strengthening our relations with the communities in which we operate and share value for common long-term growth, we developed community relations plans addressing local needs.

² Renting space within shop area of a filling station to partners

1.6. Sustainability

Petrom has developed a strong culture of responsibility towards the environment, society and local communities. In 2012, we adopted the concept of “Resourcefulness” – a Group-wide approach that puts sustainability at the heart of our operations. In 2013, we made good progress by joining the United Nations Global Compact and cutting our carbon intensity by 3.4%³.

Our sustainability concept: Resourcefulness

With global energy demand growing at a steady pace and resources becoming increasingly scarce, climate change and fuel affordability issues are rising up the agenda. As the largest oil and gas producer in Southeastern Europe, our aim is to secure a reliable energy supply for society, now and in future. But our industry faces some very real challenges. We address these challenges by basing our conduct on the underlying principles of responsibility, innovation and careful management of resources.

Petrom first began integrating sustainability principles into its business strategy and operations when it joined the OMV Group in 2004. In 2012, Petrom adopted ‘Resourcefulness’ – a group-wide concept that drives our organization towards profitable growth in a sustainable and responsible manner. Our approach is designed to create long-term win-win situations for society, the environment and Petrom. It brings together all our responsibility commitments related to environmental management, new energy, education and development, health and safety, diversity, business ethics, human rights, stakeholder and community engagement under one single overarching strategy.

Our commitments are organized around three key focus areas:

Eco-Efficiency – limiting our impacts on the environment.

Eco-Innovation – pursuing alternative energy sources and opportunities to drive sustainable innovation.

Skills to Succeed – fostering the skills people need to succeed.

In 2013, we involved over 400 managers in workshops to help embed Resourcefulness in all that we do. In 2014, we will continue roll-out Resourcefulness to our employees.

The three pillars of Resourcefulness

Eco-Efficiency



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

³ *Brazi Power Plant 2012 performance was considered for a full year functioning, at the average of the 5 realized months, in line with the sector best practice*

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.

Eco-Innovation

Our Eco-Innovation aim is to secure valuable, long-term alternatives to traditional fossil fuels and developing new technologies that can help reduce CO₂ emissions. To deliver this, we work in partnership with OMV Group on initiatives such as the production of second generation biofuels, on building the required fuelling infrastructure for hydrogen mobility, on the direct conversion of solar energy into hydrogen as well as the chemical recycling of plastic waste at the end of its life span. By sharing innovation and expertise across the Group, we are enhancing the value we can deliver while finding innovative new ways to meet the world's growing energy needs.

Skills to Succeed

We aim to create value and secure our long-term future by helping people foster and develop the skills they need to be successful. Our focus is on supporting our own employees (around 20,000), as well as the members of the communities in which we operate.

In the workplace, we opened a new training center in Romania to deliver high quality training based on the latest industry innovations. Built in 2013, the new facility will help to develop the skills and expertise of our oil and gas workforce into the future.

Our aim with local communities is to support economic development, education and entrepreneurship by investing in vocational training and local workforce and supplier development. In 2013, we organized the largest social business competition in Romania, 'Made in Andrei's Country', which received over 500 business solutions to address prevalent social issues facing 28 communities where Petrom operates. A jury selected the ten best ideas to receive a year's worth of business start-up consultancy and grants totaling EUR 350,000. The businesses are expected to generate over 50 new jobs.

Petrom also worked with Junior Achievement Romania to deliver entrepreneurship training to over 12,000 pupils and to produce learning kits to support their teachers. Also, together with KPMG, we organized ten training sessions on public procurement and EU funds accession. 100 local authorities from 50 Petrom operational communities were trained.

Reporting on our material issues

We have identified the following material issues as being central to our ability to succeed as a business:

- Health, safety, security and environment (HSSE)
- Human Rights
- Diversity and human resources
- Business ethics and governance
- Stakeholder engagement and community management.

We measure the effects of our actions related to these issues to ensure we make the best decisions for both Petrom and our stakeholders. Selected key performance indicators (KPIs) and more detailed information can be found in our annual Sustainability Report.

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. Out of the 177 ideas that were generated, 62 have been implemented.

Health, safety and security

Health, safety and security are basic requirements for our business success and our continued license to operate. Our main concern is our employees' physical safety and wellbeing. We believe all accidents can be prevented and we focus on process reliability, safety and health promotion, and improved road safety. Our approach is based on hazard identification, risk management and safety training. By recording and investigating all incidents and near misses, we are making sure that we learn from previous experience and prevent recurrences.

Our lost time injury rate (LTIR) improved from 0.41 in 2012 to 0.37 injuries per million hours worked in 2013. Among our contractors, LTIR improved to 0.31 injuries per million hours worked compared to 0.55 in 2012. Combined LTIR employees and contractors decreased from 0.49 in 2012 to 0.33 in 2013.

We also introduced a number of new programs to tackle key risks associated with fatalities, as well as ensuring all employees meet our strict health, safety and security standards. These included a new electrical safety campaign, a hazardous substances management campaign, and our annual 'Safety Day' attended by 1,150 people which focused on process safety and the Petrom 'Golden Rules'.

Additional highlights from 2013:

- We met the goals set out in the Commitment to 'European Road Safety Charter' by installing more than 3,100 in-vehicle monitoring systems and providing training to over 6,500 stakeholders. 3,800 drivers took part in defensive driving training, resulting in a significant reduction in the number and severity of vehicle accidents.
- We offered two new screening programs for cardiovascular diseases and allergies. These are in addition to legally required medical examinations. Over 9,500 employees benefited from these programs in 2013. Also, we rolled out a healthy eating campaign with over 3,500 participants.
- We extended access to our online safety and emergency training platform to more than 3,000 users. More than 1,000 employees accessed the training materials and tests available through the platform.

	2010	2011	2012	2013
Lost-time injury rate (LTIR) per million hours worked for own employees	0.64	0.47	0.41	0.37
Lost-time injury rate (LTIR) per million hours worked for contractors	0.32	0.39	0.55	0.31
Lost-time injury rate (LTIR) per million hours worked combined employees and contractors	0.48	0.42	0.49	0.33
Total recordable injury rate (TRIR) per million hours worked for own employees	0.92	0.74	0.78	0.67
Total recordable injury rate (TRIR) per million hours worked for contractors	0.52	0.60	1.03	0.51
Total recordable injury rate (TRIR) per million hours worked combined employees and contractors	0.72	0.66	0.93	0.57

Human rights

Human rights are a central pillar of the Resourcefulness concept. In December 2013, we were welcomed as a member of the United Nations Global Compact (UNGC) and have subsequently embedded their principles into our own human rights policy and code of conduct. In 2013, we developed new human rights KPIs with support from OMV human rights specialists.

We aim to communicate openly with our stakeholders on human rights issues, and to demonstrate the action we have taken to meet EU legislation and Global Compact principles. Petrom's Human Rights Policy and Matrix guide our business decisions, and we engage with independent experts to help build our

understanding and capability. In 2012, we introduced a new human rights e-learning package. In 2013, 28 Petrom managers were involved in workshops focusing on discrimination in the workplace.

Diversity and human resources

Petrom's workforce is made up of around 48 different nationalities, and diversity, equal opportunities and career development are high on the agenda at all our operating locations. We strive to attract the best people, and to give them the tools and skills they need to perform to their full potential. Petrom is acknowledged as an employer of choice, and we aim to keep it that way.

Achieving gender balance has always been a challenge in our industry. By the end of 2013, the proportion of women across the Petrom Group was 23%. Of this mix, 30% (379) women were in Management Positions.

To promote gender balance in our industry, Petrom hosted the 2013 launch of the Women Leadership Cross-Company Mentoring Program. The program is a partnership with leading global firms which aims to develop the Romanian women leaders of the future.

Business ethics and governance

Trust and integrity form the basis for all our activities, and we aim for a culture of ethics and responsibility. All Petrom employees are expected to demonstrate honesty, transparency and integrity in their business dealings. Our governance procedures are centered on a Code of Business Ethics, which includes clear rules on conflicts of interest, gifts and hospitality, and the assessment of third parties. A compliance system and relevant processes help to ensure we meet our commitments.

In 2013, Petrom became the first Romanian company to have a certified compliance management system. We voluntarily submitted our management system for benchmarking against international standards by KPMG.

Every year, we deliver comprehensive training on topics related to business ethics, antitrust, and insider trading. In 2013, this included more than 1,700 employees. We also introduced a new compliance tool, the e-learning on Competition Law, which adds up to the antitrust compliance program that combines training, guidelines, internal rules and expert advice. We also continued our series of professional "Compliance Days", with four events focused on Exploration and Production (E&P) areas of the business.

Stakeholder engagement and community management

Petrom depends on the support and co-operation of a wide range of stakeholders to continue to operate. We aim for regular dialog to create meaningful, long-term relationships with stakeholders – helping us understand their views, interests and needs so we can improve our activities.

In 2013, the Petrom Stakeholder Dialog Forum brought together partners including authorities, academics, experts, consultants, peer companies, regulators, financial institutions and non-governmental organizations to help us identify opportunities to improve efficiency through education and research.

We aim to positively influence industrial and regional development and by taking part in stakeholder initiatives. In 2013, we helped to create a new framework to ensure Romanian authorities and businesses meet EU requirements regarding energy and gas market strategies. Our activities included dialog and production of advocacy documents including the book "Energy Industry, A Growth Driver for Romania".

As a major employer and contributor to Romania's economy, we also play an integral part of the communities in which we operate. Our 'Andrei's Country' community program aims to inspire Romanian communities to take action and change their lives in the fields of job creation, access to non-formal education and the cultivation of their citizen spirit. Our support ranges from employee volunteering to direct financial contributions and campaigns.

Understanding our impacts on and opportunities to support local communities is a key consideration whenever we design a new business initiative or community project. We consider community needs, local strategy, our business interest in the area and the potential impacts of the project. We carried out 30 community assessments in 2013.

We also founded six **community based organizations (CBO)** projects, started from seven initial projects in seven communities.

More detailed information about Petrom's 2013 sustainability performance will be available in the company's annual Sustainability Report which will be published in May 2014.

1.7. Petrom shares

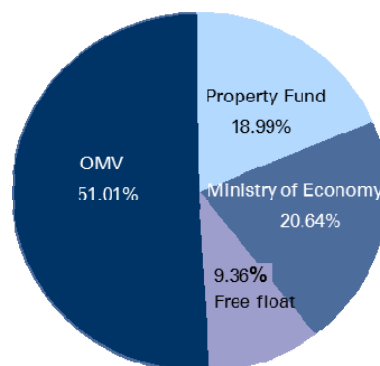
Shareholding structure

As of the end of 2013, OMV Petrom S.A. had the following shareholding structure: 51.01% - OMV Aktiengesellschaft, 20.64% - the Ministry of Economy, 18.99% - Fondul Proprietatea. The remaining share was free float, traded at the first tier of the Bucharest Stock Exchange (BSE). Around 540 institutional investors from both Romania and abroad held approximately 7.5% of the free float shares, with the remainder (1.8%) held by more than 460,000 private individuals.

On May 17, 2013, Fondul Proprietatea sold a 1.12% stake in OMV Petrom S.A. via an accelerated private placement on the BSE.

On November 15, 2013, the European Bank for Reconstruction and Development (EBRD) sold off its entire 1.62% participation in OMV Petrom S.A. via an accelerated private placement on the BSE.

Petrom Shareholding structure



Shares

In 2013, the domestic stock market posted remarkable growth rates, witnessing a relatively flat evolution during the first half of the year, followed by a sustained upward trend, with all indices displaying a superior performance against the previous year.

