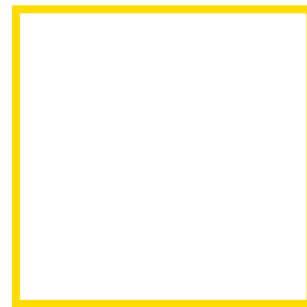


# Annual Report 2014



*years of continuous performance*



OMV Petrom



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### OMV Petrom Group in figures 2014

**Note:** In this report, "the company," "OMV Petrom," "OMV 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 OMV Petrom Group's consolidated results prepared according to IFRS; all the figures refer to OMV 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.

# OMV Petrom Group – at a glance

## Operational results

	2012	2013	2014
Total hydrocarbon production (mn boe)	66.87	66.64	65.82
Gas sales volumes (TWh) <sup>1</sup>	52.2	52.7	47.7
Net electrical output (TWh) <sup>2</sup>	1.7	2.9	1.3
Petrobraz refinery capacity utilization rate (%)	73	90	89
Total refined product sales (mn t)	5.00	5.22	4.81
Number of retail filling stations	798	785	780
Number of employees at the end of period	21,650	19,619	16,948

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

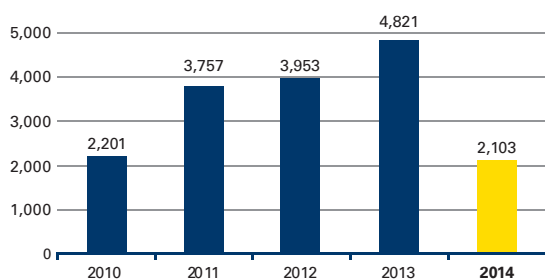
<sup>2</sup> It includes the net electrical output generated by the Brazi power plant during commissioning phase; the plant commenced commercial operations on August 1, 2012.

## Financial results

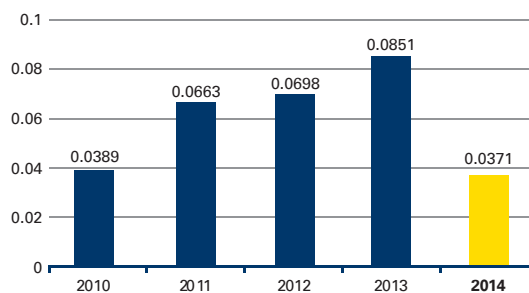
	2012	2013	2014
Sales (RON mn)	26,258	24,185	21,541
EBIT (RON mn)	5,662	5,958	3,338
Net income attributable to stockholders (RON mn)	3,953	4,821	2,103
Clean CCS EBIT (RON mn) <sup>1</sup>	5,855	6,015	5,202
Clean CCS net income attributable to stockholders (RON mn) <sup>1</sup>	4,307	4,869	3,764
Cash flow from operating activities (RON mn)	7,185	8,048	6,830
Capital expenditure (RON mn)	4,930	5,303	6,239
EPS (RON)	0.0698	0.0851	0.0371
ROACE (%)	16.5	19.0	76
Clean CCS ROACE (%)	18.0	19.2	13.6

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

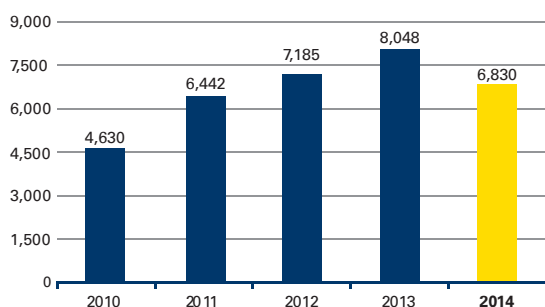
### Net income attributable to stockholders (RON mn)



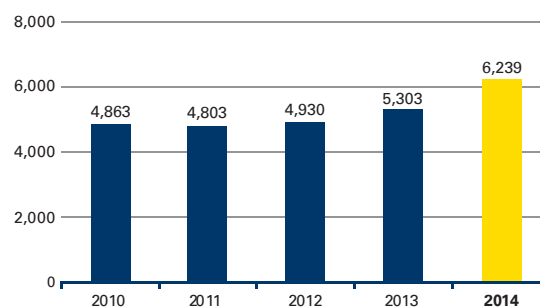
### Earnings per share (RON)



### Cash flow from operating activities (RON mn)

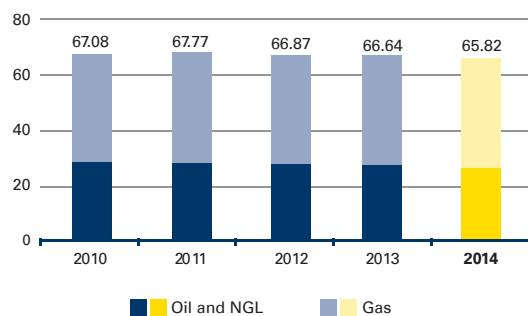


### Capital expenditure (RON mn)

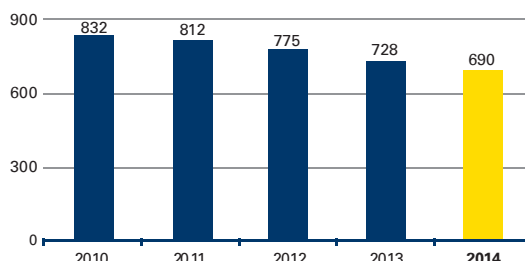


## Exploration and Production

Production (mn boe)

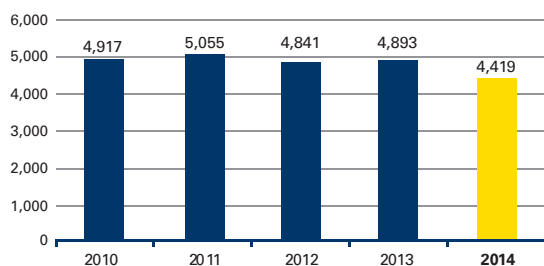


Proved reserves (mn boe)

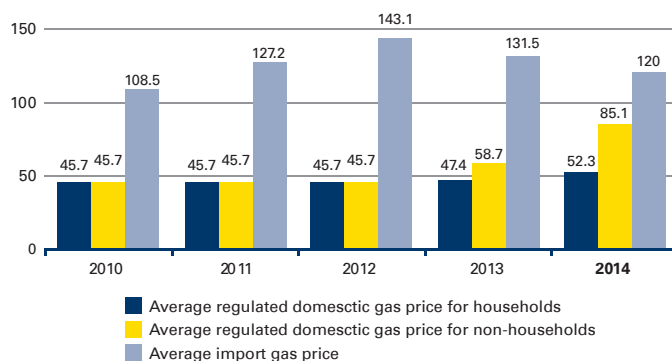


## Gas and Power

Gas sales (mn cbm)

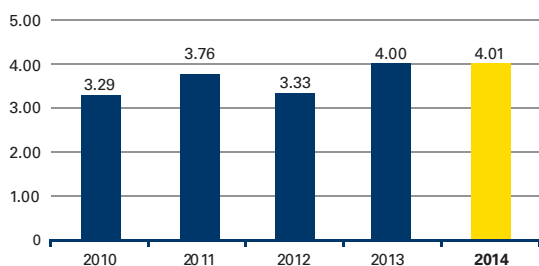


Gas prices (RON/MWh)

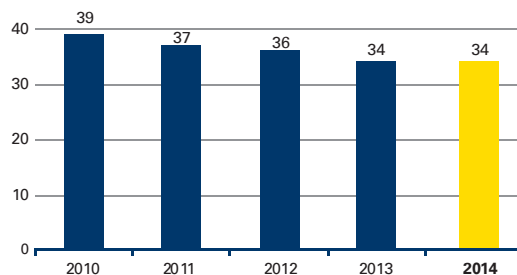


## Refining and Marketing

Petrobrazii refinery input (mn t)



Romanian oil product market share (%)\*



\*Retail and commercial segments (excluding sales to oilcos)





## Company

In 2014, we celebrated 10 years since OMV Petrom's privatization. After a profound transformation and a good track record in achieving our strategic goals, OMV Petrom has a strong foundation to cope within the current market environment.

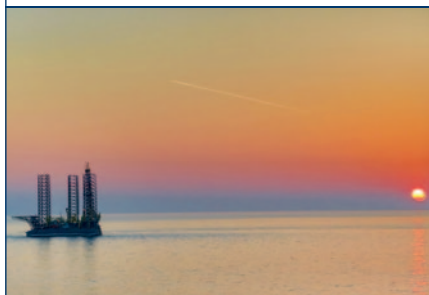
Today, we look back with pride at everything we have accomplished: hydrocarbons production stabilization, modernization of Petrobrazi refinery and filling stations network, and diversification by entering the electricity market. We have also made OMV Petrom an employer of choice and role model company in Romania.

Looking forward to the future we will continue the performance journey.



# Highlights 2014

## January

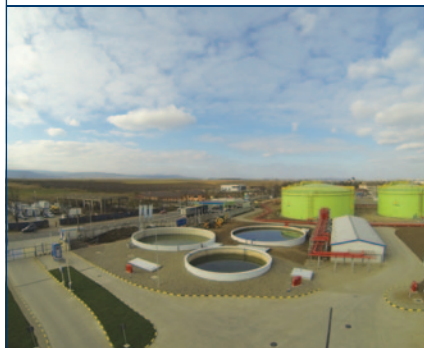


- On **January 29**, ExxonMobil Exploration and Production Romania Limited (EMEPR), OMV Petrom and Gas Plus International B.V. announced that the Transfer Agreement signed in October 2012 between EMEPR and OMV Petrom, and Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of hydrocarbon exploration and production rights to the deep water portion of the XV Midia Block became effective.

## March

- On **March 26**, OMV Petrom announced the consolidation of multiple support services into the service center OMV Petrom Global Solutions S.R.L. (OPGS), owned by OMV Petrom and OMV Solutions GmbH. OPGS provides services to the OMV Petrom and OMV Groups in several countries where the groups operate.

## April



- On **April 2**, OMV Petrom announced having completed modernization of the fuels terminal in Bacău, part of the storage infrastructure modernization program to build three new terminals and modernize another three.
- On **April 29**, the Ordinary General Meeting of Shareholders took place. For details, please refer to page 23, section General Meeting of Shareholders.



## July

- ▶ On **July 16**, OMV Petrom announced the success of an exploration well drilled in Istria XVIII offshore Perimeter (shallow water). The Marina 1 well encountered a new oil reservoir on the continental shelf of the Black Sea.
- ▶ On **July 21**, EMEPRL and OMV Petrom announced the start of drilling at the Domino-2 well in the deepwater sector of the Neptun Block offshore Romania in the Black Sea.
- ▶ On **July 24**, OMV Petrom announced the successful finalization of the Petrobrazi refinery modernization program performed during 2010-2014. Total investment amounted to around EUR 600 mn.
- ▶ On **July 31**, OMV Petrom announced the sale of its 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy Romania S.A..

## October



- ▶ On **October 27**, EMEPRL and OMV Petrom announced the completion of the Domino-2 well drilling and the start of Pelican South-1 wildcat exploration well drilling on a new prospect in the Neptun Block, about 155 km offshore in the Romanian sector of the Black Sea.

## November

- ▶ On **November 5**, OMV Petrom announced having replaced the conventional lighting systems in 345 Petrom filling stations with a new LED based system (light emitting diode), following a EUR 2.1 mn investment.
- ▶ On **November 13**, OMV Petrom announced the implementation of the redevelopment project of Tazlău oil field, located in the Northeastern part of Romania, in Bacău County, with envisaged investments of around EUR 30 mn during 2014-2015.

## December



- ▶ On **December 17**, OMV Petrom in partnership with Hunt Oil Company of Romania announced the discovery of a new oil and gas field in the south of Buzău County.

# Statement of the Chief Executive Officer

**10 years since  
OMV Petrom's  
privatization**

**Dear shareholders,**

In 2014, we celebrated 10 years since OMV Petrom's privatization, one of the largest privatization deals in Romania. The journey has been challenging, but we have achieved the complex and successful transformation of a state-owned company, in what is a strategic sector for Romania's economic growth. OMV Petrom is now a modern, competitive and successful European player and a stable pillar of the Romanian economy. Today, we cover around 40% of Romania's oil, gas and fuel supply and we continue to explore for onshore and offshore resources, in order to ensure our necessary energy needs are met in the future.

Since privatization, the organization has undergone a significant restructuring and modernization program adjusting to changing business needs, strengthening the management and its people. From a traditional state-owned company, facing challenges such as underinvestment, obsolete assets, inefficiency, bureaucracy and debts, we have transformed to become a sustainable and high performance company, relevant for Romania and the region. OMV Petrom is now prepared for the next phase of its development, concentrating on integration and performance improvement.

Alongside our continued focus on commercial and financial performance, we concentrate on operational synergies and social responsibility. There has been an enormous amount of change, to get the best out of our assets, focus on our core business, align ourselves with best practices and industry trends and be leaders in the way we develop our people. The post privatization process has required a huge investment effort, totaling more than EUR 11 bn. In 2014 alone, we invested around EUR 1.4 bn, the largest level in the last 6 years, while maintaining our strong financial position, ending the year with an almost unleveraged capital structure. Most of our CAPEX was directed to E&P, including both onshore and offshore exploration activity, for which we earmarked the largest budget since privatization.

Through the use of state-of-the-art technology and partnerships with international companies

we have stabilized our domestic hydrocarbon production. Moreover, we have diversified our business portfolio and entered the electricity market. Our investments in the Petrobrazî refinery modernization program, as well as in the Brazi project, the first private greenfield power plant in Romania, strengthen our promise to supply energy for Romania for the years to come.

We have also made OMV Petrom a better place to work. Across the organization, the transformation of OMV Petrom's safety culture and its commitment towards people development and engagement has helped turn the company into a leading employer and role model.