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.

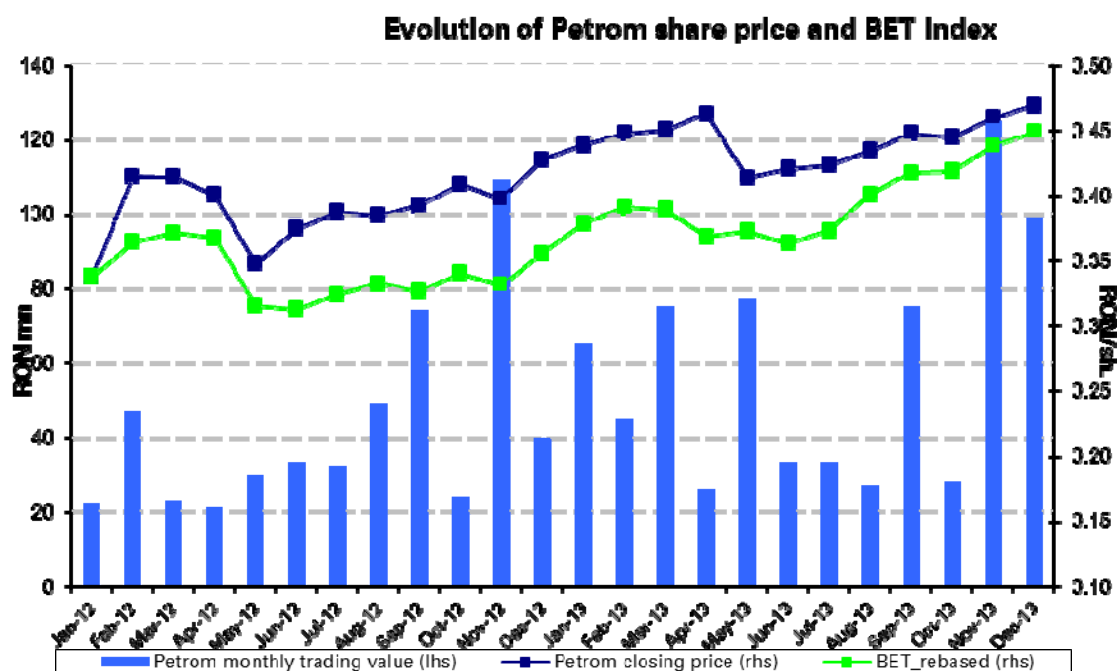
Petrom share symbols

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

At a glance	2011	2012	2013
Number of shares	56,644,108,335	56,644,108,335	56,644,108,335
Market capitalization (RON mn) ¹	16,427	24,249	26,611
Market capitalization (EUR mn) ¹	3,803	5,475	5,961
Year's high (RON)	0.4500	0.4327	0.4784
Year's low (RON)	0.2750	0.2900	0.4098
Year end (RON)	0.2900	0.4281	0.4698
EPS (RON/share)	0.0663	0.0698	0.0851
Dividend per share (RON)	0.031	0.028	0.0308 ²
Dividend yield ¹	10.7%	6.5%	6.6% ²
Payout ratio	47%	40%	36% ²

¹ Calculated based on the closing share price as of the last trading day of the respective year

² Proposed dividend, subject to GMS approval



General Meeting of Shareholders

On April 22, 2013 the Ordinary General Meeting of Shareholders (OGMS) approved OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2013 and the distribution of a gross dividend of RON 0.028 per share for the financial year 2012: a total amount of RON 1,586 mn, corresponding to a 40% payout ratio. The OGMS also appointed members of the Supervisory Board for a new four-year mandate, effective as of April 28, 2013 until April 28, 2017 and reappointed Ernst & Young Assurance Service S.R.L. as the company's financial auditor for 2013.

Investor Relations activities

Throughout 2013, the company's top management and the Investor Relations (IR) team have increased presence in the local and foreign capital markets, by regularly organizing meetings and conference calls with both local and foreign institutional investors and analysts.

Additionally, the company has also attended analyst and investor conferences organized in Romania and abroad (London, Warsaw, Prague). At these events, analysts and investors had the opportunity to address questions directly to the company's top management team as well as to the Investor Relations representatives, and bring up such topics as the company's reported results and its strategic directions. More than 100 one-to-one or group meetings and presentations with more than 150 investors and analysts were held throughout 2013.

Starting 2010, Petrom reports condensed consolidated interim financial statements prepared according to International Financial Reporting Standards (IFRS) to the capital markets on a quarterly basis. This provides

for a high degree of transparency and facilitates comparability with our international peers. In line with Romanian legal requirements applicable for listed companies, starting 2012 Petrom also prepares separate individual financial statements in accordance with IFRS.

In the interests of transparency and timeliness, all company reports, releases and important information for shareholders, analysts and investors are promptly posted and archived, after dissemination to the BSE, on our corporate website www.petrom.com, under the Investor Relations section.

Dividends

On March 25, 2014, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.0308 per share, increased by 10% compared to 2012, and resulting in a payout ratio of 36%. The dividend proposal is subject to further approval by the General Meeting of Shareholders, on April 29, 2014.

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.

Financial calendar 2014

Financial events	Date
Presentation of the results for January-December and Q4 2013 ¹	February 19, 2014
Publication of the Annual Report 2013	April 29, 2014
General Meeting of Shareholders	April 29, 2014
Presentation of the results for January-March 2014	May 13, 2014
Presentation of the results for January-June and Q2 2014	August 12, 2014
Presentation of the results for January-September and Q3 2014	November 6, 2014

¹ Petrom Group preliminary, unaudited consolidated results prepared according to the International Financial Reporting Standards (IFRS)

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1.8. Business environment

Globally

Although global activity strengthened during the second half of 2013, the world economy recorded a 2.8% growth, lower than in 2012. In the US, real GDP rose by 1.9%, as private consumption growth, helped by robust job creation and rising house prices, became more entrenched. Among emerging economies, the picture was more uneven. Russia and Brazil showed more signs of weakness, with the former growing by a meagre 1.5% and the latter marginally avoiding slipping into recession. Other emerging markets, such as Argentina or Turkey, experienced financial tensions, mainly due to feeble macroeconomic fundamentals. In contrast, the Chinese economy appeared to have stabilized at more sustainable growth rates, advancing by 7.7%. In Europe, the speed of economic recovery was subdued, as expected. The EU economy grew by 0.1%, as the shortage of demand continued to be the main constraint on growth. Supply potential also remained substantially impaired by the weakness of investment and high unemployment rates. Across the EU, financial conditions stabilized, inducing further declines in government debt risk premiums.

Consumer price inflation in advanced economies fell to 1.4% in 2013, down from 2.0% a year earlier, as output gaps in major developed economies persisted due to excess supply capacity and weak demand. Global non-fuel commodity prices dropped by 1.5% for the second year in a row. The underlying price pressures in the euro area remained muted with monetary and credit dynamics restrained. Global trade volume advanced at 2.5%, the same rate as in 2012, confirming the fact that recovery continued to be sluggish.

In 2013, total **global oil demand** rose by 1.4% to 91.3 mn bbl/d compared to 2012. The OECD oil demand rose by a meagre 0.2% with strong US deliveries lifting aggregate demand for the Americas. Expansion in the US, where oil demand rose by 1.7%, compensated contraction elsewhere, including Mexico and Canada. The economic slowdown in a number of non-OECD countries reduced the pace of oil demand there to 2.7%, below the previous five-year average of 3.6% during the period 2008-2012. A sustained period of steep decline in European oil demand eased back in 2013 as the euro zone emerged from recession. The fall in European oil demand slowed down to (0.7)% from (3.5)% a year before. Oil demand in Asia, particularly in China, continued to be strong, raising total non-OECD demand by 1.1 mn bbl/d, or 2.6% in 2013. **Global oil supply** recorded a modest increase in 2013, going up by 0.7% compared to 2012, to 91.6 mn bbl/d. Total OPEC oil supply fell by 0.8 mn bbl/d compared to 2012, to 30.5 mn bbl/d, as production shrunk in Libya, Iran and Nigeria. In contrast, liquid supplies for the non-OPEC producers rose by 1.3 mn bbl/d in 2013, to 54.7 mn bbl/d. OECD oil production went up by 5.4% to 20.9 mn, driven strongly by the drilling activity in the US. Overall, US oil output increased by 1.1 mn bbl/d or 12.4% in 2013, to 10.3 mn bbl/d, with NGL production rising by 150 kbbl/d.

In 2013, the average Brent price stood at USD 108.7/bbl, 2.7% lower compared to its 2012 level. Oil prices stayed relatively high due to a surprising robustness in global oil demand, especially in the OECD, and weak supply growth, caused by the continued problems in the OPEC. The gap between Brent and Urals oil prices narrowed in 2013 to USD 0.4/bbl down from USD 1.1/bbl a year earlier. In 2013, the average Urals price was USD 108.3/bbl, 1.9% lower compared to 2012.

Romania

According to preliminary estimates, the Romanian economy grew by 3.5% in 2013, stronger than expected. Output was mainly driven by a robust performance of the industry sector and a bumper harvest whose contribution to GDP growth was 2.3% and 1.1% respectively. The volume of industrial production grew by a solid 8.1%, spurred by a slight increase in economic activity in Europe and higher presence of domestic producers on non-EU markets. This, in turn, had a positive impact on export growth, which rose by an impressive 10% in EUR-denominated terms in 2013. The rate of imports growth, meanwhile, was more muted, with a marginal advance of 1%, which helped pushing down the trade balance deficit by an outstanding 87% compared to 2012, to EUR 0.8 bn. In 2013, foreign direct investment reversed its trend after four years of continuous decline and recorded a 27% annual increase to EUR 2.7 bn.

Despite the overall positive evolution of the economy, domestic consumption displayed a lackluster performance, growing by 0.3%. Households' purchasing power remained weak, with average real wage growth standing at 0.8% in 2013 as companies' cost controlling measures restrained nominal wage growth.

However, household final consumption expenditure showed some signs of revival, especially during the second part of the year, and provisional data put its annual growth at 1.4%.

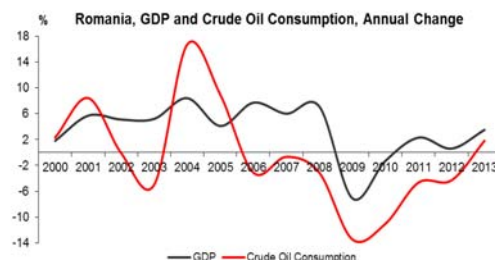
Official preliminary data appear to show that labor market conditions took a change for the worse, with the year-end unemployment rate going up to 7.3% from 6.7% in 2012. Job creation continued to pose a challenge and the number of employees in the economy at the end of December 2013 remained broadly unchanged when compared to the same period a year ago.

Strong exports growth and a more disciplined fiscal policy helped improve further macroeconomic stability. The current account deficit shrunk in 2013 reaching an estimated 1.1% of GDP while the budget deficit stood at (2.6)% of GDP. In September 2013, the authorities signed a third consecutive two-year IMF Agreement as a means to prevent a backward slippage of reforms already implemented, consolidate fiscal and structural reforms, especially in the energy and transport sectors. However, throughout 2013, fiscal policy was geared towards an increase in the overall tax base in order to meet the end-year budget deficit target. Nevertheless, despite economic growth, tax revenues fell in real terms by 0.4% compared to 2012.