We could not have achieved these results without a stable business environment in Romania, especially for the oil and gas sector which has a long investment cycle. Moreover, the engagement of stakeholders was essential in this endeavor, including the support of our shareholders, which has enabled our company to unlock its potential.

The business environment in the second half of 2014 saw the oil price rapidly decline, reflecting the upward trend in global supply which outpaced demand. From its peak in July, the oil price halved by year-end, which has led to an industry-wide shift in focus towards operational and organizational efficiencies.

The refining margins significantly improved in the second half of the year while the gas and power markets were weak in 2014. In recent years, European gas and power markets have been characterized by structural changes like subsidized expansion of renewable power generation capacity and strong utilization of coal-fired power plants, with a negative impact on gas demand as well as on the operating environment of gas-fired power plants. The evolution of CO<sub>2</sub> prices, together with increased focus on energy efficiency and a continuing period without significant economic growth, have exacerbated pressure on energy demand and prices.

In Romania, during the year, macroeconomic stability continued to improve as the financing needs of both current account and budget deficits

**More than  
EUR 11 bn  
invested since  
privatization**



fell further. The economy grew by an estimated 2.9%, helped by revitalization in domestic private consumption and sustained strength in industrial production. However, investments in the economy continued to shrink in 2014 both in the private and public sectors.

Within this context, our company achieved several important objectives on the operational side, in line with our strategy. Firstly and most importantly, safety across all our operations improved further, 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 0.30 from 0.33 in 2013. Moreover, through energy efficiency initiatives and the optimization of gas pipeline networks, we made good progress in cutting our carbon intensity, achieving a drop of 4.7% in 2014 compared with 2013. In the last ten years, we have reduced hydrocarbon flaring and venting in the upstream operations by around 20%.

In **E&P**, we successfully achieved our target of stabilizing hydrocarbon production. In Romania we achieved the second annual marginal production increase since privatization, while at Group level we broadly compensated the natural decline. We have further implemented our mid-term strategic initiative to continue the exploration of the Neptun Deep block, and spudded two new wells, Domino-2 which was finalized in Q4/14 and Pelican South-1 which started drilling in October. The results together with data from additional exploration wells will be used for the evaluation of the consolidated block potential.

In **G&P**, the 2014 result was marked by depressed gas demand and stable, but weak electricity prices. OMV Petrom sales dropped by 9%, which reflects the milder winter and reduced off-take by heat and power plants compared to 2013 (including the Brazi power plant). The contribution of the power business was weak, as a result of negative average spark spreads triggered by higher gas prices.

In **R&M**, we finalized the Petrobrazi refinery modernization program, and delivered the USD

5/bbl planned increase in the indicator refining margin versus pre-modernization, contributing to a good end-year result, and strengthened the integration value of the company. In marketing, retail sales volumes were slightly lower, while total marketing sales decreased by 7%. All in all, after many years of difficulties, the R&M segment delivered a solid operating result, with positive contribution from both businesses, in spite of a continuing challenging market environment.

For 2015, we are scaling back our investment plans and have intensified cost optimization programs across all business segments to be prepared for volatile and potentially prolonged weaker market fundamentals, whilst maintaining our potential growth projects in the Black Sea. Moreover, we will continue our operational excellence initiatives focusing on efficiency, also taking into account the market operating environment. Also this year, we expect public consultations with respect to upstream oil and gas taxation envisaged to be applicable starting 2016, as publicly announced by the authorities. Our aim remains to achieve a long term, stable and investment-friendly taxation and regulatory framework, a key precondition for future investments.

After ten years of profound transformation and a good track record in achieving our strategic goals, I believe OMV Petrom has a strong foundation to cope with the current market downturn. The turbulent market conditions experienced since mid-2014 have continued in early 2015, and we have taken decisive actions to better control our investments and costs. These measures are expected to support our efforts to maximise the integrated value of our company, to continue business optimisation and allow us to position ourselves for future growth.



**Mariana Gheorghe**

**Intensified cost optimization programs**

**Strong foundation to cope with the current market downturn**

# 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's current mandate started in April 2011 and runs until April 2015. 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, Corporate Development 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**

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), Andreas Matje rejoined OMV Aktiengesellschaft in 2009 as Senior Vice President Controlling. He joined OMV 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. Gabriel Selischi was appointed Executive Board member in charge of Exploration and Production starting 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 OMV Petrom Group's marketing activities in OMV Petrom Marketing S.R.L., Neil Anthony Morgan, has taken over responsibility for Marketing starting April 17, 2011.



#### **Cristian Secoșan (1967) – Responsible for Gas and Power (G&P)**

Cristian Secoșan studied Mechanical Engineering at Polytechnic University in Timișoara 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 OMV Petrom, he held the position of General Manager of Siemens in Romania. He joined OMV Petrom in September 2012 as member of the Executive Board, responsible for Gas and Power.

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four-year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity) <sup>1</sup>.

Cristian Secoșan's mandate as member of the Executive Board will cease starting on April 17, 2015.

<sup>1</sup> On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

# 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 OMV 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 University of Economy, at Johannes-Kepler-University Linz and at U.S. Stanford University, 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 Downstream. 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)**

Senior Vice-President of the Central and Eastern Europe and the Black Sea Region Division within OMV. Johann Pleininger attended the Technical College for Mechanical Engineering and Economics in Vienna; he obtained the International Project Management certificate and graduated in Industrial Engineering. First elected at the GMS held on April 29, 2014.

## **Christoph Trentini (1968) – interim member**

Senior Vice-President and Group controller of OMV. Graduated at the University of Innsbruck, Austria, holding a degree in Business Administration and a Senior Executive Program at Stanford GSB, USA. Christoph Trentini was appointed as interim member of the OMV

Petrom Supervisory Board starting January 9, 2015, with effect until the next GMS.

## **George Băeșu (1970)**

President of the National Authority for Property Restitution. He graduated from the Faculty of Law within the Petre Andrei University, sustained his graduation paperwork at the Lucian Blaga University in Sibiu, 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 OMV 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.



# Our objectives and strategy

## OMV Petrom strategy for 2021: „Sustainable performance for growth“

OMV Petrom is the largest integrated 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 OMV Petrom 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 11 bn over the past ten years. As reaffirmed in June 2012, OMV Petrom's vision is to remain the leading regional, integrated oil and gas company with sustainable performance to support potential upstream growth in neighboring Black Sea region.

The cornerstones of OMV Petrom's strategy at a glance are to maximize portfolio value in upstream and position for growth while increasing upstream's proportion of the asset base from 70% in 2011 to ~80% by 2021 and to optimize downstream value of equity gas and oil.

OMV 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 OMV Petrom and is one of Austria's largest listed industrial companies.

## OMV Petrom successfully delivered on its 2012 – 2014 strategic objectives of sustained performance

As a major employer and key player in Romania's economy, following ten years of profound restructuring and investments, OMV Petrom successfully delivered on its sustained performance objectives, reporting strong financial and operating results, in spite of a challenging regulatory and fiscal environment. We achieved strong results mostly due to overall production stabilization, operational performance and upstream portfolio optimization through partnerships. In addition, the Brazi power plant, on stream since August

2012, ensured an additional marketing channel for our equity gas. Moreover, the Petrobrazil modernization enabled us to process the entire Romanian equity crude and maximize its value by better addressing market demand.

### 2012-2014 - DELIVERED

- ✓ **Stabilize production** through field redevelopment, drilling, workovers
- ✓ Continue with **operational excellence**
- ✓ **Optimize E&P portfolio** through partnership
- ✓ Bring **Brazi CCPP on stream**
- ✓ Enhance value of equity gas by **strengthening gas sales**
- ✓ Modernize/improve efficiency of **Petrobrazil refinery**
- ✓ Revamp fuel **storage network**

**Exploration and Production [2012-2014]: Stabilize production, continue with operational excellence and optimize portfolio through partnerships**

### Stabilize production and continue with operational excellence

In Exploration and Production, during 2012-2014 we successfully delivered on our strategic objectives, as the domestic hydrocarbon production volumes stabilized at around 170 kboe/d on average, fully compensating the natural decline. Moreover, we have registered two consecutive years of domestic marginal production growth since privatization, supported by efficient drilling and workovers, operational excellence initiatives and state-of-the-art technologies deployed to increase recovery rates. Furthermore, in 2014, OMV Petrom announced two important discoveries: the Marina 1 exploration well in the Istria block encountered a new oil reservoir which is currently under assessment and the Padina Nord 1 exploration well spudded in JV with Hunt Oil identified a new oil and gas field in the Buzău county.

The Group's asset <sup>ii</sup> base was further shifted towards upstream from 70% in 2011 to 77% in 2014. OMV Petrom was able to keep its reserve replacement rate around the 40% level, on average, in the last three years, mainly thanks to continuous reservoir studies performed that involved drilling program results combined with

**Two important discoveries in 2014: Marina 1 (oil) and Padina Nord 1 (oil and gas)**

<sup>ii</sup> Includes upstream and downstream assets only, excluding Corporate and other

**Focus on growing the business through FRDs and NFOs**

diversification of recovery technologies. At the end of 2014, the proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 690 mn boe.

In line with its strategic objective to increase ultimate oil and gas recovery, OMV Petrom has continued its focus on growing the business – through Field Redevelopments (FRDs) and Near Field Opportunities (NFOs) – and shaping its future by creating a portfolio of top fields.

At the end of 2012, six FRD projects were brought closer to execution (Videle, Suplac and Opişeneşti – oil, Lebăda East, Bulbuceni, Burcioaia - gas), while four projects were in the appraisal phase (Tazlău, Phoenix, Independenţa and Bălăria-Blejeşti – oil fields).

At the end of 2013, seven important projects were in execution phase: Suplac Phase 2, Opişeneşti, Mădulari Safety Upgrade, FRD Burcioaia, FRD Videle G2 Polymer Pilot, FRD Istria Phase 1 and FRD Bulbuceni. Additionally, in order to capitalize on some opportunities identified during Multidisciplinary Asset Reviews (MARs) from 2012, two new FRDs were put on track: FRD Bustuchin and FRD Istria.

During 2014, 12 FRD projects were in the execution phase, out of which six new FRD projects passed the Final Investment Decision (FID) and another two moved into operation phase.

**Upstream portfolio optimization through partnerships**

Upstream portfolio optimization efforts continue to be directed towards stabilizing production, operational excellence and partnerships.

In 2013, OMV Petrom signed a partnership with Repsol for four onshore blocks located in the Southern and Eastern Carpathians. In addition, in 2014, four drilling projects in JV with Hunt Oil have been spudded and executed, two of them being hydrocarbon discoveries. Two other complex and deep drilling projects have been spudded in 2014 in JV with Repsol and are scheduled to be completed in 2015, thus

supporting OMV Petrom's strategic direction to explore deeper and frontier hydrocarbons.

Given the challenges of operating mature fields, as well as the complexity of our portfolio in Romania, in order to maximize production, OMV Petrom decided to enter partnerships with internationally renowned companies, with a track record of remarkable results in this area. The partnerships with Petrofac (2010), PetroSantander (2010) and Expert Petroleum (2012) are governed by Production Enhancement Contracts (PECs) referred to as PECTicleni, PECTurnu and PECTimiş, covering in total 31 mature fields.

In the Black Sea, OMV Petrom is engaged both in shallow water and in deepwater activities. In 2012, in partnership with EMEPRL for the Neptun Deep perimeter, the first deepwater exploration well Domino-1 was drilled in the Romanian sector of the Black Sea, continuing in 2014 with the Domino-2 and the Pelican South-1 exploration wells.

Additionally, in 2014, EMEPRL and OMV Petrom secured an additional licence (Midia Deep) in the Romanian deepwater sector, in partnership with the Italian company GasPlus International.

For the past three years, OMV Petrom had an intensive seismic campaign, leading to the largest 3D seismic acquisition program in the Romanian sector of the Black Sea in 2013, reaching now 76% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

**Gas and Power [2012-2014]: Bring Brazi power plant on stream and enhance value of equity gas**

In recent years, Romanian gas and power markets were characterized by structural changes such as reduction of the economy's energy intensity, subsidized expansion of renewable power generation capacities and high utilization of coal-fired power plants, with a negative impact on gas demand as well as on gas-fired power plants operating environment. The evolution of CO<sub>2</sub> prices, together with an increased focus on energy efficiency and a lack

**Romanian gas and power markets characterized by structural changes**

of significant economic growth have increased pressure on energy demand and prices. In addition, the ongoing gas and power markets liberalization has put further pressure on the national demand, which fell constantly during 2012-2014.

To address challenges in the market and regulatory environment, OMV Petrom focused on enhancing the equity gas value and optimizing its integrated gas value chain. In the same time, the company strove to capture existing synergies in the G&P division by bundling electricity sales with natural gas sales to its clients.

During 2012-2014, OMV Petrom managed to maintain its leading position in the competitive natural gas market in Romania and supplied more than one-third of Romania's annual gas consumption. According to its strategy, the company expanded the gas value chain into power generation with the construction of the 860 MW gas-fired power plant Brazi, which started commercial operations in August 2012. The power plant ensures an additional marketing channel for gas, supported by its high operational flexibility and, together with the Dorobanțu wind park, can supply up to 10% of the national electricity production.

In line with the company's strategy of optimizing downstream operations and focusing on core businesses, OMV Petrom discontinued gas distribution to end-consumers by divesting its subsidiary Petrom Distribuție Gaze S.R.L. in 2013 and selling its 28.59% interest in the gas distribution and supply company Congaz S.A. in 2014. Following these transactions, all OMV Petrom external clients in the gas business are served through the fully consolidated company OMV Petrom Gas S.R.L. (99.99% owned by OMV Petrom).

#### **Refining and Marketing [2012-2014]: Modernize and improve efficiency of Petrobrazi refinery and revamp fuel storage network**

The completion of the Petrobrazi refinery modernization in 2014 brought significant operational improvement and supports our strategy of processing the entirety of our Romanian equity crude and maximizing its

value by better addressing market demand. The modernization program of around EUR 600 mn was successfully implemented on time and on budget and led to sustainable improved results at the refinery.