Annual **harmonised consumer price inflation (HCPI)** stood at 1.3% at the end of 2013, a historic low, driven by diminished inflationary expectations, a lower level of pressure coming from commodity price inflation and a strong harvest. Taking advantage of the low inflation environment and hoping to revive the demand for bank credit, the National Bank of Romania embarked on a monetary easing cycle, cutting its benchmark interest rate by a cumulative 125 basis points to 4% throughout 2013.

In 2013, the RON rose against both the EUR and the USD by 0.8% and 4.1% respectively. The EUR traded within the RON 4.31-4.55 band, i.e. +/- 2.7% variation around the mean, implying a relatively low volatility.

Romanian **energy supply** fell in 2013 by 9.2% to 30.1 mn toe as domestic energy price increases and efficiency gains caused energy demand to decline. Overall, total energy imports fell by 15.3%.



2. Business segments

2.1. Exploration and Production (E&P)

2013 was the first year of production increase in Romania since privatization with the yearly average rate being 1 kboe/d higher than in 2012. Group production was broadly stable, at 182.6 kboe/d, as the good results of the production optimization initiatives successfully counterbalanced the natural decline of some key fields. The LTIR in E&P significantly improved to 0.48, a level which is in line with the 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.

Proven oil and gas reserves in Petrom Group's portfolio stood at approximately 728 mn boe at year-end.

E&P at a glance

	2011	2012	2013
Segment sales (RON mn) ¹	11,743	12,992	13,220
EBIT (RON mn) ²	5,236	5,467	5,529
Clean EBIT (RON mn)	5,432	5,754	5,542
Capital expenditures (RON mn)	3,254	3,753	4,401
Total Group production (mn boe)	67.77	66.87	66.64
thereof in Romania	63.41	62.39	62.54
Proved reserves as of December 31 (mn boe)	812	775	728
thereof in Romania	786	750	707

¹ Include inter-segment sales

² Excluding intersegmental profit elimination

Health, Safety, Security and Environment (HSSE) is E&P's first priority

The Lost-Time Injury Rate (LTIR) in E&P improved to 0.48 in 2013, in line with the international benchmark. The overall HSSE focus has been further strengthened in 2013 and additional improvement measures are being worked on. The fatality rate has been reduced by 80% from 2008 to 2013.

Clean E&P EBIT decreased by 4% compared to 2012 to RON 5,542 mn, mainly due to unfavorable FX effects (weaker USD against RON), and higher depreciation expenses. No hedges were concluded in 2013, whereas the 2012 result included hedging losses of RON (394) mn.

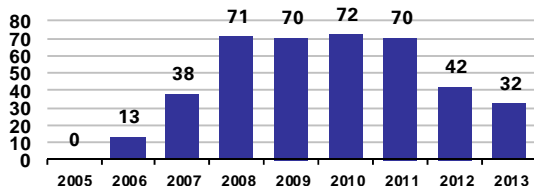
2013 reported EBIT amounted to RON 5,529 mn and compared to 2012 it increased by 1% due to lower net special charges. In 2013, there were restructuring personnel costs of only RON (13) mn, whereas in 2012 the reported EBIT reflected net special charges of RON (287) mn, mostly related to a legal case in Kazakhstan for uncollected receivables, a restructuring provision related to personnel and a net special charge in relation to a community project.

E&P capital expenditures were RON 4,401 mn, up by 17% compared to 2012. The investments were focused on drilling, including appraisal wells, integrated FRD projects and workover / subsurface operations. Exploration expenditures reached RON 453 mn, which mainly include the 3D seismic campaigns performed in the Black Sea and expenses related to five onshore exploration wells. However, they were 14% lower compared to 2012, which reflected the drilling costs associated with the Domino-1 exploration well.

In 2013, Petrom Group's hydrocarbon production amounted to 66.64 mn boe (thereof 62.54 mn boe in Romania), slightly lower compared to 2012 due to increased production in Romania and lower production in Kazakhstan. On average, daily oil and gas production was 182.6 kboe (thereof 171.4 kboe in Romania).

In Romania, total absolute value production costs in RON terms were lower by 3% compared to 2012, mainly due to strict cost management. Group production costs of USD 15.45/boe were broadly flat (production costs in Romania were also flat at USD14.96/boe) as the unfavorable FX effects (USD depreciated 4% against RON) were offset by lower production costs, as well as slightly lower production available for sales.

Single year RRR (Romania)



Reserve replacement rate (RRR)

As of December 31, 2013 the total proved oil and gas reserves in Petrom Group's portfolio amounted to 728 mn boe (of which Romania had 707 mn boe), while the proved and probable oil and gas reserves amounted to 1,025 mn boe (of which Romania had 977 mn boe). The Group's three-year average reserve replacement rate stood at 48% in 2013 (2012: 61%), while in Romania it also stood at 48% (2012: 61%). For the single year 2013, the Group's rate was 31% (2012: 44%), while the reserve replacement rate in Romania was 32% (2012: 42%), mainly as a result of exploration and

appraisal wells and reservoir studies performed.

Recent history shows that Petrom was able to keep its reserve replacement rate around the 70% level mainly thanks to continuous revisions of reserves pertaining to mature fields. This is a result of reservoir studies performed that involved drilling program results combined with diversification of recovery mechanisms. Nevertheless, the potential to organically generate additional reserves via revisions, in a confined geographical landscape with mature fields, has reached its limits in 2011.

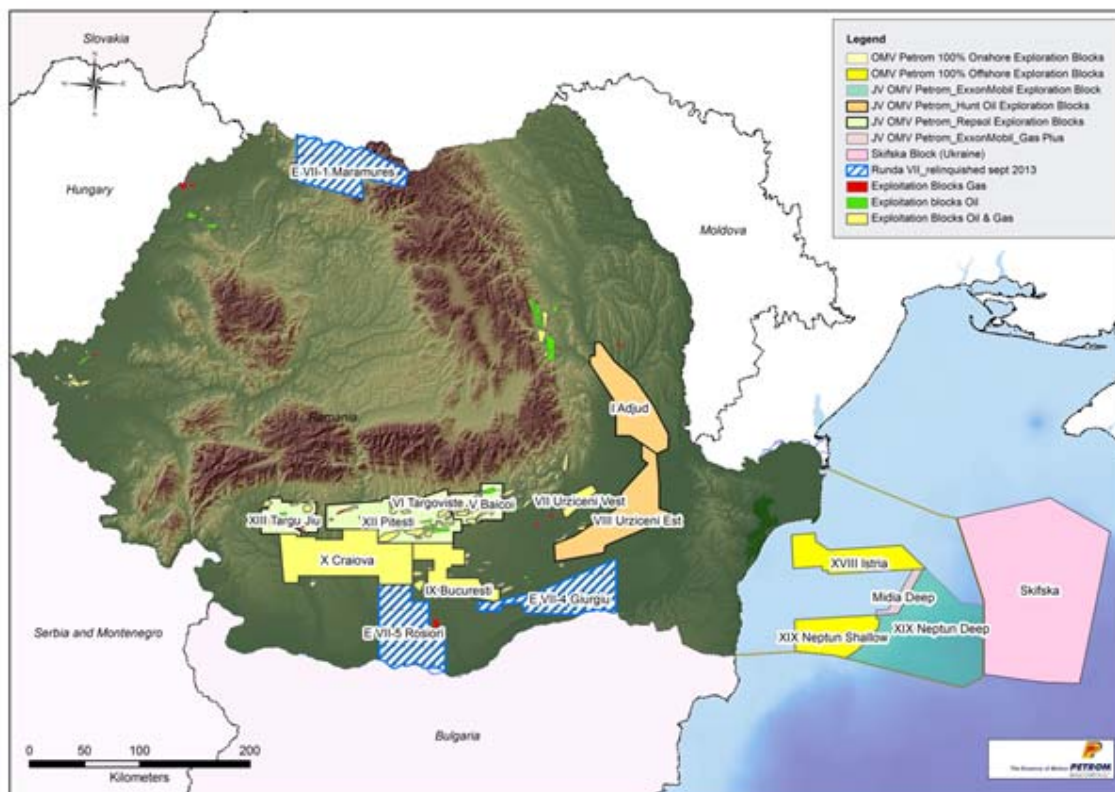
Operational highlights 2013

Romania

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, from which a combined volume of 171.4 kboe/d was produced during 2013 (2012: 170.5 kboe/d).

Petrom's exploration, development and production concessions in Romania



Exploration

A high level of exploration effort has continued in 2013 with a focus on offshore initiatives and additional licence awards opportunities in the areas adjacent to the Neptun block.

In the deepwater sector of the Neptun block, a joint venture between Petrom and ExxonMobil Exploration and Production Romania Limited (EMEPRL), we further progressed the exploration activity, with a 3D seismic program of approximately 6,000 km², which started in December 2012 and was completed in June 2013. Additional exploration and appraisal activity is planned for the next years to indicate if the deep offshore gas discovery Domino-1 is commercially recoverable. Should data interpretation and assessment confirm the technical and commercial feasibility of the deep water gas production from the Neptun block, the ultimate investment during both the appraisal and development phases could reach several billions USD with potential for first production towards the end of the decade at the earliest.

In the shallow water sector of Neptun block, which is fully operated by Petrom, a 3D seismic acquisition program was acquired, covering an area of 1,600 km². These seismic data are undergoing interpretation which will allow evaluation of additional opportunities in the Black Sea.

Other acreages in the neighboring area of Neptun block have been pursued, following the Domino-1 exploration success.

In Ukraine, negotiations for the Production Sharing Agreement for the Skifska block have continued in 2013. In August 2012, following a bidding round organized by the Ukrainian Government, the consortium led by EMEPRL (project operator), won the tender for the Skifska block in the deep waters of the Ukrainian Black Sea, adjacent to Neptun block.

In Romania, in October 2012, OMV Petrom and EMEPRL signed a Transfer Agreement for the purchase of 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia block ("Midia Deep") in the Romanian Black Sea, also adjacent to Neptun block. Petrom's participating interest stands at 42.5%. In early 2013, an option agreement was signed by OMV Petrom and EMEPRL with the State majority-owned company Romgaz, the other large gas producer in Romania. The agreement grants Romgaz the option to purchase 10% of the participating interest in the Midia Deep operations. Romgaz's option to enter is triggered by the Transfer Agreement becoming effective and an announcement of a commercial discovery.

For onshore exploration, 2013 was a year of highly intensive geological and geophysical activities. The seismic data recorded in the previous year have been processed and interpreted in order to rebuild the drilling projects portfolio.

The extensive seismic acquisitions campaign initiated in beginning of 2013 has continued with additional 414 km² 3D and 310 km 2D seismic. Exploration and appraisal drilling comprised seven exploration wells and two appraisal wells. The exploration success rate was 44%.

During February 2013, a farm-out contract for the deep part of the Peri-Carpathian licenses (blocks Baicoi, Targoviste, Pitesti and Tg. Jiu) has been agreed with Repsol. The latter acquired a 49% working interest for the area deeper than 2,500 – 3,000 m of the onshore exploration blocks Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII, located south of the Southern and Eastern Carpathians.

The main goals of this new partnership are to evaluate the hydrocarbons potential of the four blocks and unlock the deep onshore exploration potential. OMV Petrom and Repsol are jointly evaluating the data obtained during the already performed seismic programs to determine exploration drilling opportunities.

In the Adjud and Urziceni East blocks, which are under joint venture with Hunt Oil, the partners have agreed on the drilling program scheduled for 2014.

Production

In 2013, 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. The daily average equivalent production has reached 171.4 kboe/d, compared to 170.5 kboe/d in 2012. A workover campaign commenced in early 2013 at four offshore wells has significantly contributed to the stabilization and gradual increase of hydrocarbon production during the second half of the year.

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 program 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 the Totea fields and successful offshore workover campaigns.

Key projects in 2013

Petrom invests in new technologies and secondary recovery methods to redevelop mature fields in Romania in order to improve oil and gas recovery rates and stabilize its production levels. Presently, the average reserves recovery rate for the fields operated by the company stands at 25% for oil and around 49% for gas. The projects pursued mainly focus on field redevelopment using technologies such as water, steam and polymer injection, but can also encompass modernizing operations and performing additional drillings and workovers. Moreover, we target the reduction of technological and energy consumption and environmental impact.

Throughout the year, significant progress was made in the re-development of key fields. At the end of 2013, seven important projects passed the Final Investment Decision and entered the execution phase (Suplacu, Oprisenesti, Videle and Istria – oil, Madulari, Burcioaia and Bulbuceni - gas). Among these, two key projects are among Petrom's most important oil fields located in the Northwest and Southeastern part of Romania, respectively. The Suplacu field re-development is a cyclical steam injection project using Horizontal Alternative Steam Drive with in-situ combustion. It is a mature oil field, in production for over 50 years, with daily production representing 10% of the total domestic oil production. The Suplacu field redevelopment project consists of 105 wells of additional drilling, implementation of the latest techniques to increase the recovery factor of hydrocarbons, construction of a new gathering park and water treatment plant as well as the modernization of the gas combustion and air compression systems by 2015.

The Oprisenesti field redevelopment envisaged the drilling of 30 wells between 2009 and 2012, using water injection and high pressure injection stations.

The investment requirement for the projects under development and execution phase amounts to approximately EUR 550 mn over 2013-2015 and the cumulative proved and probable reserves of these projects are estimated at 100 mn boe. Other projects are in the appraisal phase, and they are expected to progress in the next years and reach implementation phase by 2017, with a cumulative recoverable resources of around 200-250 mn boe.

The FRDs are expected to maintain pace in 2014 and achieve further milestones: FRD Oprisenesti facilities to be put in function and turn on the water injection; FRD Tazlau pilot to be ready for start-up; FRD Suplac to start execution of the Centralized Processing Facilities; FRD Independenta to kick-off drilling of 19 wells; FRD Videle G2 to start polymer equipment installation; FRD Balaria to start operation of the EOR (steam injection) pilot project; FRD Istria to kick-off drilling program; FRD Bulbuceni to start works execution.

Additionally, capitalizing on opportunities identified during Multidisciplinary Asset Reviews (MARs) in 2012, two additional FRDs have been developed closer to execution. In 2013, these events have continued and eight more MARs took place. These initiatives are expected to develop, gradually mature and lead to additional FRDs.

With regard to the Near Field Opportunities (NFO), we have managed to finalize the drilling of five NFO wells. The existing 3D seismic planning is also going to lead to new opportunities and will help secure Petrom's future development.

Total water injection has increased in 2013 versus 2012 by 4.6%. The cumulative oil production from projects using water injection and thermal recovery methods (steam injection and in situ combustion) accounted for 25% of total domestic oil production in 2013.

In the field development of Totea deep, we drilled a development well, which entered into experimental production at the end of December, contributing to the average total production in 2013 of ~ 5,000 boe/d.

Within the Well Engineering program, in 2013 have been drilled 169 new wells versus 118 wells in 2012, which is an important achievement. A step change was made to improve the drilling activity planning and new initiatives and technologies were tested to deliver better and more efficient wells.

Production enhancement contracts

In order to execute its strategy of optimizing the portfolio of existing assets, since July 2010 Petrom has entered into partnerships with reputed international companies for production enhancement. The partnerships with Petrofac, PetroSantander and Expert Petroleum are governed by Production Enhancement Contracts (PECs) referred to as PEC Ticleni, PEC Turnu and PEC Timis covering in total 31 mature fields.

The PECs stipulate that the contractors will take over and finance the operations and, together with Petrom, commit to their future development in order to maximize production while improving efficiency. Petrom remains the sole titleholder of the concession contracts and the owner of the hydrocarbon production, the existing assets as well as of the rights and obligations as defined by the Petroleum Act. Also, Petrom supervises the operations and remunerates the contractor based on a service fee, which varies depending on the production delivered.

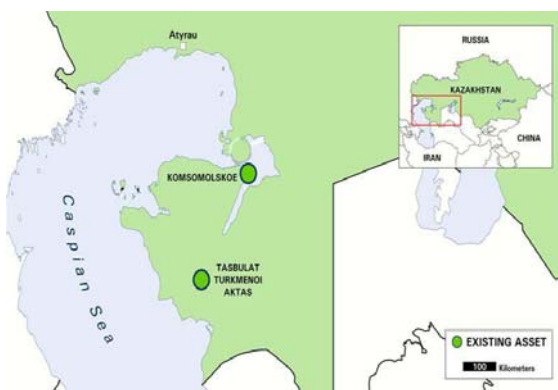
The safety performance of 2013 was in keeping with the norm with six LTIs recorded in Ticleni and no LTI recorded in either PEC Turnu or PEC Timis. In order to improve the performance and ensure safe operations in PEC Ticleni, a holistic Safety Performance Review is conducted for the whole asset focusing on safety culture as well as on systems and procedures.

In 2013, total production of PEC Ticleni and PEC Turnu advanced to 7.2 kboe/d which, compared to 2010, means a 12% increase in production. The PEC Ticleni has contributed with 4.9 kboe/d while the PEC Turnu added 2.3 kboe/d to the 2013 production. The total production of PEC Timis for the period April – December 2013 has increased to 2.4 kboe/d, 3% higher compared with the same period of 2012. Expert Petroleum took over the operations on April 1, 2013 after signing (in December 2012) a 15-year agreement for production enhancement services on 13 small mature fields, some of them situated in the Western part of Romania, near Timisoara being exploited for more than 40 years. Expert Petroleum is a Romanian company with international expertise in the oil and gas industry. The new contract follows the model of the previous production enhancement contracts.

International E&P operations

Currently, Petrom holds development and production licenses for the fields Tasbulat, Aktas, Turkmenoi (TOC fields) and Komsomolskoe (KomMunai field) in **Kazakhstan**. In 2013, the average oil and gas production in Kazakhstan has decreased by 8.3%, therefore reaching 11.2 kboe/d.

Throughout 2013, redevelopment drilling took place at the **TOC fields** with seven additional producing wells and two injector wells drilled. Half of the Turkmenoi pipeline has been replaced in order to avoid any potential leakages. The average production at the TOC fields amounted to 5.3 kboe/d in 2013, 1.8% lower than in 2012 which was mainly due to delays in tying-in the additionally drilled wells.



Picture: Location of Petrom fields in Kazakhstan



Picture: Production separator in Komsomolskoe field

At the **Komsomolskoe field** the flotation unit has been installed, the roads have been built towards two old well locations in the Caspian marsh area and these wells have been re-entered and prepared for testing. A decision has been made to drill additional injector wells in order to support the reservoir pressure. In 2013, the average production in the Komsomolskoe field amounted to 5.9 kboe/d, 14.5% lower than in 2012 due to technical problems with the cooling unit and the need to replace the electric submersible pumps in several wells.

Production in 2013	Oil and NGL		Natural gas		Total
	mn t	mn bbl	mn cbm	mn boe	mn boe
Romania	3.98	28.62	5,187	33.92	62.54
Kazakhstan	0.45	3.48	107	0.62	4.10
Petrom Group	4.43	32.10	5,294	34.54	66.64

Group's portfolio proved reserves as of December 31, 2013	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	51.4	369.6	1,824.6	337.9	707.5
Kazakhstan	2.2	17	22.6	3.8	20.8
Petrom Group	53.6	386.6	1,847.2	341.7	728.3

2.2. Gas and Power (G&P)

In the gas business, Petrom managed to maintain a strong position in the Romanian market, supplying more than one-third of Romania's estimated gas consumption in 2013. The power business generated a total net electrical output of 2.9 TWh, covering around 5% of the national electricity production.

G&P at a glance

	2011	2012	2013
Segment sales (RON mn)	3,627	4,143	4,315
EBIT (RON mn)	149	360	112
Clean EBIT (RON mn)	150	359	167
Capital expenditure (RON mn)	515	221	18
Gas sales volumes (mn cbm) ¹	5,055	4,841	4,893
Gas sales volumes (TWh) ¹	54.2	52.2	52.7
Net electrical output (TWh) ²	0.3	1.7	2.9

¹ Gas sales volumes include transfers within OMV Petrom S.A. (e.g. Brazi power plant).

² 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 EBIT generated by the G&P business in 2013 decreased to RON 112 mn, 69% below the 2012 level, largely due to lower gas business contribution, as the upside from gas price liberalization is reflected in E&P starting February 2013. The power business contribution was marginally positive, still lower compared to 2012 due to decreasing demand and stronger competition, especially from renewables, which led to an average contraction of more than 28% in electricity market prices. The reported result was also impacted by special charges of RON (55) mn, mainly reflecting the RON (42) mn non-core assets impairment in Q1 2013 and the RON (13) mn special charge for decontamination activities related to the historical asset base in Q4 2013.

G&P investments (RON 18 mn) were significantly below 2012 (RON 221 mn), as the Brazi power plant started commercial operations in August 2012.

Legislative and regulatory updates

In terms of gas market liberalization, the roadmap enforced by the Government for the gradual increase of regulated domestic gas prices during 2013-2014 has been duly implemented.

The ANRE regulations setting up two different "gas baskets" (a pre-set mixture of domestic and import gas) for households, on the one hand, and non-households on the other, continued to be applicable in 2013. The average import quota for households was 5% in 2013 (2012: 8%), while the import quota for non-households averaged 23% (2012: 34%). Starting September 2012, the Brazi power plant has been supplied exclusively with domestic gas.

Starting April 25, the order approving the methodology for allocating domestically produced natural gas quantities to cover with priority the consumption on the regulated market, entered into force.

The liberalization of the power market progressed according to the official calendar. As of the end of 2013, the electricity market for industrial consumers was fully liberalized, while the liberalization for household consumers and small enterprises was in progress.

The Law no. 220/2008 regarding the support scheme for renewable power was amended pursuant to the Government Ordinance no. 57/2013. As such, starting July 1, 2013, out of the two green certificates allocated for each MWh of wind power produced, one will become eligible for sale after January 1, 2018. Furthermore, no green certificates will be received for the amount of energy delivered in excess of the hourly notified quantities by dispatchable units.

Gas

In 2013, the estimated Romanian gas consumption decreased by 8%, down to 12.5 bcm (2012: 13.6 bcm), due to a milder winter and lower consumption by the industrial sector. Petrom's gas sales volumes slightly increased by 1%, driven by the integrated gas supply to the gas fired power plant Brazi.

At the end of 2013, the regulated domestic gas price was RON 68.3/MWh for non-households and RON 49.8/MWh for household consumers, gradually increasing from RON 45.7/MWh at the beginning of the year, when the liberalization process started.

Centralized markets for natural gas are formally in place, with both OPCOM and the Romanian Commodities Exchange (BRM) now operating trading platforms. In time, with increasing liquidity, this can lead to the formation of a market-based price of natural gas within Romania.



A total volume of 266 mn cbm of natural gas was injected into storage by Petrom in 2013, compared to 618 mn cbm in 2012. The total volume of natural gas in storage owned by Petrom amounted to 160 mn cbm at the end of 2013, compared to 398 mn cbm at the end of 2012.

In 2013, Petrom sold its 99.99% stake in the non-core gas distribution company Petrom Distribuție Gaze S.R.L. to Ligatne S.R.L., in line with the company's strategy of optimizing downstream operations and focusing on core businesses.