Thus, the company achieved its objectives of processing 100% of the equity crude and optimizing the product mix by increasing the middle distillates yield and improving energy efficiency. The successful completion of this program added USD ~5/bbl to the standard profitability of the Petrobrazi refinery prior to modernization. During the modernization program the refinery utilization rate gradually improved, reaching its peak in the second half of 2014.

Meanwhile, R&M made significant progress as part of its "3+3 terminals strategy" aimed at modernizing the fuel storages to fully support the marketing network. As such, three new terminals have been installed (Jilava in 2009, Brazi in 2010, Ișalnița in 2012) and the Bacău revamped terminal was finalized in 2013 and started operations in the first quarter of 2014. The program continues with the reconstruction works of the Cluj facility, which started in Q2/14.

In the retail business, the Group further optimized its filling station network across all countries in its portfolio, while pursuing its two brand strategy (Petrom and OMV). Focus was put both on improving the offered services as well as on the stations exterior look. Also, in 2014, the company introduced a new LED lighting system in 345 Petrom filling stations, aimed at reducing electricity consumption for lighting in filling stations by 50%.

OMV Petrom has a wide geographical market, covering Romania, Bulgaria, the Republic of Serbia and the Republic of Moldova with approximately 800 filling stations. Despite increased competition and higher fuels taxation in Romania, the company maintained a leading position in the Romanian market, with a market share (retail and commercial sales) of approximately 34% at the end of 2014.

To streamline the Group's marketing activities, an administrative centralized structure was

**Maintained a leading position in the Romanian natural gas market**

**Petrobrazi refinery modernization successfully completed**



**People and  
Resourcefulness  
– key enablers  
for OMV Petrom  
Strategy**

**OMV Petrom  
opened the first  
3D Visualization  
Centre in  
Romania**

set up in 2012, bringing efficiency to the use of resources and helping better promote its products across the operating region. In line with the Group's strategy to focus on core activities and assets to increase efficiency, OMV Petrom sold its 99.99% stake in Petrom LPG S.A. Following the completion of this transaction in 2013, OMV Petrom exited the bottling and distribution market, while it has continued to produce and sell gas cylinders and auto gas through its filling stations.

**People and Resourcefulness [2012-2014]**

OMV Petrom focuses on two key enablers considered to be essential in implementing its strategy: People and Resourcefulness. We have undergone one of the most complex and successful transformations of a state-owned company in recent years. Following our responsible approach to restructuring, massive investments, strive for competitiveness and sustainable development, we have managed to transform OMV Petrom into a leading company in terms of performance and corporate governance, which generates value for all its stakeholders.

We develop and empower our staff by involving them in idea management programs in the upstream and refining divisions, focusing on operations optimization, carbon and water management and new technologies. Living up to the pioneering status of Romania in oil and gas industry, OMV Petrom set a world record in the field of casing drilling in terms of diameter of drilling column and depth (2013) and a world record in shallow horizontal drilling in Suplacu de Barcău (2011). In addition, in 2014 OMV Petrom opened its first 3D Visualization Centre for geoscientists and engineers, which facilitates better interpretation of geological data and improved design of exploration and production operations for technical teams. Being the most advanced center of this kind in Europe, the new technology center allows faster decision making and better investment risk mitigation.

Furthermore, the company has constantly developed accelerated capabilities programs

for blue-collar workers, having its own Technical Training Center, launched in 2013, and strived to further refine its corporate culture by enhancing top and middle management skills in risk management <sup>iii</sup> and sharing best practices through internal conferences, such as OMV Petrom Talks.

Having celebrated both 80 years from setting-up the Petrobrazi refinery and 10 years of continuous transformation, in 2014 we have embarked on a special roadshow in our regional assets where we rewarded over 200 external and internal stakeholders for their exceptional contribution in community involvement initiatives. Over 1,400 people attended.

OMV Petrom is a pioneer in CSR in the Romanian business sector. Since 2007, the company integrated the principles of corporate responsibility within its business strategy and has allocated more than EUR 40 mn for the development of communities in Romania, focusing on environment protection, education, health and local development. Since 2009, "Andrei's Country" became OMV Petrom's community involvement platform and the best known CSR program in Romania.

In 2012 OMV Petrom moved from CSR to sustainability and introduced "Resourcefulness" in its business strategy – a group-wide concept that drives the organization towards profitable growth through a responsible use of natural, human and financial resources.

2014 marks our eighth year of social and community involvement, reaching up to a million people through our community projects and being recognized <sup>iv</sup> by both the general public and key opinion leaders as the most involved company in Romania in social and environmental issues.

**2015+ Strategic directions**

OMV Petrom maintains its strategic directions: maximizing upstream portfolio value and positioning for growth in the Black Sea region, enhancing the value of equity gas and optimizing integrated equity oil; however,

<sup>iii</sup> 2015: "Risk Academy 2014 Program" - Commitment to learning and development in risk management (Global Risk Awards, Institute of Risk Management, United Kingdom)

<sup>iv</sup> 2013: "Andrei's Country" – Best online community in Europe (European Digital Awards, Berlin) / 2014: Best CSR Report at 'European Excellence Awards' (Paris)

the pace is dependent on both market fundamentals and an investment friendly environment.

#### 2015+ Strategic directions remain....

##### ...but pace depends on market fundamentals and investment environment

- ▶ Increase **ultimate** oil and gas recovery
- ▶ Explore **deeper and frontier** hydrocarbons
- ▶ Explore and appraise **Neptun block** (Black Sea deepwater)
- ▶ **Optimize** across commodities and **leverage** evolving regulatory framework
- ▶ Enhance value of **integrated downstream**
- ▶ **Optimize** business portfolio

Under the current market environment, our focus is on safety, managing the cash flow and optimizing our portfolio. Therefore, we scaled back the investment program by prioritizing projects and activities and re-phasing CAPEX and drilling schedules. Our investment program for 2015 is currently expected to be between EUR 0.8 bn and EUR 1.1 bn, out of which approximately 85% will be directed towards Exploration and Production. The priority is to minimize the production decline; however, we expect a negative impact on production, although the key growth projects in execution will be delivered. Nevertheless, we are retaining options for the medium term – the flexibility to reduce further, as well as the optionality to ramp up activities as market conditions recover.

In addition, we have intensified cost optimization programs across all business segments, in response to a potentially prolonged low oil price environment. Also, we expect public consultations on the fiscal framework to continue in 2015, as announced by the authorities, and we aim for a stable, predictable and investment-friendly environment, which is a key prerequisite for future investments.

#### [2015+] 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. The value will be built by increasing ultimate oil and gas recovery, by further appraising the Neptun Deep block gas discovery and by exploring additional opportunities, including the neighboring Black Sea.

Continuing production stabilization, as well as future potential based on redevelopment opportunities and new technologies both depend on the market and fiscal environment. In the short term, the key priority is to minimize production decline by focusing on operational excellence and delivery of projects in execution.

In accordance with our revision of the 2015 investment program, FRD projects under development/execution might be slowed-down, while those in the appraisal phase will be re-engineered or reduced. Operational activities will focus on delivering around 1,200 workovers and up to 70 new wells, again dependent on the market and fiscal environment.

Meanwhile, in partnership with Repsol, the exploration drilling for two exploration wells is ongoing. Also, the Padina Nord discovery in partnership with Hunt Oil is expected to further advance, with development options currently under consideration.

In the Black Sea, the joint-venture with EMEPRL for the Neptun Deep block will continue our exploration and appraisal drilling campaign in 2015, while Domino-2 and Pelican South-1 results, together with data from additional exploration wells, will be used for the evaluation of the consolidated block potential.

#### [2015+] Further enhance value of equity gas

The gas and power markets and their regulatory framework are undergoing continuous changes. The liberalization of these markets has progressed, with that of the non-household sector already completed. Liberalization of the household sector is expected to be finalized at the end of 2017 in the power market and the latest in June

**Investment program for 2015: EUR 0.8 - 1.1 bn**

**We will continue our drilling campaign in the Black Sea**

#### Continuous focus on enhancing equity gas value

2021 in the gas market. Furthermore, gas producers have the obligation to sell via Romanian centralized trading platforms around one third of their domestic gas quantities for the free market, with this obligation steadily decreasing until end-2018. In addition, the gas infrastructure and interconnections are in need of significant investments in order to unlock Romania's full gas potential.

In 2015, gas demand in Romania is not expected to recover, which will lead to increased competition and further margin pressure, whereas in the power market, demand is anticipated to be relatively stable and prices to remain under pressure. In response to these challenges, OMV Petrom will continue to focus on further enhancing the value of its equity gas. To this end, the company aims to both strengthen gas sales as well as to consolidate the integration of the Brazi power plant in the gas value chain. Specifically, in the gas business, our priority is to maintain a leading position in the competitive market, whilst enlarging the offering to our customer base by further bundling natural gas sales with electricity sales. In the power segment, a sustainable integration of the Brazi power plant into the gas value chain will also enable us to capture additional market opportunities by capitalizing on the state-of-the-art operational flexibility of the power plant. The existence of a predictable and sustainable regulatory framework will play a key role with regard to the company's performance in the gas and power business.

#### [2015+] Optimize integrated equity oil

In 2015, refining margins are expected to come down from the recent levels, due to persistent overcapacity in local and European markets. The lower product prices resulting from the decline in oil price are expected to support the demand in the marketing business, nevertheless with increased competition.

OMV Petrom's potential in value delivery in Refining and Marketing lies in enhancing the value of its integrated equity oil and optimizing its business portfolio. The company will further capitalize on the successful completion of the Petrobrazi refinery modernization along the whole value chain. Moreover, the refinery will continue economic energy efficiency improvements. In addition, the fuel terminal network optimization program will continue with the reconstruction works at the Cluj terminal expected to be finalized by the end of 2015.

In addition to further optimizing its network and efficiency of operations in the retail business, the company will pursue partnership opportunities, such as continuing the implementation of the shop-in-shop <sup>v</sup> concept. Through the improved efficiency of our refinery operations, network optimization and focused marketing business, OMV Petrom aims to generate robust cash flows.

#### [2015+] People and Resourcefulness

People and Resourcefulness are the two key enablers of implementing OMV Petrom's long-term strategy. To this end, we are working towards developing and empowering our human capital to achieve operational excellence and growth. In the short-term, we will strengthen the focus on behavior-based safety and fully integrate in the organization the Ombuds Office, an innovative initiative launched in 2014 in OMV Petrom Group, as a designated independent, impartial, confidential and informal assistance to employees at all levels within the organization.

Furthermore, we will continue to focus on creating shared value with stakeholders for long-term sustainable growth, having high safety and environmental standards. Through our Resourcefulness platform, we aim to address the sustainable use of natural resources which is at the core of our activities together with long-term partnerships with the communities in which we operate.

<sup>v</sup> Renting space within shop area of a filling station to partners



# Sustainability

OMV 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 2014, we made good progress by cutting our carbon intensity by 4.7% compared with 2013.

In line with our commitment to support people to become successful we involved about 58,000 people in various educational initiatives, and over 400 were granted official qualifications or scholarships. Through "Andrei's Country" – our main community development platform we financed 10 social businesses in OMV Petrom communities that generated 35 new jobs in 2014.

## Our sustainability concept: Resourcefulness

As the largest integrated 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 real challenges, which we address by building our conduct on the underlying principles of responsibility, innovation and careful management of resources.

OMV Petrom first began integrating sustainability principles into its business strategy and operations when it joined the OMV Group in 2004. In 2012, OMV Petrom introduced "Resourcefulness" – a group-wide strategy that drives our organization towards profitable growth in a sustainable and responsible manner. Our approach is designed to create long-term win-win solutions for society, the environment and our company. 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 impact 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 2014, we set up the OMV Petrom Resourcefulness Steering Committee (OPRSC), an internal body aimed at rolling-out, informing and aligning all functions and business units in all sustainability endeavors. The OPRSC convenes every quarter and it is conducted by the company's CEO. In addition, over 400 managers attended strategy workshops that offered examples of Resourcefulness projects from Skills to Succeed and Eco-Efficiency streams so that they would better understand the way sustainability integrated in all business aspects.

In 2015, we will continue to roll-out Resourcefulness to our employees, including line management and dedicated volunteering and engagement programs.

**Carbon intensity cut by 4.7%**

## The three pillars of Resourcefulness



## Eco-Efficiency

Due to the nature of our business, OMV 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 energy efficiency.

Energy efficiency is a key driver in reducing OMV Petrom's greenhouse gas (GHG) emissions. In 2014, The Energy Management System implemented unitarily in OMV Petrom received the certificate of conformity with ISO 50001, following an external audit realized by TÜVThüringen.

We closely monitor carbon intensity performance across all business divisions to drive down GHG emissions. In 2014, we cut our carbon intensity by 4.7% compared with 2013, 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. One of the most important projects, was the Petrobrazî refinery which succeeded to improve its energy efficiency by 25% in 2014 compared to 2009, driven by the integration of the hot feed in the Fluid Catalytic Cracking installation, the improvement of the performance of the DAV furnaces, and the revamping of the utilities network. In E&P, we managed to reduce venting emissions through optimization of gas pipeline networks and using vented gases for energy production in gas-to-power and combined heat and power equipment, optimized water injection systems, modernized offshore installation for heat and power production, optimized the industrial water plants and installed High Efficiency Motors and Compact Fluorescent Lamps.

The 860-MW gas-fired power plant Brazi uses the best available technical solutions in the industry to achieve efficiency twice higher than industry average, high flexibility and emissions up to three times lower than those of a coal-fired power plant.

OMV Petrom received the Industry Oscar for Energy Efficiency, for Light up, the project that

implemented LED technology in 345 Petrom filling stations. We invested EUR 2.1 mn to reduce the electricity consumption for lightning in our filling stations by 50%. The prize was awarded for positive impact on business, environment, financing and communication of the project as a benchmark and best practice in the industry.