Power

2013 was the first year of full commercial operations at the Brazi power plant, onstream since August 2012. Due to its operational flexibility, the plant was able to operate over a broad load range, from ~200 MW to 860 MW with fast start-up and shutdown times, thus contributing to the stability of the national energy system. In 2013, the plant generated a net electrical output of 2.7 TWh, supplying 1.5 TWh to the regulated market and capturing approximately 9% from the balancing market, the second-largest balancing contribution in the country. In the context of reduced demand coupled with increased renewable generation, the power plant covered close to 5% of the total electricity production in Romania. In 2013, the net availability of the Brazi plant was 90%, reflecting the one-month planned shutdown for the installation of a gas treatment plant in April.

With a net availability of 97%, the Dorobantu wind park (45 MW) generated a net electrical output of 0.1 TWh in 2013, slightly higher compared to 2012. For the electricity produced and delivered to suppliers, OMV Petrom Wind Power S.R.L. was allocated 178,488 green certificates. Pursuant to the legislation in force, 32,297 of these green certificates will become eligible for sale after January 1, 2018.

According to data published by the National Institute of Statistics, the Romanian gross electricity production decreased by approximately 2% versus 2012, to 58 TWh, while the national electricity consumption contracted by approximately 5%, to 56 TWh. In 2013, Romania was a net exporter of electricity. The contraction in electricity consumption coupled with the increased production from hydro and renewable sources compared to 2012 led to a decrease of more than 28% in electricity prices on the Romanian day-ahead market, which averaged RON 156/MWh for base load and RON 197/MWh for peak load (2012: RON 217/MWh for base load and RON 275/MWh for peak load), according to data published by OPCOM.

Doljchim

During 2013, Petrom continued the dismantling and decontamination activities at Doljchim in compliance with environmental and safety standards, to prepare the site for potential alternative uses.

2.3. Refining and Marketing (R&M)

The Refining and Marketing business operated in a challenging market environment, with high international oil price levels, lower refining margins and subdued demand in the operating region.

In Refining, 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 H₂ 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.

R&M at a glance

	2011	2012	2013
Segment sales (RON mn)	18,957	21,750	19,308
EBIT (RON mn)	(187)	138	386
Clean CCS EBIT ¹	152	31	374
Capital expenditure (RON mn)	980	899	827
Total refined product sales (kt) ²	5,234	5,004	5,222
thereof Marketing sales volumes (kt) ³	4,066	3,829	3,617
thereof: Gasoline	949	879	884
Diesel	2,293	2,258	2,259
Kerosene/Jet fuel	222	186	220
HFO	196	132	85
Number of filling stations	793	798	785

¹ Adjusted for exceptional, non-recurring items; clean CCS figures exclude special items and inventory holding effects (current cost of supply -CCS- effects) resulting from R&M.

² Include all products sold by Petrom Group.

³ The figure excludes export sales which are included in total refined product sales.

Clean CCS EBIT in R&M increased to RON 374 mn compared to RON 31 mn in 2012, due to incremental improvements in product yield structure, a higher refinery utilization rate, a good marketing performance and strict cost management. 2013 was the third year after privatization with a positive operating profit for R&M, thus reflecting the company's commitment towards the ongoing modernization program to improve yield structure and energy efficiency. Clean CCS EBIT is stated after eliminating CCS effects of RON (24) mn and net special charges of RON 36 mn. **Reported EBIT** came in at RON 386 mn, compared to RON 138 mn in 2012.

In terms of **investments**, in Refining, 2013 marked another important step in delivering the Petrobrazi modernization program, with coker unit upgrade commissioned in January 2013, whilst the new gas desulfurization with sulfur recovery unit has been operational since mid of the year. The new hydrogen plant, which will be operated under an "over-the-fence"⁴ concept was commissioned end of the year, enabling Petrobrazi refinery to benefit from high purity hydrogen needed in all hydrotreating units. In 2013, Bacau terminal reconstruction was finalized, with the estimated start of commercial operations by the end of Q1 2014. In addition to the modernization projects, investments in environmental, legal compliance and energy efficiency projects were made.

The 2013 investments in the Petrobrazi refinery amounted to approximately EUR 150 mn, mostly related to the EUR 600 mn modernization program envisaged during 2010-2014. The next steps entail the upgrade of the fluid catalytic cracking and diesel hydrotreater conversion units, to be commissioned during the 30-day planned shutdown and turnaround scheduled starting end of May 2014.

⁴ Built and operated by third party

Marketing investments focused on optimizing the current filling stations portfolio and three newly-built filling stations in key locations. Upgrades were performed in a number of Petrom and OMV filling stations mainly to improve the facilities.

The **indicator refining margin**ⁱ decreased to USD (2.83)/ bbl, from USD (1.39)/ bbl in 2012 due to lower margins for main products (gasoline, diesel, HFO). Nevertheless, the lower refining margins and the high crude price environment were compensated by improvements in energy efficiency and yield structure.

Crude oil processed (kt) ¹	2011	2012	2013
Petrobrazî ²	3,567	3,146	3,771

¹Including condensate.

²Nominal capacity of 4.5 mn t/y until Q2 2012. Starting Q3 2012 it was streamlined to 4.2 mn t/y

Production (kt)	2011	2012	2013
Gasoline	1,105	946	1,210
Diesel	1,184	1,035	1,266
Kerosene/Jet fuel	195	144	185
HFO	394	350	366
LPG total	205	162	221
Petroleum coke	216	196	240

Sales

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.

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. Overall market share in the operating region was broadly at the same level as last year, reaching 26%. Margins remained under pressure, due to the high crude price environment.

In 2013, total non-oil business turnover improved by 3% compared to last year, following the stable trend in fuel sales, also reflecting the benefits of the single logistics provider in Romania, Bulgaria and Serbia.

Operational highlights 2013

Refining

In 2013, the main focus was on making progress with the Petrobrazî modernization program, important milestones being achieved by commissioning the coker unit upgrade at the beginning of the year, putting in function of the new sulfur recovery unit mid of 2013, as well as advancing with fluid catalytic cracking and diesel hydrotreater units upgrade. A new H₂ plant was also put in function in December 2013, in order to contribute to the overall refinery yields improvement.

The Petrobrazî refinery utilization rate increased to 90% in 2013 as compared to 2012 (73%), when the six-week-long planned refinery shutdown burdened the refinery utilization rate. The utilization rate also reflected the nameplate capacity adjustment to 4.2 mn t/y, effective since July 2012.

ⁱ Indicator refining margin is based on the international quotations for products (Augusta) and Urals crude and a standardized yield set typical for Petrom's refineries. Actual refining margins realized by Petrom may vary from the Petrom indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions

Supply and Logistics

In November 2013, the construction phase at the Bacau fuel terminal revamp project, which was initiated in September 2012, was finalized. This is the fourth commissioned terminal in the last four years. 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.

The operations are expected to start in the first quarter of 2014, still subject to operational permits.

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.

Due to the high standards used for the construction and equipment, the four terminals which were finalized by the end of 2013 (Jilava, Brazi, Isalnita and Bacau) are among the most modern and safest fuel terminals in Europe.

Marketing

In marketing, the main focus in 2013 was to maintain market share in the retail business in a challenging market environment while increasing efficiency through integration within downstream activities.

To consolidate its market position in Romania, the marketing business unit further pursued its two brand retail strategy - the international premium brand, OMV, and the national Romanian brand, Petrom, positioned as value-for-money brand. Stable retail volumes combined with the optimization of the filling station portfolio led to slightly higher average fuel sales per filling station. In Romania, retail volumes remained the same compared to the previous year, at 4.41 mn liters per station, while on Group level, the average throughput per station slightly increased to 3.89 mn liters in 2013 (2012: 3.88 mn liters per station).

In Romania, in order to increase brand awareness and customer loyalty, the "Romanian Achievements Collection" was launched in Petrom filling stations, encouraging purchase of Romanian products.

Moreover, we focused on providing best-in-class customer services as well as further diversifying the existing range of customer services (e.g. money transfer, car insurances, utilities payments, postal services) within OMV filling stations functioning under the Service Corner concept. Furthermore, a significant number of Petrom filling stations were further revamped with a new refreshed outlook, together with an effective communication campaign which led to an increase in the Petrom brand awareness in the last quarter of 2013.

The commercial business unit within Marketing continued to optimize its operations in a challenging market environment with a focus on its business-to-business activities. The multi-channel approach (using different channels to reach our commercial customer target groups) has been optimized for the diesel and aviation business in Romania, strengthening sustainable profitability.

Moreover, in the aviation fuel business, Petrom managed to successfully enter the airport in Sofia (Bulgaria) in the beginning of 2013 to further enhance the offer to international customers.

Affiliated companies

In January 2013, the selling contract between Petrom and Crimbo Gas International for the 99.99% stake held in Petrom LPG SA was completed. Following this transaction, Petrom exited the bottling and distribution market while it continued to produce LPG and sell gas cylinders and auto gas through its filling stations.

Regarding the filling stations network, Petrom pursued further optimization of its portfolio, mainly in the **Republic of Moldova**. **OMV Bulgaria** showed very good sales evolution, which led to a higher market share while in **Serbia**, the sales volumes dropped, reflecting lower purchasing power and the difficult economic environment.

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

Prices

Petrom fuel prices have a dynamic evolution based on international fuels quotations, namely Platts Mediterranean, as well as competition in the market. In addition, prices are influenced by fiscal policy and the exchange rate.

As the volatility of quotations is extremely high and an immediate reflection in product prices would make the market unstable, Petrom fuels prices only reflect the trend, not the peaks.

3. Report of the Governing Bodies

3.1. Report of the Supervisory Board

Core activities

OMV Petrom S.A. (hereinafter also referred to as “Petrom” or the “Company”) is an integrated oil and gas company operating mainly in Romania, but also indirectly via its subsidiaries in Kazakhstan (exploration and production activity) and in the neighboring countries of Bulgaria, the Republic of Moldova and Serbia (marketing activity). OMV Petrom S.A. is also the parent company of all companies consolidated within Petrom Group. A detailed structure of the consolidated companies in Petrom Group as of December 31, 2013 is presented under the corresponding note to the consolidated financial statements, included in the last chapter of this report.

Aim of the report

Transparency and accountability towards our shareholders is a well-established practice that has been put in place in the Company. Hence, the Supervisory Board continued to devote close attention to the strategic focus and business performance of the Company in all areas of activity during 2013.

The following report gives an overview with regard to the Supervisory Board’s main points of interest during the year under review.

In addition to this report, the shareholders, as well as other stakeholders have various means to access relevant information about the Company by:

- visiting our corporate website, www.petrom.com, which is continuously updated;
- contacting the Company directly – shareholders and equity analysts can address their requests to our Investor Relations department;
- asking questions at the General Meetings of Shareholders, concerning the items to be debated during such meetings.

Corporate governance

A transparent decision-making process, relying on clear and objective rules, is a prerequisite for shareholders’ confidence in the Company. It also contributes to the protection of shareholders’ rights, improving the overall performance of the Company, by offering a better access to capital and risk mitigation.

The Company has always conferred great importance upon the principles of good corporate governance and adhered to the principles laid down in the Code of Corporate Governance issued by the Bucharest Stock Exchange.

In accordance with the aforementioned principles, the Company is managed in an atmosphere 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 always paid due attention to their duty of care and loyalty. Hence, the Executive Board and the Supervisory Board have passed their resolutions as required for the welfare of the company, primarily in consideration of the interests of shareholders and employees.

Governance structures

Since April 2007, the Company is managed in a two-tier system, by the Executive Board, which runs the daily operations under the supervision and control of the Supervisory Board.

In the two-tier system, the management of the Company falls under the competence of the Executive Board, which manages the business of the Company according to the relevant laws and the Company's Articles of Association.

In accordance with the statutory provisions, by virtue of the mandate granted by the Company's shareholders, the Supervisory Board has the power to control the management of the Company. The main duties set forth under the Company Law for the members of the Supervisory Board are: (i) to exercise the continuous supervision of the activity of the Executive Board; (ii) to appoint and to revoke the members of the Executive Board; (iii) to verify the compliance of the management of the Company with the laws, the Company's Articles of Association and the resolutions of the General Meeting of Shareholders; (iv) to present a report regarding its supervision activity at least once a year to the General Meeting of Shareholders; (v) to represent the Company in relation with the Executive Board.

The members of the Executive Board and of the Supervisory Board are under the obligation to fulfill their responsibilities and exercise their powers in the best interest of the Company and all its shareholders.

Supervisory Board members

In accordance with the Company's Articles of Association, the Supervisory Board of the Company comprises nine members.

Until April 28, 2013 the Supervisory Board consisted of the following members: Gerhard Roiss (President of the Supervisory Board), David Charles Davies (Deputy President of the Supervisory Board), Jaap Huijskes, Manfred Leitner, Hans-Peter Floren, Gheorghe Ionescu, Constantin Dascălu, Joseph Bernhard Mark Mobius and Riccardo Puliti.

Due to the expiration of the mandate of the Supervisory Board members on April 28, 2013, the Ordinary General Meeting of Shareholders held on April 22, 2013 resolved upon the appointment of the members of the Supervisory Board for a four-year mandate starting April 28, 2013. As such, the following members of the Supervisory Board were appointed: Gerhard Roiss (President of the Supervisory Board), David Charles Davies (Deputy President of the Supervisory Board), Manfred Leitner, Hans-Peter Floren, Jaap Huijskes, Joseph Bernhard Mark Mobius, Lucian-Dan Vladescu, George Băeșu and Riccardo Puliti.

Following Jaap Huijskes's waiver of the mandate starting September 18, 2013, Johann Pleininger was appointed as interim member of the Supervisory Board until the next Ordinary General Meeting of Shareholders.

As required by Company Law, none of the Supervisory Board members holds an executive position within the Company.

Executive Board members

The Executive Board of the Company comprises five members as of the date of this report.

Until September 1, 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), Johann Pleininger (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).

Following Johann Pleininger's waiver of his mandate, Gabriel Selischi was appointed as Executive Board member in charge of Exploration and Production as of September 1, 2013.

Supervisory Board activity during 2013

In 2013, the Supervisory Board thoroughly reviewed the position and prospects of 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 coordinated with the Executive Board on important management matters, monitored their 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.

During the year under review, the Supervisory Board members met six times in person. Moreover, for specific and particularly urgent plans and projects arising between the actual meetings, the Supervisory

Board submitted their approval in writing on four occasions. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board in 2013. The average participation rate was over 90%.

In line with the Collective Labor Agreement, invitations to attend the Supervisory Board meetings were extended to trade union representatives and the meeting agenda and related documents were provided in a timely manner in that respect.

At our meetings, the Executive Board duly provided 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 Petrom in the plenary meetings, based on the reports of the Executive Board. The high frequency of both plenary and committee meetings has facilitated an intensive dialog between the Executive Board and the Supervisory Board. In addition, the President of the Executive Board has constantly informed the Supervisory Board of current developments in the Company's business and significant transactions.

On **February 4**, we were informed by the Executive Board on the details and impact of the Government Ordinance no. 7/2013 for establishing a tax on incremental revenues derived further to the price deregulation in the gas sector as well as of the Government Ordinance no. 6/2013 for establishing certain measures for taxing the exploitation of natural resources, others than natural gas.

March 21 Supervisory Board meeting

At our regular meeting of March 21, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

During the Supervisory Board meeting of March 21, we thoroughly discussed the 2012 annual consolidated financial statements as well as the respective management reports.

The 2012 annual consolidated financial statements were duly adopted following the recommendation of the Audit Committee, which had conducted an in-depth examination of the documents together with the auditors and based also on the auditors' letter to the management. Additionally, during the meeting we discussed and decided, based on the analysis and proposal of the Audit Committee, the appointment of Ernst & Young Assurance Services S.R.L. as financial auditor of the Petrom Group. Based on the results achieved in 2012 and the good gearing ratio, another topic on which we focused during the meeting was the distribution of dividends, where we approved the management proposal to distribute the amount of RON 1,586 mn as dividends.

On March 21, we also took notice of Johann Pleininger's waiver of his mandate as Executive Board member starting September 1, 2013 and, in full compliance with the applicable regulations, we appointed Gabriel Selischi as Executive Board member in charge of Exploration and Production starting September 1, 2013.

Moreover, during the same meeting, we also approved the convening of the Ordinary General Meeting of Shareholders on April 22, 2013 and the related materials. In addition, we approved in principle the settlement with Raiffeisen Evolution concerning the exit from a Pre-Sale Purchase contract for several plots of land.

April 22 Supervisory Board meeting

At our regular meeting of April 22, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

We also thanked the Supervisory Board members whose mandates ceased as of April 28, 2013 for their constructive work and commitment towards the Company during their mandates and also welcomed the members of the Supervisory Board appointed by the Ordinary General Meeting of Shareholders held on April 22, 2013, for a new mandate of 4 years as of April 28, 2013.

During the same meeting, the first phase of Istria field redevelopment and exploration project was approved.

April 28 Supervisory Board (via circulation)

On April 28, via a circular motion, we approved the re-appointment of Gerhard Roiss as President of the Supervisory Board, following the new mandate granted to the Supervisory Board.

June 14 Supervisory Board meeting

At this regular meeting, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments occurred since the previous meeting.

During this meeting, the following members of the Audit Committee were appointed: David Charles Davies (President of the Audit Committee), Manfred Leitner (Deputy President), Riccardo Puliti and George Băeșu.

On the same meeting the Supervisory Board resolved upon some organizational changes in the G&P division as well as upon two projects of the E&P division.

September 10 Supervisory Board (via circulation)

On September 10, via a circular motion, the Supervisory Board approved the acquisition of a new entity incorporated in Austria with the purpose of conducting business in Ukraine.

September 17 Supervisory Board meeting

At its meeting on September 17, the Supervisory Board reviewed the reports received from the Executive Board and we were consulted with regard to market and business developments as well as the recent corporate developments of the Company.

The Supervisory Board took notice of Jaap Huijskes's waiver of the mandate as member of the Supervisory Board and appointed Johann Pleininger as interim member of the Supervisory Board starting September 18, 2013 until the next Ordinary General Meeting of Shareholders.

Likewise, on the same day the Supervisory Board approved some investments relating to the Company's envisaged activities in the Black Sea.

During the same meeting, the Supervisory Board was informed of the planned Investor Relations program for the next year.

November 26 Supervisory Board meeting

During this meeting, the Supervisory Board reviewed the reports received from the Executive Board and we were consulted with regard to market and business developments as well as to corporate developments of the Company occurred since the previous meeting.

The Supervisory Board approved the creation and implementation of an organizational ombudsman office, under the name of "PetrOmbudsman". This structure will function as a supplementary communication channel, with the aim to assist employees in determining the options to amiable resolve conflicts, problematic issues or concerns. The PetrOmbudsman is an independent, neutral, informal and confidential resource who acts according to the International Ombudsman Association's Standards of Practice and Code of Ethics.

In **December** 2013, two Supervisory Board meetings took place. In these meetings via circular motions we approved further steps to develop business in Ukraine and the budget for 2014. The Supervisory Board was also informed with regard to the details of the Government Ordinance no.102/2013 published on November 15, 2013 which introduced a new tax of 1.5% on the value of special constructions.

The Audit Committee

An Audit Committee comprised of four Supervisory Board members is established to provide assistance to the Supervisory Board in the area of internal control and financial reporting. In line with Company Law, the Audit Committee also includes members that have the necessary financial, audit and accounting expertise.

As of the date of this report, the four members of the Audit Committee are: David Charles Davies, Manfred Leitner, George Băeșu and Riccardo Puliti.

In 2013, the Audit Committee met three times. On these occasions, the committee reviewed and prepared the adoption of the annual accounts and the proposal for the allocation of profit. In addition, the Audit Committee supervised Petrom's risk management process and its result and monitored the reports delivered by internal auditors including internal audit plan for 2014. The committee also prepared a proposal of an independent financial auditor to the Supervisory Board and to the General Meeting of Shareholders.

External auditor

Ernst & Young Assurance Services S.R.L. (EY) was Petrom Group's independent auditor in 2013. A motion for the reappointment of Ernst & Young as Petrom Group's auditor will be submitted to the next Ordinary General Meeting of Shareholders.

Annual financial statements

EY audited the 2013 financial statements, reviewed the conformity of the annual report with the financial statements and issued an unqualified audit opinion.

The financial statements and audit reports were presented to the Supervisory Board for examination in a timely manner. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the 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 consolidated financial statements, including the management reports.

The consolidated financial statements were approved in the Supervisory Board meeting of March 25, 2014 in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 29, 2014.

Financial reporting in compliance with international standards

Petrom prepares Group consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union - presented within this report.

Separate financial statements of the Company for the year ended December 31, 2013 are also prepared in accordance with IFRS, as the Ministry of Finance Order no. 1286/2012 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by the European Union, starting with the year ended December 31, 2012.

Dividend

The Supervisory Board has accepted the Executive Board's proposal to the General Meeting of Shareholders to pay a dividend of RON 0.0308 per share, corresponding to a payout ratio of 36% of the net profit recorded in 2013. The proposal is subject to the approval of the forthcoming General Meeting of Shareholders on April 29, 2014.

Corporate Governance

The Supervisory Board also approved the Directors' Report which includes the Corporate Governance Report. Petrom adheres to and complies with the vast majority of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange. The Corporate Governance Code's requirements are broader than the legal requirements for listed companies. The "Comply or Explain" Statement is included in the Corporate Governance chapter of the Annual Report.

We thank our shareholders for their confidence in Petrom. The Company continued its successful path of development in 2013 through difficulties caused by the effects of the fragile global economic environment.

To this end, the Supervisory Board would like to convey their appreciation to the Executive Board, managers, employees and trade union representatives for their commitment and hard work. They successfully met the challenges of a demanding 2013 and achieved excellent results. We would also like to show our appreciation to the clients and business partners of our Company. Thanks to the sound operational performance and financial position, the Supervisory Board is confident that the Company is best positioned to surmount further challenges ahead and unlock its full potential in the years to come.

Bucharest, March 25, 2014

Gerhard Roiss
President of the Supervisory Board

3.2. Directors' report

Petrom Group financials (RON mn)	2012	2013	Δ(%)
Sales revenues	26,258	24,185	(8)
Earnings before interest and taxes (EBIT)	5,662	5,958	5
Net income	3,946	4,824	22
Net income attributable to stockholders	3,953	4,821	22
Cash flow from operations	7,185	8,048	12
Capital expenditures	4,930	5,303	8
Employees at the end of period	21,650	19,619	(9)

In 2013, Petrom generated a strong operating result (EBIT) of RON 5,958 mn, 5% above previous year's level, mainly due to higher contribution from refining and strict overall cost management, partially offset by lower spark spreads. Net special charges totaled RON (33) mn, mainly related to non-core asset impairments. The net financial result reached RON (259) mn, compared to RON (836) mn registered in 2012, the latter reflecting special charges for alleged late payment interest following the receipt of the preliminary result of the fiscal review for the years 2009 and 2010. The negative effects of receivables discounting as well as FX exposure related to EUR-denominated bank loans also affected the financial result in 2012. The Group's effective corporate tax rate was 15% (2012: 18%) while net income attributable to stockholders advanced 22% versus the previous year. The return on average capital employed⁶ (ROACE) significantly increased to 19% (2012: 16.5%) and the gearing ratio further improved to 1% from 7% in 2012, due to very good cash flow from operations.