Our continuous efforts to protect water resources resulted in a further reduction of water withdrawal in 2014. The main actions contributing to this reduction include carrying out preventive maintenance and repair to reduce water losses in OMV Petrom wide, as well as optimizing fresh water supply systems and improving freshwater treatment and heat generation in E&P.

#### **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 CO<sub>2</sub> emissions. In 2014, we appointed a responsible person to develop this important area of our strategy. The first phase of work will involve research into new energy sources. We will report on progress as this work develops.

#### **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. In 2014 only, our employees benefitted from more than 52,000 hours of training in the technical training center in Ploiești and over 58,000 people from our communities were involved in various educational initiatives, and over 400 were granted official qualifications or scholarships.

In 2014, we continued our community development programs through "Andrei's Country". We focused on fostering the success of the 10 winners within the biggest social enterprises competition in Romania - "Made in Andrei's Country" through business development and mentorship from 3 OMV Senior Vice Presidents. So far the 10 businesses

generated 35 new jobs and revenues for another 127 people (small producers and suppliers).

Through our educational programs, approximately 800 pupils and students and 50 teachers benefited from training in entrepreneurship, leadership, performance and career orientation.

One community project we focused on was building an Educational and Vocational Center in Boldești Scăieni, mainly addressed to Roma people. The construction for the new center is designed to be one of the most sustainable buildings in Europe. Until now, the educational program carried out in the area targeted 90 children who attended educational workshops in order to reduce school abandonment and 100 parents that attended mentoring sessions.

#### How we performed

We have identified the following key topics that influence our performance. We measure the effects of our actions, which in turn enable us to make the best decisions for OMV Petrom and our stakeholders in the future:

- ▶ Environment and energy management
- ▶ Health, safety, security and resilience
- ▶ Human Rights
- ▶ Diversity and human resources
- ▶ Business ethics and governance
- ▶ Stakeholder engagement and community management.

#### Environment and energy management

We manage our environmental impacts along our entire value chain. OMV 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 an important risk factor for our business due to the potential environmental damage they can cause. A key aim of OMV Petrom's E&P strategy is to be in better control of this risk. 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. Some 80% of OMV Petrom E&P Assets are now covered by the maps. In 2014, the Risk Based Inspection and Pipeline Integrity Program software was finalized for roll out in 2015, this will allow us to proactively manage, inspect and repair our high risk pipelines before potential damage occurs. In 2014, HAZOP's were conducted on our top 43 High-risk facilities including parks, tank farms and compressor stations resulting in more than 1,250 actions. These have now been included in the 2015 Integrity Program and Asset Risk Reduction Plans.

In order to strengthen the environmental culture we deployed the campaign "We cherish natural resources. Our future depends on them." Valuable talks were held on carbon and water management with around 200 employees across OMV Petrom.

#### Health, safety, security and resilience

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.

- ▶ In October 2014, we launched the "Health: On!" platform, which integrates in one concept all health programs offered by OMV Petrom. Through an attractive and interactive communication, the platform is aiming to change the employees' attitude from consumers to coproducers of health, while encouraging the voluntary utilization of the

**Launched the  
„Health: On!“  
platform**



## Combined LTIR improved in 2014

health programs, according to their specific needs;

- ▶ Starting with September 2014 a new health benefit was offered to all employees: the private health insurance. Until the end of the year, 1,935 unique insured employees have used medical services covered by this insurance;
- ▶ We offered two screening programs for cardiovascular and liver diseases, with over 9,400 and 8,800 participants, respectively. These programs are in addition to legally required medical examinations;
- ▶ An awareness campaign ("Act now. Save a life! Heart attack can't wait.") on cardiovascular emergencies was rolled out in 36 sessions with cardiologists, with over 1,600 participants in 23 different locations.

Our lost time injury rate (LTIR) increased from 0.37 in 2013 to 0.47 injuries per million hours worked in 2014. Among our contractors, LTIR improved to 0.21 injuries per million hours worked compared to 0.31 in 2013. Combined LTIR employees and contractors decreased from 0.33 in 2013 to 0.30 in 2014.

### Process safety (PS)

In 2014, we continued our journey in implementing process safety as best practice in managing our operational risk and preventing major accidents in our company. As per our 2016 Process Safety Strategy, in 2014 we were focused on building strong people and procedural barriers. To achieve this target we implemented some projects and activities:

- ▶ HSSE risk management package was released and promoted to the business through workshops and trainings and more than 400 operational and HSSE managers were trained;
- ▶ Process Safety Knowledge sharing campaign: organizing and attending Quarterly OMV Petrom Process Safety Network meetings where experts involved in implementation of process safety from all Business Divisions were involved sharing their experience, knowledge in this filed;
- ▶ Process Safety Awareness campaign: developing awareness training materials on different topics and lessons learnt from major industrial disasters and training of operating personnel by developing and publishing CCPS beacons PS alerts; more than 2,800 people were trained;
- ▶ OMV Petrom is member of the European Process Safety Centre and we attended the two technical Steering Committee meetings where we shared our experience in process safety with other oil and gas companies from the European Union.

### Additional highlights from 2014:

- ▶ We met the goals set out in the Commitment to "European Road Safety Charter" by installing more than 3,200 in-vehicle monitoring systems and providing training to over 6,500 stakeholders;
- ▶ Also, ongoing support of the Road Safety group psychology implementation, in 2014 a number of other 2,755 vehicle users took part at safe driving refresher training, based on the Commentary driving UK certified method, this resulting in a significant reduction in the number and severity of vehicle accidents;
- ▶ We extended access to our online safety and emergency training platform "Virtual University" to more than 3,000 users. More than 2,300 employees accessed the training materials and tests available through the platform;
- ▶ We signed a Cooperation Protocol with IGPR (General Inspectorate of Romanian Police), which has the main scope to increase the efficiency of joint actions organized with the authorities for ensuring the protection of company's people and assets and to improve the response in case of an incident. Beside the operational benefits, the Protocol represents also a formalized means of engaging the central and local authorities by organizing periodical meetings (on a weekly and monthly basis) for knowledge sharing.

## Human rights

Human rights are a central pillar of the Resourcefulness strategy. 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 defined new human rights key performance indicators (KPI) with support from OMV human rights specialists.

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

Starting with 2013, OMV Petrom has benefited from the services of an organizational ombudsman department, „PetrOmbudsman“. This structure was designed as a supplementary communication channel from those already existing in relation with the management and the unions.

The purpose of this activity is to assist management and employees in determining the options available to amiably resolve conflicts, problematic issues or concerns. PetrOmbudsman is an independent, neutral, informal and confidential resource which acts according with the International Ombudsman Association's Standards of Practice and Code of Ethics.

In February 2014, OMV Petrom's CEO signed the Statement for Women's Empowerment Principles – a joint platform of the Global Compact and UN Women, fostering principles for business on how to empower women in the workplace and communities. In this respect we engaged an independent expert to help us organizing a workshop focusing on “equality means business”.

In 2014, we introduced training sessions for employees, according to the specific KPI for human rights activity. 279 colleagues were trained, including potential company's clients.

Advertising activities for International Human Rights Day, December 10, were developed at the end of the year, demonstrating that human rights are permanently embedded in our daily activity.

## Diversity and human resources

OMV Petrom's workforce is made up of around 51 different nationalities, diversity, and inclusion and equal opportunities being high on the agenda at all our operating locations. We strive to attract the best people from diverse resources groups, and to give them the tools and skills they need to perform to their full potential. We develop ways to incorporate different perspectives of employees to encourage diverse thinking, innovation and creativity at all business levels, thus ensuring sustainable competitive advantage and performance of our company. Diversity contributes to the fact that OMV 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 2014, the proportion of women across the OMV Petrom Group was 24%. Of this mix, 31% (389) women were in Management Positions slightly above industry benchmarks.

To promote gender balance in our industry, OMV Petrom hosted the second edition launch of the Women Leadership Cross-Company Mentoring Program. The program, a unique initiative in the local business market, is a partnership with leading global companies which aims to develop Romanian women leaders of the future.

OMV Petrom is running actions to raise the ratio of women with technical profile within the company and also we are sponsoring events in partnership with other companies in the field with the main scope to make the perspective of a career in oil and gas more appealing to young women students.

**OMV Petrom –  
acknowledged  
as employer of  
choice**

**OMV Petrom –  
the most involved  
company in social  
and ecological  
projects in  
Romania**

Our scope, as an organization is also to attract the best students and offer them the opportunity to complete their formal education by attending practical activities, specific to a certain business area. Open4U is our very successful internship program, through which we hosted 160 students who undertook a two months' paid internship. Feedback from the business has been encouraging and we plan to continue the program in the coming years.

**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 OMV 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. Every year, we deliver comprehensive training on topics related to business ethics, antitrust, and insider trading. In 2014, this included more than 1,600 employees. We strengthened our compliance program, which combines training, guidelines, internal rules and expert advice. We developed the Manager's Compliance guide as a tool to help our managers improve compliant decision-making in daily business. We finalized our series of professional "Compliance Days", addressing the Exploration and Production areas of the business, with six new events. In our effort to address specific business needs we also organized a workshop focused on Competition Law matters for employees working in the commercial area.

**Stakeholder engagement and community management**

OMV Petrom engages with a wide range of stakeholders. We aim for regular and consolidated dialog to create meaningful, long-term relationships with stakeholders – helping us understand their views, interests and needs

so we can improve our activities. In 2014 we were recognized by our external stakeholders as the most involved company in Romania in social and ecological projects <sup>vi</sup>.

In 2014, the sixth edition of the OMV Petrom Stakeholder Dialog Forum brought together stakeholders from all groups and categories, including authorities, academics, experts, consultants, peer companies, regulators, financial institutions and non-governmental organizations to celebrate "Together for 10 years towards Performance". The objective of the event was to further continue and enhance our dialog on a broad range of issues which contribute to large achievements of OMV Petrom in the long run.

The first step in stakeholder engagement is getting to know your target. That is why we conducted in depth studies in 85 local communities assessing their needs and the overall perception about OMV Petrom business activity and community involvement. The results of the study were presented to local management and local CR teams and both to OMV Petrom management. All insights will be used to shape and develop future community projects.

2014 was a special year for OMV Petrom as we celebrated 10 years since the company changed from a state-owned to modern company within OMV Group. We wanted to inform, reward and recognize our major stakeholders that were part of our operational, financial and social achievements. That is why we organized 10 Community Galas in our 10 regional E&P assets where we rewarded over 200 external and internal stakeholders for their exceptional contributions in community development. Over 1,400 people attended. We continued to strengthen our local stakeholder dialog and engagement through other three community based organizations – local NGOs financed by OMV Petrom hosting local authorities and community and company

<sup>vi</sup> Public perception is a KPI measuring stakeholder engagement, according to OMV Group defined sustainability controlling KPIs dashboard. The perception study is done bi-annually targeting general public and KOLs from media, NGOs and public authorities sectors. The study is conducted by Integral.



representatives that find together solutions for local development.

Internal capacity building is one of our major objectives. In 2014, 31 people from E&P attended Community Relations and Community Development trainings by specialized consultancy. At national level, OMV Petrom supported the implementation of over 100 community development projects.

Apart from strategic initiatives, we also developed dedicated programs targeting specific stakeholders, according to their importance and interests.

Together with KPMG we designed and organized capacity building sessions for local authorities from our operational communities in accessing EU funds, project management and public procurement. 70 beneficiaries from 50 communities attended. Five communities have received assistance

in elaborating local development strategies, guidelines for their implementation and community engagement, and investment plans.

One of our main partners in implementing community projects are the central and local NGOs. In 2014, we organized a dialogue and workshop session attended by 27 organizations where we exchanged future plans for development in line with OMV Petrom Resourcefulness stream lines. 2,200 employees also expressed their support for over 250 NGOs by redirected 2% of their income tax.

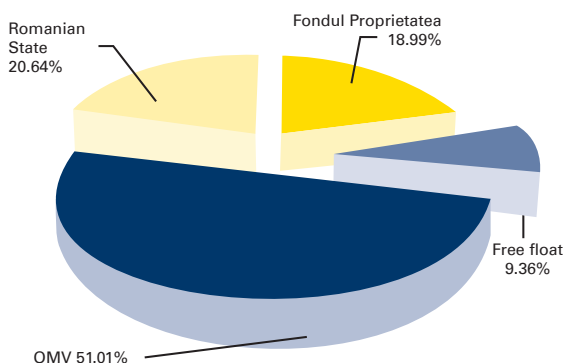
Our employees continued to be our key stakeholder in rolling-out the sustainability activity. In 2014, more than 2,600 employees volunteered for various causes around the country and also developed and implemented 15 community projects as part of OMV Petrom Volunteering Championship (internal competition).

**OMV Petrom supported and implemented over 100 community development projects**

	2012	2013	2014
Lost-time injury rate (LTIR) per million hours worked for own employees	0.41	0.37	0.47
Lost-time injury rate (LTIR) per million hours worked for contractors	0.55	0.31	0.21
Lost-time injury rate (LTIR) per million hours worked combined employees and contractors	0.49	0.33	0.30
Total recordable injury rate (TRIR) per million hours worked for own employees	0.78	0.67	0.90
Total recordable injury rate (TRIR) per million hours worked for contractors	1.03	0.51	0.56
Total recordable injury rate (TRIR) per million hours worked combined employees and contractors	0.93	0.57	0.68

# OMV Petrom shares

## Shareholder structure



As of the end of 2014, OMV Petrom S.A. had the following shareholding structure: 51.01% - OMV Aktiengesellschaft, 20.64% - Romanian State, 18.99% - Fondul Proprietatea. The remaining share was free float, traded on the first tier of the Bucharest Stock Exchange (BSE). Around 500 legal entities from both Romania and abroad held approximately 7.5% of the free float shares, with the remainder (1.8%) held by almost 460,000 private individuals.

oil prices, the stock started to decline and registered the year low of RON 0.37 per share in mid December. Overall, OMV Petrom's share price fell 13.2% on a full-year basis. OMV Petrom's market capitalization at the end of 2014 stood at RON 23.1 bn (EUR 5.2 bn), accounting for 17.8% of the total market capitalization of the companies listed on the BSE.