In 2013, we remained the largest investor in the energy sector in Romania with capital expenditures of RON 5,303 mn, 8% higher than in 2012, mostly dedicated to our E&P projects.

In **E&P**, for the first time since privatization, we successfully achieved a slight increase in hydrocarbon production in 2013 in Romania, while at Group level, production was broadly stable. The natural decline of our mature hydrocarbon fields was counterbalanced by the good results of optimization initiatives including workover activities and drilling of new wells. Production in Kazakhstan dropped as an effect of technical constraints in the Komsomolskoe and TOC fields, which occurred mainly in the second half of the year.

In exploration, we have operated and finalized the largest 3D seismic campaign in the Romanian sector of the Black Sea, which included 6,000 km² in Neptun deep block, explored in joint venture with ExxonMobil Exploration and Production Romania Limited, and 1,600 km² in the shallow water of the block which is fully operated by Petrom. Our focus on exploring the potential of the block and its neighboring areas in Romania were reflected in high exploration expenditures of RON 453 mn. Further steps were made to secure additional exploration licenses in the Black Sea deep water areas adjacent to the Neptun block, in the Romanian sector (Midia block) and Ukrainian sector (Skifsa block).

Onshore, we pursued the appraisal drilling of the Totea Deep development, which is the most important onshore gas discovery in Romania in the last years. In the middle of 2013, a workover job has been done as well as an upgrade of the permanent facilities, which led to incremental production. The production of Totea Deep Development has averaged 5 kboe/d in 2013.

Farm-out of the deep part of the onshore Peri-Carpathian licenses to Repsol has been concluded and Petrom together with Repsol are jointly evaluating the seismic data to determine exploration drilling opportunities and program.

In **G&P**, Petrom's gas sales volumes reached 4.9 bcm, supplying more than one-third of Romania's estimated gas consumption in 2013. In line with our strategy to optimize downstream operations, we exited the gas distribution to end consumers by divesting Petrom Distributie Gaze S.R.L. in 2013. The power business generated a total net electrical output of 2.9 TWh (accounting for 5% of the national electricity production), mostly from the Brazi power plant, which had its first full year of commercial operation in 2013.

⁶ For definitions of these ratios please refer to page 68, section "Abbreviations and definitions"

In **R&M**, 2013 was the third year after privatization with a positive Clean CCS EBIT result, significantly higher than the 2012 level, the latter reflecting the effect of the six-week planned shutdown of the refinery in 2012 and challenging market conditions. The indicator refining margin deteriorated mainly due to lower gasoline and middle distillates cracks which were only partially offset by lower technological consumption. We continued the modernization program of the Petrobrazi refinery, and upgraded the Coker unit, put in function the new gas desulfurization with sulfur recovery unit and advanced with upgrades to the Fluid Catalytic Cracking and Diesel Hydrotreater units.

The utilization rate for Petrobrazi refinery stood at 90%, a record high level since privatization. Last year, we also finalized the reconstruction of Bacau fuel terminal which will be put into operation in Q1 2014.

In Marketing, total sales volumes decreased by 6% compared with 2012, broadly in line with the market demand in our operating region which experienced a weak economic environment. The Group market share stood at 26%, in line with the previous year.

Earnings before interest and taxes (EBIT)

EBIT (RON mn)	2012	2013	Δ %
Exploration and Production ¹	5,467	5,529	1
Gas and Power	360	112	(69)
Refining and Marketing	138	386	180
Corporate and Other	(117)	(97)	(17)
Consolidation: elimination of intercompany profits	(185)	29	n.m.
Petrom Group reported EBIT	5,662	5,958	5

¹ Excluding intersegmental profit elimination shown in the line "Consolidation"

In **E&P**, EBIT increased by 1% compared to 2012, to RON 5,529 mn, due to lower special charges. The 2012 result included special items totaling RON (287) mn, mostly related to a legal case in Kazakhstan for uncollected receivables.

Total Group hydrocarbon production in 2013 was broadly stable compared to 2012 to 182.6 kboe/d or 66.6 mn boe. **Total oil, gas and NGL production in Romania** totaled 62.5 mn boe, 0.26% higher compared to the previous year. 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. **Oil and gas production in Kazakhstan** decreased by 9% to 4.1 mn boe, as an effect of technical constraints. **Group sales volumes** were similar to the 2012 level.

In **G&P**, EBIT decreased by 69% compared to 2012, to RON 112 mn, largely due to a lower **gas** business contribution, as the upside from gas price liberalization is reflected in E&P starting February 2013. The **power** business contribution also declined compared to 2012, due to decreasing demand and stronger competition, especially from renewables, which led to a contraction of more than 28% in electricity market prices. The 2013 reported result was impacted by special charges of RON (55) mn, mainly reflecting the RON (42) mn non-core assets impairment in Q1 2013 and the RON (13) mn special charge for decontamination activities related to the historical asset base in Q4 2013.

In **R&M**, EBIT significantly improved to RON 386 mn compared to RON 138 mn in 2012, mainly helped by a strong marketing performance. The **indicator refining margin** decreased to USD (2.83)/bbl, from USD (1.39)/bbl in 2012 reflecting lower margins for the main products. The Petrobrazi refinery **utilization rate** increased to 90%, as compared to 73% in 2012, as the latter was impacted by the planned shutdown in Q2 2012.

EBIT in the **Corporate and Other** (Co&O) segment, amounting to RON (97) mn, improved by 17% in 2013 compared with RON (117) mn in 2012.

Notes to the income statement

Summarized income statement (RON mn)	2012	2013	Δ %
Sales revenues	26,258	24,185	(8)
Direct selling expenses	(696)	(646)	(7)
Cost of sales	(17,306)	(15,485)	(11)
Other operating income	187	298	60
Selling and administrative expenses	(1,415)	(1,284)	(9)
Exploration expenses	(328)	(423)	29
Other operating expenses	(1,038)	(687)	(34)
Earnings before interest and taxes (EBIT)	5,662	5,958	5
Net financial result	(836)	(259)	(69)
Taxes on income	(880)	(875)	(1)
Net income	3,946	4,824	22
Less net income / (loss) attributable to non-controlling interests	(7)	3	n.m.
Net income attributable to stockholders of the parent	3,953	4,821	22

Petrom is an integrated oil and gas company. As oil produced by the E&P segment is mainly processed at the Petrobrazî refinery, the R&M business segment represents the largest share of the Group's consolidated sales.

Compared to 2012, **consolidated sales revenues** decreased by 8% to RON 24,185 mn mainly due to lower crude and petroleum products sales that more than offset higher sales of electricity in 2013. After the elimination of intra-group transactions of RON 12,113 mn, the contribution of the **E&P** segment to consolidated sales revenues was RON 1,108 mn or about 5% of the Group's total sales revenues (2012: RON 920 mn). After elimination of intra-group sales, the **G&P** segment's contribution was RON 3,880 mn or approximately 16% of total sales (2012: RON 3,696 mn). Sales to external customers in the **R&M** segment amounted to RON 19,128 mn or 79% of total consolidated sales (2012: RON 21,587 mn).

Sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania represents the Group's most important **geographical market** with sales of RON 18,964 mn or 79% of the Group's total sales (2012: RON 20,534 mn). Sales in the rest of Central and Eastern Europe were RON 4,222 mn or 17% of Group sales (2012: RON 4,485 mn) and sales revenues in the rest of the world (Kazakhstan) decreased to RON 1,000 mn, representing 4% of total sales revenues (2012: RON 1,239 mn).

Direct selling expenses followed the same decreasing trend as sales revenues, with a 7% reduction from RON 696 mn in 2012, to RON 646 mn in 2013. **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, decreased by 11% to RON 15,485 mn. This was mainly due to decreased cost of sales for traded goods being higher in 2012 due to the impact of the Petrobrazî refinery shutdown, partially offset by higher impairments and new taxes in 2013. A 60% increase in **Other operating income** relates mainly to damages received in relation with termination of land sales agreements and revenues from insurance indemnities within Power business. **Selling and administrative expenses** of RON 1,284 mn decreased by 9% compared to last year mainly in connection with the sale of the Petrom LPG subsidiary at the beginning of 2013 and to optimization of retail filling station network.

Exploration expenses increased by 29% to RON 423 mn, mostly due to relinquishment of some exploration blocks and higher provisions for unsuccessful exploration wells.

Other operating expenses decreased by 34% compared to the 2012 value of RON 1,038 mn, the latter being impacted by higher expenses related to uncollected receivables and higher restructuring provisions.

The net financial result shows a loss of RON 259 mn and has improved in comparison with the previous year (2012: loss of RON 836 mn), when it was negatively influenced by 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 Petrom in 2012 and by discounting effect of receivables.

Taxes on income amounting to RON 875 mn in 2013 were slightly lower compared to 2012, being positively impacted by deferred tax asset in the Kazakh subsidiaries. Consequently, the effective tax rate decreased to 15% (2012: 18% as during the last year it was burdened by the expense for the fiscal review).

Capital expenditure

Capital expenditure (RON mn)	2012	2013	Δ (%)
Exploration and Production	3,753	4,401	17
Gas and Power	221	18	(92)
Refining and Marketing	899	827	(8)
Corporate and Others	57	57	0
Total capital expenditure	4,930	5,303	8
+/- Other adjustments ¹	145	105	(28)
Additions according to statement of non-current assets (intangible and tangible assets)	5,075	5,408	7
+/- Non-cash changes ²	55	(413)	n.m.
Cash outflow due to investments in intangible and tangible assets	5,130	4,995	(3)
+ Cash outflow due to investments in securities, loans and other financial assets	-	-	-
Investments as shown in the cash flow statement	5,130	4,995	(3)

¹ Capital expenditure is adjusted for capitalized decommissioning costs, exploration wells that have not found proved reserves, borrowing costs and other additions which by definition are not considered as capital expenditures

² Additions are adjusted for items that did not affect cash flows during the period (including acquisitions through financial leasing, reassessment of decommissioning provisions and changes of payables arising from investments)

Capital expenditure increased to RON 5,303 mn (2012: RON 4,930 mn), due to higher investments in E&P, partly offset by lower CAPEX in G&P and R&M.

Investments in **E&P**, at RON 4,401 mn (2012: RON 3,753 mn), represented 83% of the total figure for 2013 and were predominantly spent on drilling development wells, integrated field redevelopment initiatives, workover activities and sub-surface operations, surface facilities, as well as for investments related to the Totea Deep project. Investments in **G&P** at the amount of RON 18 mn were significantly below 2012 (RON 221 mn), as the Brazi power plant started commercial operations in August 2012. Capital expenditure in the **R&M** segment of RON 827 mn (2012: RON 899 mn) accounted for 16% of 2013 Group total investments. In Refining, investments were mainly related to the Petrobrazil modernization program (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. Corporate & Other (**Co&O**) segment investments stood at RON 57 mn, mainly referring to investments directed to IT projects.