At market level, BET index (representing the ten most liquid blue chip stocks listed on the BSE) advanced by 9.1%, BET-NG sector index (comprising stocks in the energy and utilities sectors) moved up by 5.7% and the BET-BK index (designed as a benchmark for asset managers and institutional investors), grew by 3.7% over the same period.

In the international financial markets, the European and US indices rose slightly year-on-year (DAX +3%, FTSE Eurotop 100 +3%, Dow Jones +8%) while the FTSE Global Energy Index, comprising the world's largest oil and gas companies, decreased by 13%.

**OMV Petrom**  
– the largest  
Romanian  
listed company  
by market  
capitalization

## Shares

Last year OMV Petrom's share price followed an upward trend until the end of August when it registered its year high of RON 0.49. Subsequently, following the pressure on

## OMV Petrom share symbols

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

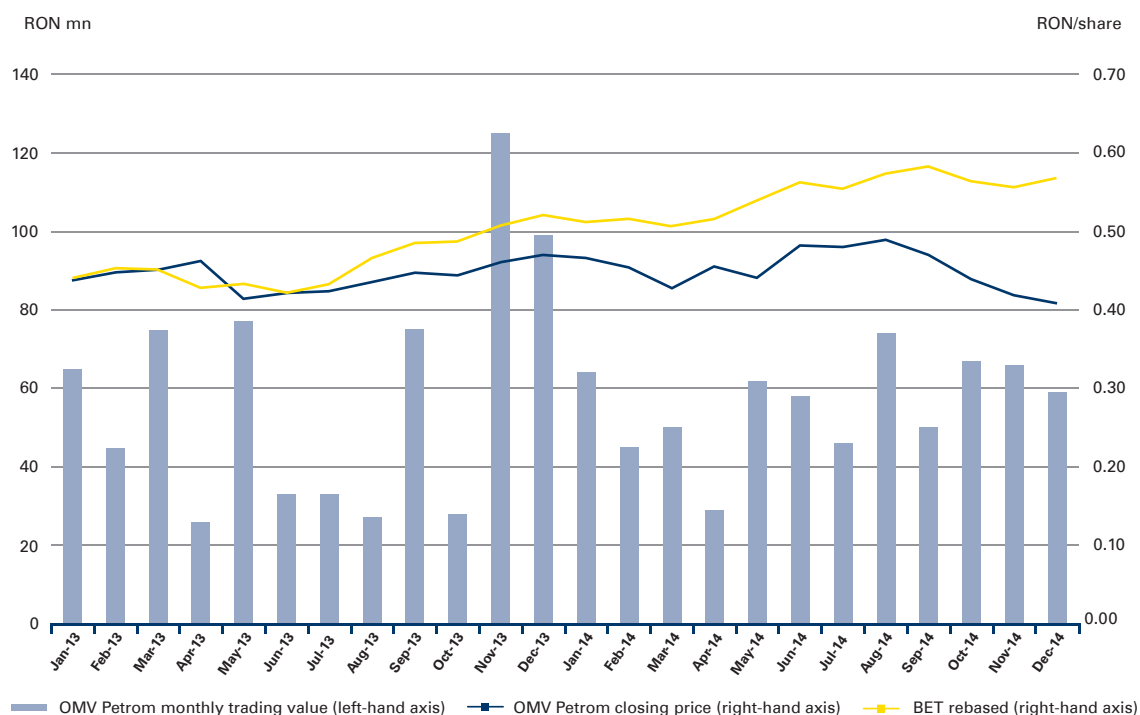
## OMV Petrom shares at a glance

	2012	2013	2014
Number of shares (mn)	56,644.1	56,644.1	56,644.1
Market capitalization (RON mn) <sup>1</sup>	24,249	26,611	23,111
Market capitalization (EUR mn) <sup>1</sup>	5,475	5,961	5,156
Year's high (RON)	0.4327	0.4784	0.4900
Year's low (RON)	0.2900	0.4098	0.3700
Year end (RON)	0.4281	0.4698	0.4080
EPS (RON/share)	0.0698	0.0851	0.0371
Dividend per share (RON)	0.028	0.0308	0.0112 <sup>2</sup>
Dividend yield <sup>1</sup>	6.5%	6.6%	2.7% <sup>2</sup>
Payout ratio	40%	36%	30% <sup>2</sup>

<sup>1</sup> Calculated based on the closing share price as of the last trading day of the respective year

<sup>2</sup> Proposed dividend, subject to GMS approval

## Evolution of OMV Petrom share price and BET index



### General Meeting of Shareholders

On April 29, 2014, the Ordinary General Meeting of Shareholders (OGMS) approved OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2014, the financial statements for 2013 and the distribution of a gross dividend of RON 0.0308 per share for the financial year 2013: a total amount of RON 1,745 mn, corresponding to a 36% payout ratio. The OGMS also approved the appointment of Mr. Johann Pleininger as a new member of OMV Petrom's Supervisory Board for the remaining term of Mr. Jacobus Gerardus Huijskes's mandate, respectively until April 28, 2017 and reappointed Ernst & Young Assurance Service S.R.L. as the company's financial auditor for 2014.

### Investor Relations activities

Throughout 2014, the company's top management and the Investor Relations (IR)

team had an active presence in the local and foreign capital markets, by regularly organizing meetings and conference calls with both local and foreign institutional investors and analysts. Moreover, this year, with the occasion of the Q4/13 and Q2/14 earnings release, the company organized live presentations of the company's financial and operating results, made available through audio webcasts and conference calls, hosted by Executive Board members.

Additionally, the company also attended analyst and investor conferences organized in Romania and abroad (Europe and United States of America). 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 discuss the company's reported results and its strategic directions. More than 100 one-to-one or group

**Live audio webcasts and conference calls organized**



**RON 0.0112 per  
share dividend  
proposal for 2014  
subject to GMS  
approval**

meetings were held throughout 2014. Since 2010, OMV Petrom has produced condensed consolidated interim financial statements prepared according to International Financial Reporting Standards (IFRS) for 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 OMV 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.omvpetrom.com](http://www.omvpetrom.com), under the Investor Relations section.

#### **Dividends**

On March 24, 2015, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.0112 per share, resulting in a payout ratio of 30%. The dividend proposal is subject to further approval by the Ordinary General Meeting of Shareholders, on April 28, 2015.

#### **Own shares**

As at year-end 2014, OMV Petrom S.A. held a total of 204,776 own shares, representing 0.0003% of issued share capital.

In 2014, OMV Petrom did not buy back or cancel any of its own shares.

#### **Financial calendar 2015**

<b>Financial events</b>	<b>Date</b>
Results for January-December and Q4 2014 <sup>1,2</sup>	February 19, 2015
Publication of the Annual Report 2014	April 28, 2015
The General Meeting of Shareholders	April 28, 2015
Results for January-March 2015 <sup>2</sup>	May 18, 2015
Results for January-June and Q2 2015 <sup>2</sup>	August 12, 2015
Results for January-September and Q3 2015 <sup>2</sup>	November 5, 2015

<sup>1</sup> Preliminary results

<sup>2</sup> OMV Petrom consolidated results prepared according to IFRS

#### **Contact at Investor Relations**

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#### **Mailing service**

To obtain the printed version of quarterly and annual reports in Romanian and English, please e-mail [investor.relations.petrom@petrom.com](mailto:investor.relations.petrom@petrom.com) or use the ordering service available on [www.omvpetrom.com](http://www.omvpetrom.com).

## Business environment

### Globally

According to the IMF estimates, the world economy grew by 3.3% in 2014, the same as last year, with global economic activity continuing to display marked asymmetries across major economies. In the US, real GDP grew solidly, rising by 2.4%, driven by increased consumer spending and higher business investment in equipment and new software. Japan marginally avoided stagnation as private domestic demand failed to accelerate after the increase in the consumption tax. Among emerging economies, the picture was more uneven. Russia's economy slowed down at an accelerated pace as the effects of successive rounds of economic sanctions and the falling oil prices started to take their toll on the domestic economy. In Brazil, a sharp drop in business and consumer confidence pushed the economy marginally into negative growth territory. Growth momentum in China continued to slow down on the back of weakness in the housing market and heavy industries. In Europe, the speed of economic recovery started to gather pace as the economic reforms enacted in a number of EU economies began to pay off. Although the Eurozone economy expanded by 0.8% in 2014, growth was uneven among its member countries. Germany, Eurozone's largest economy, grew by an impressive 1.5% compared to 0.4% for France and (0.4)% for Italy.

Consumer price inflation in advanced economies remained stable at 1.4% in 2014 as commodity prices fell and output gaps in major developed economies and emerging markets continued to prevail as a result of excess supply capacity and weak demand. Global non-fuel commodity prices dropped by 4.0% for the third year in a row. Underlying price pressures in the euro area remained low, pushing inflation into negative territory, to (0.2)%, at the end of 2014. The euro fell against the US dollar amid expectations of further

diverging monetary policies in the euro area and the US. Global trade volume advanced at 3.1%, lower than in 2013, as economic conditions weakened in major emerging economies.

In 2014, total **global oil demand** rose by 0.8% to 92.5 mn bbl/d compared to 2013. Weak global demand conditions continued to impinge negatively on oil demand. OECD oil demand fell by 1.1% in 2014 to 45.6 mn bbl/d led by sharp declines in oil demand in OECD Europe, which was down by 2.2% year-on-year, to 13.4 mn bbl/d, and in OECD Asia Oceania, which fell by 2.4% year-on-year, to 8.1 mn bbl/d. Strong growth in road transport fuels in the US, together with increasing activity in agriculture and industry, have provided some extra stimulus to oil products demand. In contrast, non-OECD annual demand grew in all major markets. Oil demand was particularly robust in China, growing by almost 3%, despite the reduction in the pace of growth, the sharp deceleration in industrial activity and the ongoing worries related to macroeconomic stability. Oil demand in Middle East rose by 2.5%, to 8.1 mn bbl/d, dampened by the effect of lower commodity prices which reduced both the income and the oil demand growth. **Global oil supply** stood at 93.3 mn bbl/d, growing by 2.1%, compared to 2013. The bulk of the growth in oil supply came from the Americas, where more than 1.6 mn bbl/d were produced in 2014 compared to 2013. The US and Canada were the top two sources of non-OPEC production growth. Total OPEC oil supply fell by 0.2 mn bbl/d compared to 2013, to 30.3 mn bbl/d, as production shrunk in Libya, Nigeria and Angola. OPEC's effective spare capacity stood at 3.4 mn bbl/d at the end of 2014 with Saudi Arabia accounting for four fifths of the surplus.

In 2014, the average Brent price stood at USD 98.95/bbl, 9% lower compared to its 2013 level. However, oil prices had a faster dynamics in

**The world economy grew by 3.3%**

**The average Brent price 9% lower versus 2013**

**Romania's  
economy grew by  
2.9%**

the second half of 2014, when they collapsed by 50%, the third such largest decline in more than three decades. A mix of supply, demand and geopolitical factors contributed to the price decline. The rapid increase in US shale oil production, in the context of OPEC maintaining their production levels, led to an oversupply in global oil markets. Weak global demand and the slowdown in China, together with the rapid strengthening of the US dollar, added further downward pressures on oil prices. The gap between Brent and Urals oil prices widened in 2014 to USD 1.0/bbl up from USD 0.4/bbl a year earlier. In 2014, the average Urals price was USD 97.95/bbl, 10% lower compared to 2013.

**Romania**

According to preliminary estimates by the National Institute of Statistics, Romania's economy grew by 2.9% in 2014, stronger than initially forecast. Output was mainly driven by the recovery in private consumption and a robust exports performance. Household purchasing power rose consistently throughout 2014 as inflation was falling and annual nominal wage growth remained stable, at around 5%. At the end of 2014, the consumer confidence indicator reached its highest level since 2008, driven by improved economic outlook. Household final consumption expenditure showed concrete signs of revival rising by an estimated 5% year-on-year, despite the fact that private demand for credit remained feeble.

The volume of industrial production grew by 6.1%, driven almost entirely by manufacturing. Overall, macroeconomic stability continued to improve in 2014 as economic imbalances were still being corrected. The current account deficit shrank further in 2014 to EUR (0.7) bn, the equivalent of (0.5)% of GDP. Trade balance recorded a surplus of EUR 0.4 bn as the net balance of services rose at an annual rate of 25%, to EUR 5.9 bn. Both exports and imports advanced by 5.9% in EUR terms, a solid

growth rate, albeit lower than in 2013. In 2014, foreign direct investment stood at EUR 2.4 bn, more than 10% lower compared to its 2013 level. Almost all foreign capital channeled in the economy came in the form of capital contribution to Romanian based entities, intra-company loans turning in fact marginally negative.

In 2014, the government budget deficit fell to 1.9% of GDP, leading to further consolidation in the state of public sector finances. Total government revenues were higher by 5.8% in real terms compared to last year, while government spending rose by 3.8%. However, the sharp drop in public capital spending was the single factor that brought the budget deficit to its target in 2014. Public capital spending fell for the third year in a row to an estimated 4.7% of GDP. This dragged down capital investments at the economy-wide level as private sector investments remained weak. Moreover, VAT revenues were again below forecast targets, falling by 2.8% in real terms compared to last year. This occurred despite the increase in retail volume turnover, suggesting a significant reduction in VAT efficiency collection.

Official preliminary data show that labor market conditions improved in 2014 as the year-end unemployment rate dropped to 6.4%, down from 7.0% at the beginning of the year. The economy created more jobs than a year before, the number of employees rising by 2.9%.

**Annual harmonised consumer price inflation (HCPI)** stood at 1.0% at the end of 2014, a historic low, driven by diminished inflationary expectations, relatively weak demand and a fall in oil prices. The National Bank of Romania continued to ease monetary policy throughout 2014, cutting its benchmark interest rate by a cumulative 125 basis points to 2.75%.

In 2014, the RON fell against both the EUR and the USD by 0.6%. The EUR traded within

**The RON fell  
against both the  
EUR and the USD**



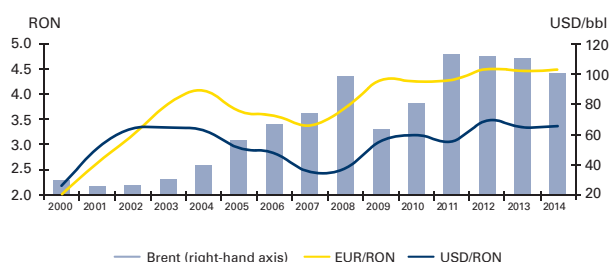
the RON 4.38-4.55 band, i.e. +/- 1.8% variation around the mean, implying a relatively low volatility.

Romanian **energy supply** rose in 2014 by 2.4%

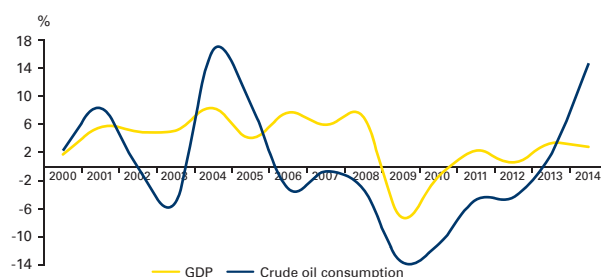
to 32.2 mn toe as economic recovery became more entrenched and domestic demand picked up. Overall, total energy imports rose by 6.1%.

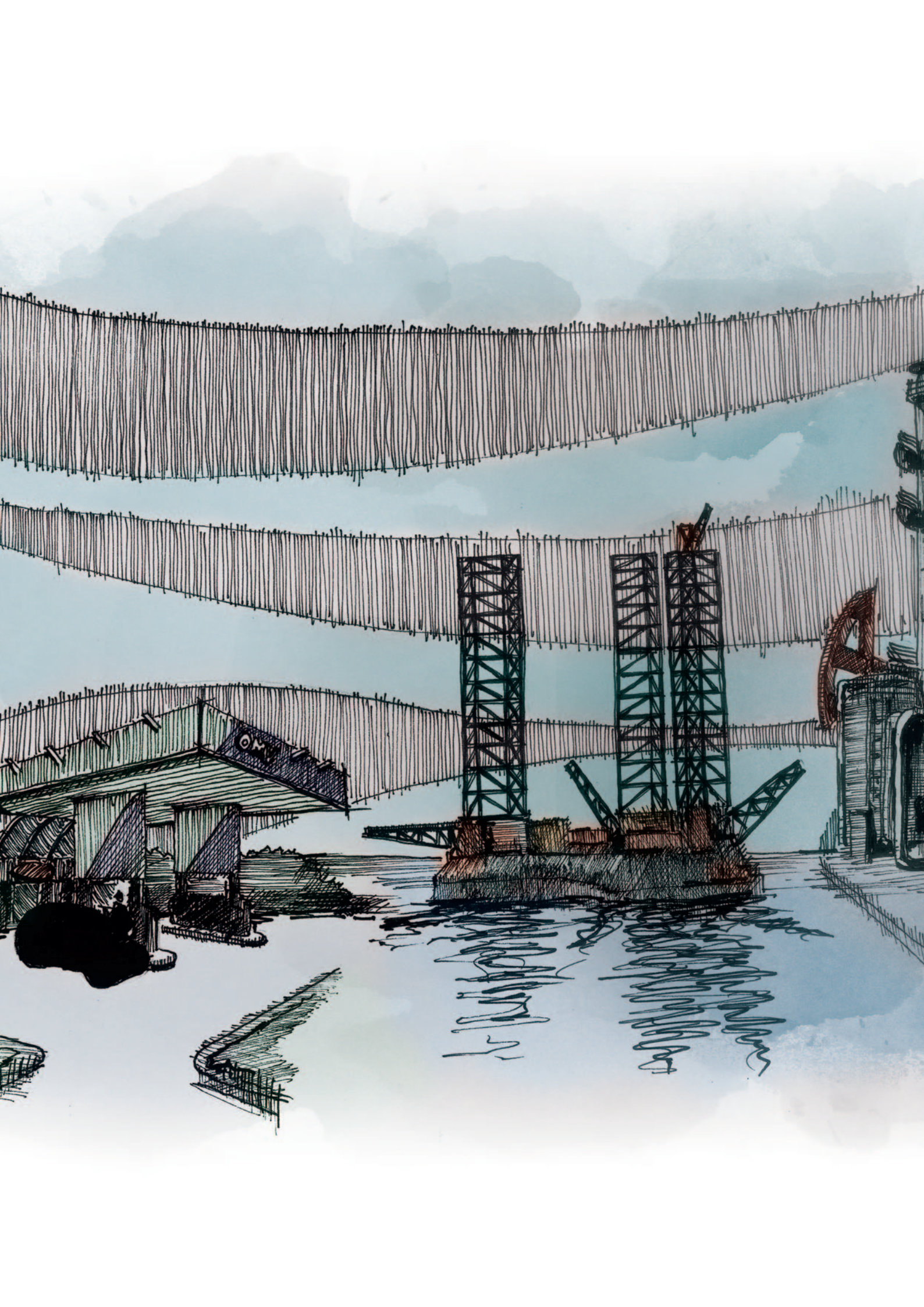
**Romanian energy supply rose by 2.4%**

**Crude price (Brent) and FX rates, annual averages**



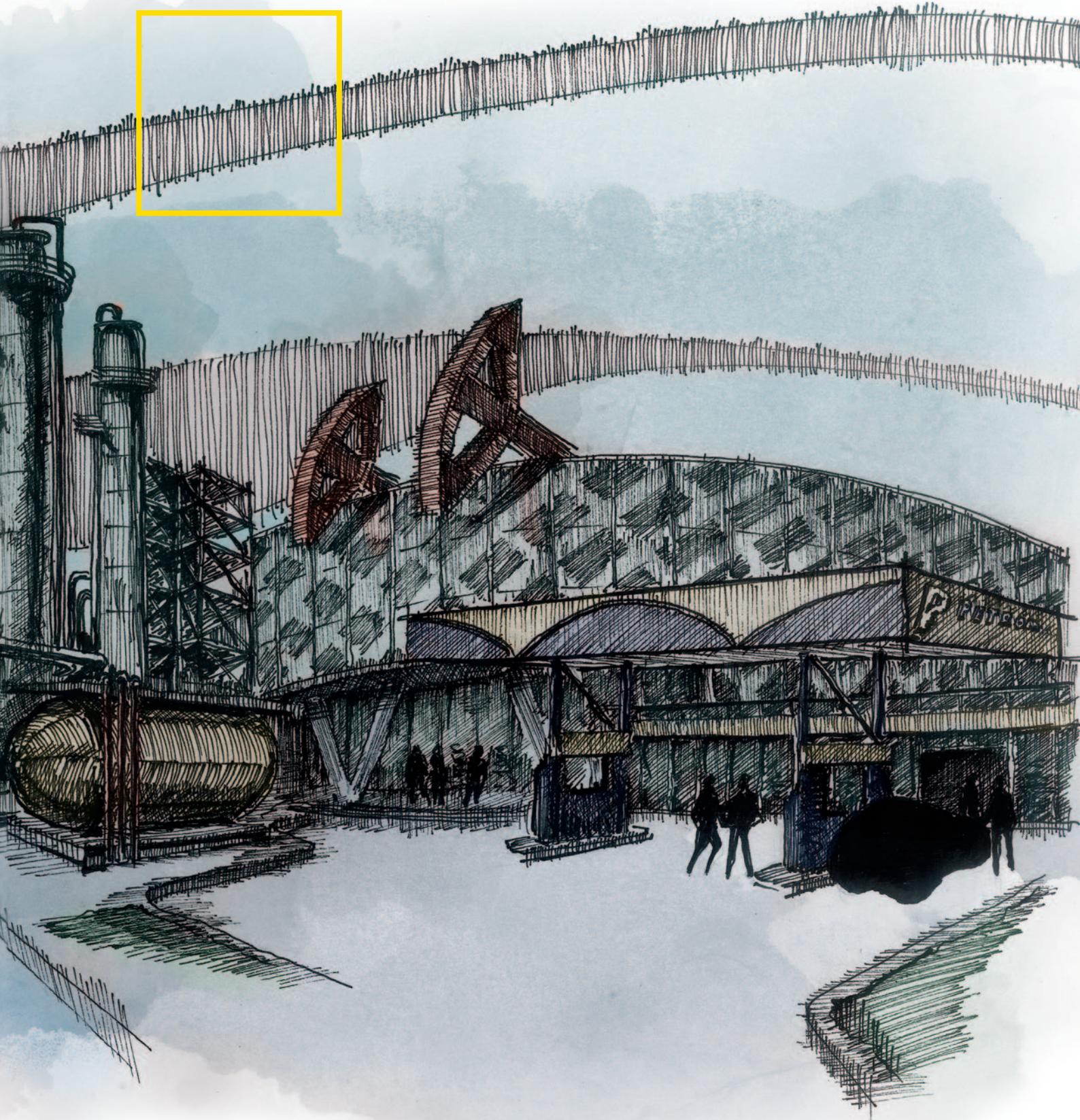
**Romania, GDP and crude oil consumption, annual change**







## Business segments





# Exploration and Production (E&P)

2014 was the second consecutive year of marginal production increase in Romania since privatization, with good results from production optimization initiatives which successfully offset the natural decline of some key fields. At Group level, production has slightly decreased to 180.3 kboe/d, impacted by lower production in Kazakhstan. The LTIR in E&P improved to 0.40 compared to 0.48 in 2013, the lowest level since privatization, below our target and the international benchmark. In 2014 we made the largest exploration investments since privatization. As part of OMV Petrom's exploration focus, intensive onshore and offshore drilling campaigns - both shallow and deep water - were developed in 2014 sustained by 76% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

Proven oil and gas reserves in OMV Petrom Group's portfolio stood at approximately 690 mn boe at year-end.

## E&P at a glance

	2012	2013	2014
Segment sales (RON mn) <sup>1</sup>	12,992	13,220	12,889
EBIT (RON mn) <sup>2</sup>	5,467	5,529	3,932
Clean EBIT (RON mn)	5,754	5,542	4,667
EBITD (RON mn)	7,521	8,018	7,201
Capital expenditures (RON mn)	3,753	4,401	5,349
Total Group production (mn boe)	66.87	66.64	65.82
thereof in Romania	62.39	62.54	62.57
Proved reserves as of December 31 (mn boe)	775	728	690
thereof in Romania	750	707	671

<sup>1</sup> Include inter-segment sales

<sup>2</sup> Excluding intersegmental profit elimination

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

The overall HSSE focus has been further strengthened in 2014 and additional improvement measures are being worked on. The Lost-Time Injury Rate (LTIR) in E&P significantly improved to 0.40 in 2014, being at the lowest level since privatization, below the target and the international benchmark. The fatality rate has been reduced by 80% from 2008 to 2014.

**Clean E&P EBIT** came in 16% lower compared to 2013 at RON 4,667 mn, mainly due to lower oil and NGL sales and higher production costs, which more than offset higher gas sales and favorable FX effects. The average Group realized crude price was USD 86.67/bbl, 11% lower than in 2013.

**Reported EBIT** in 2014 amounted to RON 3,932 mn, 29% lower compared to 2013, mainly due to higher net special charges. The latter were

mostly related to impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the Tasbulat, Aktas and Turkmenoi fields (TOC fields) of RON (601) mn and the restructuring provision related to personnel costs of RON (102) mn, whereas in 2013, personnel restructuring costs were only RON (13) mn.

**E&P capital expenditures** increased by 22% compared to 2013, to RON 5,349 mn. The investments were mainly directed towards field redevelopments, drilling and workover activities as well as to drilling activity in Neptun Block. Exploration expenditures reached RON 1,224 mn, which mainly include the capitalized drilling expenditures associated with Domino-2 and Pelican South-1 wells.

In 2014, OMV Petrom Group's hydrocarbon production amounted to 65.82 mn boe (thereof 62.57 mn boe in Romania), compared to 66.64 mn boe in 2013 as the slightly higher production

**E&P LTIR  
significantly  
improved in 2014**



in Romania could not fully offset the lower production in Kazakhstan. On average, daily oil and gas production was 180.3 kboe (thereof 171.4 kboe in Romania). Group production costs stood at USD 17.27/boe, 12% higher than in 2013, reflecting the higher production costs in Romania and lower production for sale in Kazakhstan, in spite of favorable FX rates. Production costs in Romania expressed in USD/boe were USD 16.84/boe, up 13% than in 2013, while in RON terms they increased to RON 56.32/boe, mostly due to the new construction tax introduced in 2014 and higher personnel costs.

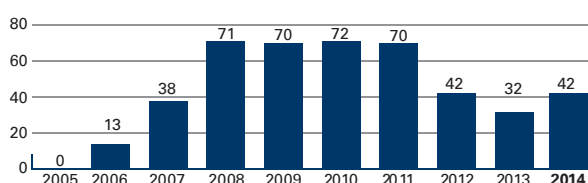
### Reserve replacement rate (RRR)

As of December 31, 2014 the total proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 690 mn boe (of which Romania represented 671 mn boe), while the proved and probable oil and gas reserves amounted to 977 mn boe (of which Romania represented 930 mn boe). For the single year 2014, the Group's rate was 42% (2013: 31%), while the reserve replacement rate in Romania was 42% (2013: 32%). The Group's three-year average reserve replacement rate stood at 39% in 2014 (2013: 48%), while in Romania it came in at 39% (2013: 48%).