Balance sheet

Summarized balance sheet (RON mn)	2012	%	2013	%
Assets				
Non-current assets	32,777	86	34,560	86
Intangible assets and property, plant and equipment	29,479	77	31,474	79
Investments in associated companies	39	0	43	0
Other non-current assets	2,393	6	2,166	5
Deferred tax assets	866	2	877	2
Current assets	5,368	14	5,487	14
Inventories	2,251	6	1,996	5
Trade receivables	1,968	5	1,429	4
Other current assets	1,149	3	2,062	5
Equity and liabilities				
Equity	23,405	61	26,642	67
Non-current liabilities	8,646	23	8,238	21
Pensions and similar obligations	241	1	304	1
Interest-bearing debts	1,717	5	1,254	3
Decommissioning and restoration obligations	5,866	15	5,778	14
Provisions and other liabilities	813	2	891	2
Deferred tax liabilities	8	0	11	0
Current liabilities	6,094	16	5,167	13
Trade payables	2,880	8	2,958	7
Interest-bearing debts	525	1	189	0
Provisions and other liabilities	2,689	7	2,020	5
Total assets/ equity and liabilities	38,145	100	40,047	100

Total assets increased slightly by RON 1,902 mn to RON 40,047 mn. The increase in **intangible assets and property, plant and equipment** by RON 1,995 mn is the main driver of the net increase of non-current assets by RON 1,783 mn up to RON 34,560 mn. Additions to intangible assets and property, plant and equipment (RON 5,408 mn) exceeded the total of depreciation, amortization and impairments, as well as disposals by RON 1,995 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 79% (2012: 77%).

The upward development in **current assets**, of RON 119 mn, is triggered by the RON 913 mn increase in other assets, partially offset by the reduction in inventories and trade receivables by RON 739 mn. The increase in **other current assets** was mainly due to a positive evolution of cash and cash equivalents following higher free cash flows, compensated by higher bank loans reimbursements. The decrease in **trade receivables** was influenced by lower commercial sales in the R&M segment and lower gas sales due to milder winter compared to the previous year.

The increase in **equity** by RON 3,237 mn resulting from higher net profit of the year improved the equity ratio to 67% (2012: 61%).

The decrease in **interest-bearing debts** (both, **long term and short term**) by RON 799 mn is mainly related to reimbursements of loans from the European Bank for Reconstruction and Development of RON 675 mn, the European Investment Bank of RON 84 mn and the Black Sea Trade and Development Bank of RON 66 mn.

Trade payables increased slightly by RON 78 mn mainly related to intensive investment activities. **Provisions and other liabilities** (current portion) show a decrease of RON 669 mn in 2013 mainly due to the payments made in Q1 2013 related to the fiscal review for the years 2009 and 2010 concluded in Petrom in 2012; but also due to reduction in provisions and decreases of liabilities associated with assets held for sale after finalization of the sale of the Petrom LPG subsidiary.

Gearing ratio

Petrom Group's **net debt** shows a significant decrease to RON 332 mn, compared to RON 1,711 mn at the end of 2012, as the cash flows generated by operations more than exceeded the cash outflows from investments and financing. Consequently, as of December 31, 2013, the **gearing ratio** further decreased to 1.2%, from 7.3% in December 2012.

Cash flow

The Group's cash flow statement is prepared using the indirect method.

Cash flow from operating activities increased by RON 863 mn or 12% compared to 2012, reaching RON 8,048 mn. The reconciliation of profit before taxation for the year to the cash flow from operating activities (before changes in working capital) resulted in a net upward adjustment of RON 2,426 mn for 2013 (2012: RON 2,352 mn). While depreciation, amortization and write-ups added RON 3,355 mn (2012: RON 2,852 mn), net movement in provisions (including decommissioning and restoration obligations and other provisions for risks and charges) contributed a decrease of RON 60 mn (2012: decrease of RON 227 mn) to the cash flow. The disposal of non-current assets and other non-cash adjustments led to an increase of RON 101 mn (2012: increase of RON 781 mn). Net interest and tax on profit paid generated a cash outflow of RON 969 mn (2012: cash outflow of RON 1,053 mn)⁷.

In 2013, net working capital generated a cash outflow of RON 77 mn (2012: cash inflow of RON 7 mn). From cash flow perspective, inventories decreased by RON 146 mn (2012: increase by RON 25 mn), receivables decreased by RON 340 mn (2012: increased by RON 162 mn) and liabilities decreased by RON 562 mn (2012: increased by RON 194 mn).

Cash outflows for investments in non-current assets of RON 4,995 mn (2012: RON 5,130 mn) were slightly offset by proceeds from the sale of non-current assets of RON 47 mn (2012: RON 64 mn) and cash inflows related to the sale of subsidiaries of RON 54 mn (2012: RON 10 mn). **Net cash outflow from investment activities** totaled RON 4,895 mn (2012: RON 5,055 mn).

Cash outflows from the reimbursements of short and long-term borrowings amounted to RON 837 mn (2012: outflow RON 478 mn). Cash outflows for dividend payments amounted to RON 1,574 mn in 2013 (2012: RON 1,741 mn). **Net cash outflow from financing activities** amounted to RON 2,412 mn (2012: outflow RON 2,220 mn).

Risk management

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

⁷ Starting 2013, net interest received/(paid) and tax on profit paid were reclassified as sources of funds items. December 31, 2012 figures were reclassified accordingly.

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.

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

OMV 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 Group has an Accounting Manual that is applied consistently in all group companies in order to ensure uniform accounting treatment is applied for the same business cases. The Group 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 group-wide standards for the preparation of annual and interim financial statements by means of the Group Accounting Manual is also regulated by an internal Corporate Guideline.

Subsequent events

Please refer to Note 35 in the Consolidated Financial Statements.

Outlook and Management Agenda 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 CAPEX plans for 2014 set at over EUR 1 bn.

In **E&P**, we will continue our focus on developing growth opportunities as well as on implementing the performance improvement initiatives throughout the organization. Our investment efforts will be directed towards projects that envisage production stabilization through field redevelopment, drilling and workovers, operational excellence initiatives as well as portfolio optimization through partnerships.

We aim to bring four field re-development projects into the implementation phase in order to sustain our efforts of increasing the ultimate oil and gas recovery. We plan to drill more than 140 wells, using advanced technologies like sidetracking, horizontal, casing and cluster drilling.

The workover activities in Petrom will be maintained at a high level of around 1,600 jobs and aim for an important contribution to production. Moreover, important new wells (e.g. 4545 Totea, 4340 Mamu) are expected to bring additional gas production.

In the Black Sea, in joint venture with ExxonMobil Exploration and Production Romania Limited, in the Neptun Deep we plan to resume the drilling campaign mid-2014 while in Midia block we will continue with seismic data interpretation.

Under the joint ventures with Repsol and Hunt Oil, we will further progress the onshore exploration drilling programs. Additional seismic interpretation works will focus on all the recent 3D seismic acquisition projects.

In Kazakhstan, we will further implement water injection schemes in the Komsomolskoe field and carry out TOC field redevelopment plan to sustain production levels.

In **G&P**, we will mainly focus on further optimizing the gas value chain to address challenges in the market and regulatory environment.

In the gas market, our priorities will be set on maintaining a leading position in the gas market, whilst capturing synergies from bundling electricity sales with natural gas sales to the existing customer base. Further deterioration of spark spreads is expected, leading to a negative result of the power business in 2014, but we will try to mitigate this by consolidating the Brazi power plant's position in the balancing and ancillary services markets, capitalizing on plant flexibility. In addition, we will work on maximizing the operational performance of the Dorobantu wind park.

In **R&M**, we will continue our optimization and strict cost management activities, expecting another year with a challenging market environment. Moreover, we will continue energy efficiency improvements and target the reduction of CO₂ emissions.

In the Petrobrazi refinery, the planned modernization will continue and a 30-day planned shutdown and turnaround is scheduled starting at the end of May in order to upgrade the Diesel Hydrotreater and Fluid Catalytic Cracking conversion units. This will improve product yields (higher share of middle distillates) and energy efficiency.

The modernization program of revamping and optimizing the fuel terminals network will continue with the start of commercial operations in the revamped Bacau terminal by end of Q1 2014. The reconstruction of the Cluj terminal will also commence.

3.3. 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 GMS 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 GMS. 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 GMS agenda. The annual financial statements are made available starting with the date of the convening notice of the Ordinary GMS 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 fulfillment 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 Vladescu, 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 analyze 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 strategy and its financial performance and assesses the issues subject to the reports of the internal auditors.

The Executive Board reports to the Audit Committee at least once a year on the audit plan and any material findings.

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

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 of 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.

Any agreements, understanding or family connection between the Supervisory Board members 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.

The participation of the Supervisory Board members at the share capital of the company

Lucian - Dan Vladescu 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.

Any agreement, understanding or family connection between Executive Board members 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.

The participation of the Executive Board members 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.

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 a part of this annual report.

3.3.1. “Comply or Explain” statement

“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 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.
	2 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.

3.4. Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group 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 Group, together with a description of the principal risks and uncertainties associated with the expected development of the Group.

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 and Production



Cristian Secosan
Member of the Executive Board
Gas and Power



Neil Anthony Morgan
Member of the Executive Board
Refining and Marketing



Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bbl/d	bbl per day
bcf	billion cubic feet; 1,000 standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe, kboe	barrels of oil equivalent, thousand barrels of oil equivalent
boe/d, kboe/d	boe per day, kboe per day
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
cbm	cubic meter(s)
CCS	Current cost of supply
CEO	Chief Executive Officer
Co&O	Corporate and Other
CO ₂	Carbon Dioxide
CV	Curriculum Vitae
E&P	Exploration and Production
EB	Executive Board
EBIT	Earnings Before Interest and Taxes
EBRD	European Bank for Reconstruction and Development
EMEPRL	ExxonMobil Exploration and Production Romania Limited
EU, EUR	European Union, euro(s)
EPS	Earnings per share
Equity ratio	Stockholders' equity divided by balance sheet total expressed as a percentage
EURIBOR	Euro Interbank Offered Rate
FRD	Field redevelopment
FX	Foreign Exchange
G&P	Gas and Power
Gearing ratio	Net debt divided by equity expressed as a percentage
GDP	Gross Domestic Production
GHG	Green House Gas
GMS	General Meeting of Shareholders
H ₂	Hydrogen
HSSE	Health, Safety, Security and Environment
HFO	Heavy Fuel Oil
IASB	International Accounting Standards Board
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IFRIC	International Financial Reporting Standards Interpretations
IMF	International Monetary Fund
ISO	International Organization for Standardization
ISO 31000	International standard for risk management
IT	Information Technology
lhs, rhs	left hand side, right hand side
LPG	Liquefied Petroleum Gas
LTIR	Lost time injury rate = Average injury frequency with one or more lost workday related to the working time performed
m, km	meter(s), kilometer(s)
mn	million
MW; MWh	megawatt(s); megawatt hour(s)
n/a	not applicable/not available
n.m.	not meaningful
Net debt	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids
NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OECD	Organization for Economic Co-operation and Development
OGMS	Ordinary General Meeting of Shareholders
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries

Q	quarter
R&M	Refining and Marketing
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed (%)
RON	New Romanian leu
RRR	Reserve Replacement Rate
S.A.	JSC - Joint stock company (Societate pe Actiuni)
S.R.L.	Ltd - Limited liability company (Societate cu Raspundere Limitata)
TOC	Tasbulat Oil Corporation
t, kt	metric tonne(s), thousand tonnes
t/y	tonne(s)/year
toe	tonne(s) of oil equivalent
TWh	terawatt hour(s)
USD	United States dollar(s)

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