OMV Petrom was able to keep its reserve

replacement rate around 40% in the last three years mainly thanks to continuous reservoir studies performed, supported by drilling programs, diversification of recovery techniques and new extensions of existing fields.

### Single year RRR (Romania)



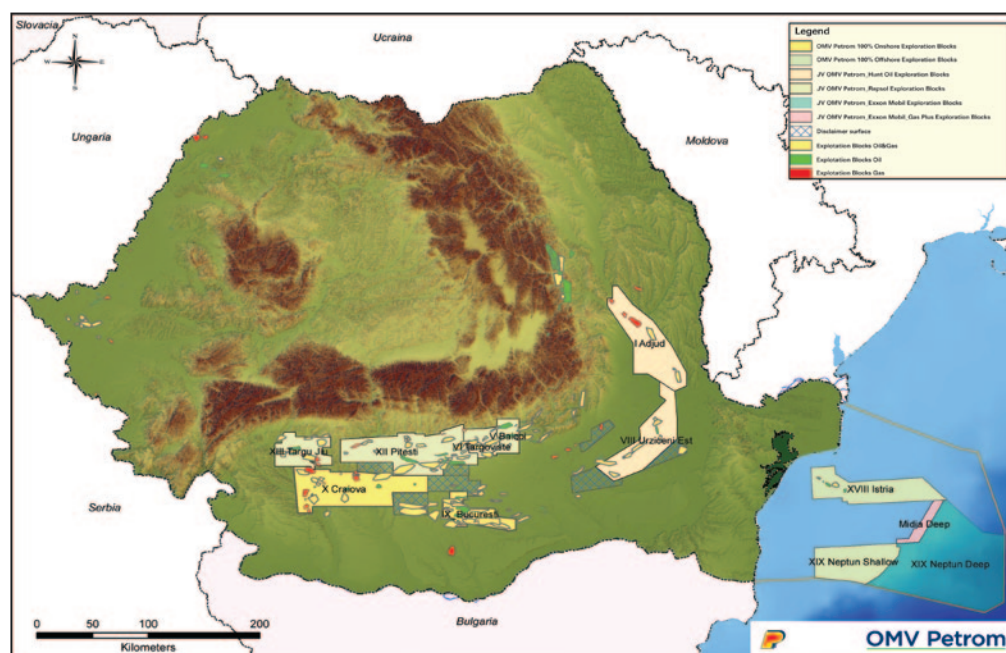
### Operational highlights 2014 Romania

In September 2014, the exploration license for nine blocks covering an area of approx. 19,000 km<sup>2</sup> has been extended until September 2017 and one block was relinquished. All nine blocks currently in exploration are under a single concession agreement for exploration, development and production.

**Extended  
exploration  
license for  
~19,000 km<sup>2</sup>**

OMV Petrom operates 239 commercial oil and gas fields in Romania, from which a combined volume of 171.41 kboe/d was produced in 2014 (2013: 171.36 kboe/d).

### OMV Petrom's exploration, development and production concessions in Romania



**The largest oil and gas discovery in Moesian platform in the last 30 years**

## Exploration

2014 was a year of highly intensive exploration drilling activity. Seismic data interpretation of the previous years campaigns, delivered attractive drilling opportunities.

13 exploration wells were spudded, out of which 10 wells completed drilling, with a success rate of 60% with the following results:

- ▶ 2 exploration wells in Mamu cluster, delivering gas and condensate production
- ▶ The Padina Nord 1 well, drilled in JV with Hunt Oil proved to be the largest oil and gas discovery in Moesian platform in the last 30 years. The well was tested and indicates a potential production of 1,200 – 2,100 boe/day from two geological layers
- ▶ The Marina 1 exploration well encountered a new oil reservoir which is currently under assessment. Depending on the decision of commercial viability, production could start over the next 3-4 years
- ▶ The 700 Burcioaia exploration well, gas discovery, is currently under assessment
- ▶ The 1610 Târgu Jiu exploration well part of PECTicleni, gas discovery, is currently under assessment

**Exploration drilling in the deepwater Black Sea progressed**

In the deepwater sector of the Neptun block, a joint venture between OMV Petrom and EMEPRL the exploration activity further progressed with the drilling of Domino-2 which started in July. This drilling was completed in October 2014 and then the Ocean Endeavor deepwater drilling rig moved and began drilling Pelican South-1. In the shallow water sector of Neptun block, which is fully operated by OMV Petrom, the 3D seismic data were further interpreted, which will allow evaluation of additional opportunities in the Black Sea.

In partnership with Repsol, two deep high pressure/high temperature (HP/HT) wells have been spudded in Băicoi and Târgoviște blocks, both of them revealing the high complexity of the area and representing a significant challenge for the drillers.

## Production

In 2014, OMV Petrom produced in Romania 3.89 mn t crude oil including condensate and 5.29 bcm natural gas, the equivalent of 62.57 mn boe total oil and gas. Offshore production accounted for approximately 7% of oil production and 26% of natural gas production. The daily average equivalent production has reached 171.41 kboe/d, compared to 171.36 kboe/d in 2013. New wells put on stream at the beginning of the year (in Totea and Mamu fields), continued with testing of new wells in Mamu on middle of the year, which contributed to the annual production.

A workover campaign, which commenced in early 2014 at four offshore wells, has significantly contributed to the stabilization and gradual increase of hydrocarbon production during the second half of the year. In 2014, the crude oil production obtained using enhanced oil recovery techniques accounted for approximately 25% of total domestic oil production. Heavy oil, representing crude oil with density greater than 900 kg/m<sup>3</sup> accounted for more than 35% of total production of crude oil including condensate.

In 2014, the average crude oil production was 76.7 kboe/d, below the level achieved in 2013 of 78.4 kboe/d due to planned workovers and weather conditions.

The domestic gas production was 94.8 kboe/d, higher than last year due to the results of new wells in the Totea and Mamu fields and successful offshore workover campaigns.

The internal gas consumption for upstream operations accounted for approximately 11% of total production.

## Key projects in 2014

OMV Petrom's further invested in new technologies and secondary recovery methods to redevelop mature fields in Romania in order to improve oil and gas recovery rates and to stabilize production levels.

Throughout 2014, two field redevelopment projects moved to the final development phase (FRD Oprișenești and FRD Suplac

Phase 1) and another six (FD Totea Deep, FRD Lebăda East, FRD Phoenix Vata Phase 1, FRD Tazlău Kliwa 1, FRD Independența Phase 1 and FRD Istria Phase 1) moved into the execution phase. With a wider growth portfolio, counting 12 projects covering both onshore and offshore, oil as well as gas fields, additional resources were engaged to make sure these are managed with due diligence.

In December 2014, the first water injection in FRD Opișenești marked the close-out of the project, first step of moving into the operation phase being done. Also, within FRD Suplac Phase 1 all 25 new wells and one containerized steam boiler, were finalized and are already in production.

In the **Totea Deep** development, the most important onshore gas discovery in Romania in the last years, we have continued our drilling program, with the largest four domestic producing wells in our portfolio contributing with 10.5 kboe/d on average in 2014 versus 5.2 kboe/d in 2013.

The **FRD Phoenix Vata Phase 1** project entails drilling a total number of up to 26 oil wells in several clusters, of which more than half have been finalized and have contributed to production above expectations. The project is successfully embedding drilling technologies such as casing while drilling and the reported performance is very close to technical limit.

**FRD Tazlău Kliwa 1** is a pilot project which aims to increase oil recovery in the Tazlău area in the most potential layer Kliwa 1, using pattern water injection. The scope includes 20 workovers, one sidetrack and related facilities. Recently passed into execution phase, **FRD Independența Phase 1** envisaged the drilling of several horizontal oil wells. Additional two workovers were performed using for the first time in OMV Petrom the string completion through linear rod pumps.

**FRD Istria** is an offshore field redevelopment project scheduled to be implemented in two stages. Phase 1 consisted in three sidetracks and four workovers, while in Phase 2 we will drill two additional sidetracks.

OMV Petrom's gas projects include drilling new wells and performing additional workovers aiming to maximize recovery via surface facilities more efficiently, environment friendly and of higher technical integrity. In **Lebăda East NAG** we aim to compensate the natural decline by upgrading compression and ancillary facilities. In **Mădulari Safety Upgrade** project and **FRD Burcioaia**, we are enhancing gas processing using dehydration technologies. Madulari is the first project in OMV Petrom to incorporate the "Solid Bed Scavenger" technology, intended to remove the hydrogen sulfides from natural gas.

Several projects progressed through the projects funnel, based on the opportunities identified within the seven Multidisciplinary Asset Reviews (MARs) which took place in 2014. These initiatives are expected to develop, gradually mature and further opportunities to be generated, also taking into account the market operating environment.

Turburea Bibești is a success story for OMV Petrom, as the well drilled in 2014 came on stream with an oil production of ~1,000 boe/d. With regards to near field opportunities (NFO), we continued to identify areas close to existing production fields, with eight new NFO wells drilled in 2014, out of which four wells had good results (three wells in Bălăria and one well in Mamu West).

Within the Well Engineering programs, 140 activities were performed or tracked (PECs and sidetracks with workover rigs included) compared with 169 wells in 2013. A wide spectrum of operations was covered: new wells and sidetracks, production, injection, appraisal and exploration wells, onshore and offshore, operated or non-operated by OMV Petrom, sidetracks with workover rigs.

In 2014 we have achieved sound European records in Casing While Drilling application: one record set in Abramut field at casing drilling Level 2 – drilled 9 5/8" to 1,204m in one run and 2 records in Marina 1 offshore well - first offshore well with 20" Level 2 casing drilling from 153 to 892 meters, without directional

**Redevelopment of mature fields in Romania continues**

**European records achieved in Casing While Drilling application in 2014**

control and casing drilling Level 3 with directional control.

#### Production enhancement contracts and Joint Ventures

Since July 2010, in order to execute its strategy of optimizing the portfolio of existing assets, OMV Petrom has entered into partnerships with international companies for production enhancement. The partnerships with Petrofac, PetroSantander and Expert Petroleum are governed by Production Enhancement Contracts (PECs) referred to as PECȚicleni, PECTurnu and PECTimiș, covering in total 31 mature fields, out of which 3 fields in PECTurnu are under concession relinquishment process as of end of 2014.

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

Safety performance improved compared to 2013, with the LTIR decreasing from 1.2 to 0.65. Still, in 2014 three LTIs were recorded, one in each PEC. In order to continue the improvement of the performance and ensure safe operations in all PECs, an HSSE coordinator has joined the PECs and JVs team, implementing improvement measures.

Growth initiatives continued in all PECs. In PECTimiș we further optimized the production system by installing eight electric submersible pumps and pursued with the construction of a degasolination plant as well as a gas compressor for gas losses mitigation. In PEC Turnu we continued the infill drilling campaign, four wells have been drilled and completed

while in PECȚicleni a new exploration well, 1610Târgu Jiu, has been drilled, production testing being scheduled for early 2015.

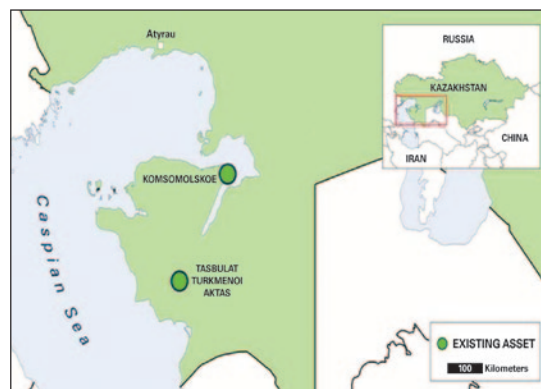
The total annual production of PECs in 2014 was around 8.8 kboe/d, 9% higher compared to the annual production before inception. PECȚicleni has contributed with 4 kboe/d, PECTurnu added 2.2 kboe/d and PECTimiș added 2.6 kboe/d to the 2014 production.

#### International E&P operations

Currently, OMV Petrom holds development and production licenses for the TOC fields and Komsomolskoe (KomMunai field) in **Kazakhstan**. In 2014, the average oil and gas production in Kazakhstan decreased by 21%, therefore reaching 8.9 kboe/d. The main reasons for this decrease in production were the temporary suspension of production in the Turkmenoi field due to leaks in the corroded Turkmenoi pipeline, the lower performance of TOC redevelopment wells and the production natural decline.

At the **TOC fields** during the last quarter of 2014, a 3 km portion of the corroded pipeline, which caused suspension in the Turkmenoi field production, was replaced. The water injection project was almost completed. The average production at the TOC fields amounted to 3.9 kboe/d in 2014, which is 26% lower than in 2013 and is mainly due to the one and a half month suspension in production of the Turkmenoi field as well as the lower performance of the wells drilled within the TOC redevelopment project.

#### Location of OMV Petrom fields in Kazakhstan





At the **Komsomolskoe field** the extended water injection project was brought near to completion. In 2014, the average production in the Komsomolskoe field amounted to 5.0

kboe/d, 15% lower than in 2013 due to the delay in tying-in two wells in the Sor area and the requirement to replace electric submersible pumps in several wells.

**5.0 kboe/d  
average  
production of  
Komsomolskoe**

#### Production in 2014

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.89	27.98	5.29	34.58	62.57
Kazakhstan	0.38	2.96	0.05	0.30	3.25
<b>OMV Petrom Group</b>	<b>4.27</b>	<b>30.94</b>	<b>5.34</b>	<b>34.88</b>	<b>65.82</b>

#### Group's portfolio proved reserves as of December 31, 2014

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	49.4	355.6	1,705.2	315.8	671.4
Kazakhstan	2.1	16.1	16.8	2.8	18.9
<b>OMV Petrom Group</b>	<b>51.5</b>	<b>371.7</b>	<b>1,722.0</b>	<b>318.6</b>	<b>690.2</b>

## Gas and Power (G&P)

The Romanian gas and power market environment was challenging in 2014, but liberalization progressed. Despite the 9% drop in gas sales volumes, OMV Petrom managed to maintain a strong position in the local market, supplying more than one-third of Romania's estimated gas consumption in 2014. The net electrical output halved versus 2013 due to negative average spark spreads and the revised long-term market perspective led to partial impairments of the power assets. The focus was on strengthening the Brazi power plant's integration in the equity gas value chain.

### G&P at a glance

	2012	2013	2014
Segment sales (RON mn)	4,143	4,315	4,375
EBIT (RON mn)	360	112	(818)
Clean EBIT (RON mn)	359	167	(63)
EBITD (RON mn)	450	324	49
Capital expenditure (RON mn)	221	18	3
Gas sales volumes (mn cbm) <sup>1</sup>	4,841	4,893	4,419
Gas sales volumes (TWh) <sup>1</sup>	52.2	52.7	47.7
Net electrical output (TWh) <sup>2</sup>	1.7	2.9	1.3

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

<sup>2</sup> It includes the net electrical output generated by the Brazi power plant during commissioning phase; the plant commenced commercial operations on August 1, 2012

The G&P business registered a negative Clean EBIT of RON (63) mn in 2014 compared to RON 167 mn in 2013 largely due to the negative power business contribution mainly as a result of average negative spark spreads triggered by higher gas prices following the gas market liberalization process. In addition, the contribution of the gas business was lower compared to 2013 mainly due to lower gas sales volumes and increased storage costs (new transportation tariff and higher volumes). Reported EBIT of RON (818) mn reflected special items of RON (755) mn, mainly related to the power assets partial impairments due to revised long-term market perspective.

### 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 partly implemented. The price liberalization for the non-household sector has been finalized, while for the household sector it continued. The deadline for households' liberalization has been extended until June 30, 2021. At the end of 2014, the regulated domestic gas price was

RON 89.4/MWh for non-households and RON 53.3/MWh for household consumers.

The average import quota set by ANRE for household consumers was 3% in 2014 (2013: 5%), while the import quota for regulated non-households averaged 10% (2013: 23%), significantly lower than in previous years, caused by internal gas market contraction.

In compliance with a new obligation in force as of July 15, 2014, gas producers started to sell a certain fraction of their domestic gas production on the Romanian centralized trading platforms, which has proven to be a challenge. A transportation tariff of RON ~6/MWh was enforced by ANRE as of August 1, 2014 in connection with the gas volumes injected into storage.

The liberalization of the power market for household consumers and small enterprises progressed according to the official calendar in 2014.

In November 2014, the Romanian day ahead electricity market coupled with the day ahead

power markets in Hungary, the Czech Republic and Slovakia, establishing a regional market which allows higher efficiency of trading and cross-border capacity allocation, conditions for higher security of supply, higher liquidity and a more reliable market-based price.

In 2014, the quota of renewable energy sources in gross consumption was 11%, unchanged versus 2013, which led to an excess of green certificates on the market and, consequently, to the decreasing price of green certificates to the minimum regulated level of RON 130.69/MWh.

During July-December 2014, the cogeneration tax for exported electricity was abolished, while for the internal market it was reduced by 46% (from RON 18.38/MWh to RON 9.96/MWh).

### Gas

In 2014, the estimated Romanian gas consumption decreased by 4%, down to 11.9 bcm (2013: 12.5 bcm), mainly due to lower demand from the chemical industry and milder winter. OMV Petrom's gas sales volumes decreased by 9%, which reflects the reduced off-take by heat and power plants compared to 2013. The company maintained its leading position in the competitive natural gas market in Romania, whilst capturing synergies from bundling electricity sales with natural gas sales.

In 2014, OMV Petrom was the first company which sold natural gas on the Romanian centralized market, which demonstrates the company's openness to utilizing this additional sales channel, particularly once its liquidity increases and prices reflect market fundamentals.

A total volume of 550 mn cbm of natural gas was injected into storage by OMV Petrom in 2014, compared to 266 mn cbm in 2013, with the storage level at the end of 2014 amounting to 405 mn cbm versus 160 mn at the end of 2013.

In 2014, OMV Petrom sold its 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy Romania S.A., in line with the company's

strategy of optimizing downstream operations and focusing on core business. Following this transaction, all OMV Petrom external clients in the gas business are served through the fully consolidated company OMV Petrom Gas S.R.L. (99.99% owned by OMV Petrom S.A.).

### Power

According to preliminary data published by the National Institute of Statistics, the Romanian gross electricity production increased by almost 9% versus 2013, to ~64 TWh, while the national electricity consumption remained relatively stable. The preliminary export-import net balance reached the record level of 7.2 TWh, also supported by regional market coupling starting November 2014. According to preliminary data published by OPCOM, electricity prices on the Romanian day-ahead market averaged RON 154/MWh for base load and RON 187/MWh for peak load in 2014.

In 2014, OMV Petrom continued to focus on achieving operational excellence in electricity generation and maximizing its power assets availability.

In the context of average negative spark spreads over the year, the Brazi power plant generated a net electrical output of 1.2 TWh (2013: 2.7 TWh), covering ~2% of the total national electricity production in 2014 and ~6% of the balancing market (2013: ~5% of Romania's electricity production and ~9% of the balancing market) according to estimated available information. The company's focus was to strengthen the plant's integration in the equity gas value chain, while contributing to the stability of the national energy system. The operational availability of the plant in 2014 reached 96%.

With a net availability of 97%, the Dorobanțu wind park generated a net electrical output of 0.08 TWh in 2014 versus 0.10 TWh in 2013. For the electricity produced and delivered to suppliers, OMV Petrom Wind Power S.R.L. received ~133,000 green certificates, half of which will become eligible for sale after January 1, 2018 (2013: ~178,000 green certificates, thereof ~32,000 eligible for sale after January 1, 2018).

**The day ahead power markets in Romania, Hungary, Czech Republic and Slovakia coupled in November 2014**

# Refining and Marketing (R&M)

The Refining and Marketing business continued to operate in a challenging market environment, with high international oil price levels and lower refining margins in the first half of the year (trends reversed in the second half of 2014), as well as subdued demand in the operating region.

In Refining, the modernization program of Petrobrazî was successfully completed in 2014. As part of the modernization process, the upgraded diesel hydrotreater and the fluid catalytic cracker units were commissioned during the mid-year planned refinery shutdown, with a positive impact on energy efficiency and environment. The refinery utilization rate stood at 89%, while energy consumption continued to improve. The fuel terminal network optimization program further progressed with the start of operations at Bacău terminal and by initiating modernization works at our Cluj facility.

In Marketing, the Group's market share decreased both in retail and commercial businesses, impacted by higher fuels taxation in Romania and increased competition in the operating region. Commercial sales reflected a negative trend in all products except gasoline and jet. Increasing brand awareness and customer loyalty continued to be the focus of the marketing campaigns.

## R&M at a glance

	2012	2013	2014
Segment sales (RON mn)	21,750	19,308	16,755
EBIT (RON mn)	138	386	(79)
Clean CCS EBIT (RON mn) <sup>1</sup>	31	374	654
EBITD (RON mn)	753	958	541
Capital expenditure (RON mn)	899	827	794
Total refined product sales (kt) <sup>2</sup>	5,004	5,222	4,807
thereof Marketing sales volumes (kt) <sup>3</sup>	3,829	3,617	3,380
thereof: Gasoline	879	884	838
Diesel	2,258	2,259	2,085
Kerosene/Jet fuel	186	220	245
HFO	132	85	71
Number of retail filling stations	798	785	780

<sup>1</sup> 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

<sup>2</sup> Include all products sold by OMV Petrom Group

<sup>3</sup> The figure excludes export sales which are included in total refined product sales

**Clean CCS EBIT in R&M** increased to RON 654 mn compared to RON 374 mn in 2013, due to higher refining margins, improved operational performance after the refinery modernization and a good marketing result.

In 2014 we registered the first year with positive results in both businesses, reflecting the company's commitment to improve operational performance, to further pursue cost discipline and optimization of the downstream business. Clean CCS EBIT is stated after eliminating CCS effects of RON (674) mn and net special charges

of RON (60) mn. **Reported EBIT** came in at RON (79) mn, compared to RON 386 mn in 2013.

**Investments** in R&M amounted to RON 794 mn, mostly related to the completion of the Petrobrazî modernization program performed in 2010-2014 and network optimization.

In Refining, 2014 marked the final step in delivering the Petrobrazî modernization program, the upgrade of the diesel hydrotreater and of the fluid catalytic cracker units being commissioned during the 30-day planned shutdown. In terms of the depot network

**First year with positive results in both Refining and Marketing**



optimization program, operations started at the revamped Bacău terminal and reconstruction commenced at Cluj terminal at the beginning of Q2 2014, with the aim of being finalized by the end of 2015. In addition to the modernization projects, investments in environmental, legal compliance and energy efficiency projects were pursued. The 2014 investments in the Petrobrazî refinery amounted to approximately EUR 114 mn, mostly associated with the final steps of the refinery modernization program.

Marketing investments focused on optimizing the current filling station portfolio. Upgrades

were performed in a number of Petrom and OMV filling stations mainly to improve the amenities. One of the main projects in this respect was the replacement of the conventional lighting systems in 345 Petrom filling stations in Romania with a new LED based system (light emitting diode), partially financed by a grant offered by EBRD.

**The indicator refining margin<sup>vii</sup>** increased to USD 1.89/bbl from USD (2.83)/bbl in 2013 reflecting the updated standard yield following the finalization of Petrobrazî refinery modernization and lower cost of crude.

**Improved refining margin due to modernization completion**

#### Crude oil processed (kt) <sup>1</sup>

	2012	2013	2014
Petrobrazî <sup>2</sup>	3,146	3,771	3,728

<sup>1</sup> Including condensate

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

#### Production (kt)

	2012	2013	2014
Gasoline	946	1,210	1,143
Diesel	1,035	1,266	1,428
Kerosene/Jet fuel	144	185	207
HFO	350	366	309
LPG total	162	221	191
Petroleum coke	196	240	233

#### Sales

The turnover of the marketing business reflected the oil price environment, higher fuel taxation in Romania and increased competition in the region. OMV Petrom Group's total marketing sales amounted to 3,380 kt in 2014, 7% lower compared to 2013, driven by lower sales in both retail and commercial streams. Group retail sales were 4% lower compared to the level of the previous year, reaching 2,970 mn liters, the negative trend being reflected

in all countries. Retail sales in the domestic market reached 2,308 mn liters in 2014, 4% lower compared to 2013.

Group commercial sales amounted to 1,007 kt, 11% lower against 2013, with lower volumes in all products except gasoline and jet. In Romania, commercial volumes were 595 kt, 5% below the previous year's level (2013: 625 kt). The decrease is mainly attributable to increased competition in the market and

<sup>vii</sup>The indicator refining margin is based on the international quotations for products [Augusta] and Urals crude and a standard yield set typical for Petrobrazî refinery; as of Q3/14, the standard yield for the calculation of the indicator refining margin has been updated following the finalization of the Petrobrazî modernization program; previously reported figures were not adjusted; the actual refining margins realized by OMV Petrom may vary from the indicator refining margin as well as from the market margins due to factors including a different crude slate, product yield and operating conditions.

## 34% total market share in Romania

higher sales in 2013 triggered by the planned shutdowns of other domestic refineries. Starting with the third quarter 2014, diesel sales turned around, increasing 6% in the second half of 2014 compared to 2013. The positive trend was also seen in gasoline sales in the second part of the year.

Overall market share <sup>viii</sup> (retail and commercial sales) in the operating region decreased by 0.6%, reaching 24%, compared with 25% in 2013 mainly affected by the challenges in the Romanian market.

Total Romanian market share <sup>viii</sup> (retail and commercial sales) was broadly at the same level as in 2013 (2014: 34.3%; 2013: 33.8%) mainly as a result of commercial business and product portfolio optimization, despite the 1% loss of market share in retail due to increased excise and higher competition.

In 2014, despite the negative trend in fuel sales total non-oil business turnover decreased by only 1% compared to the previous year, reflecting the improved performance and the impact of the implementation of the shop-in-shop <sup>ix</sup> concept and of other strategic partnerships.

### Operational highlights 2014

#### Refining

In 2014, the main focus was on delivering the promised milestones and benefits of the Petrobrazi modernization program. During the mid-year planned refinery shutdown, the upgraded diesel hydrotreater and the fluid catalytic cracker units were commissioned. The successful completion of the modernization program added approx. USD 5/bbl to the standard profitability of the refinery prior to modernization.

The Petrobrazi refinery utilization rate was slightly below the 2013 figure (89% in 2014 compared to 90% in 2013), reflecting the one month planned refinery shutdown.

#### Supply and Logistics

In March 2014, the operational activity started

at the newly revamped Bacău fuel terminal, following the two year reconstruction period. At the beginning of the second quarter of the year 2014, the revamp works at the Cluj terminal were initiated. This project is part of a modular design concept which will improve the performance by maximizing service life and reducing operational costs. The commissioning of the revamped terminal is expected at the end of 2015.

This project is part of a broad investment program of six modern terminals in Romania: three new terminals (Jilava, Brazi and Işalniţa - all of them in operation) and three revamped terminals (Bacău already in operation).

#### Marketing

In Marketing, the main focus in 2014 was to maintain market share in the retail business, concentrating 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.

In Romania, the main focus in 2014 was to secure market leadership with a two brands retail strategy: the international premium brand - OMV, and the national Romanian brand - Petrom, positioned as value-for-money brand. Average fuel sales per filling station were slightly lower in 2014 due to decreased retail volumes triggered by higher fuels taxation and increased competition. In Romania, the average throughput per station was 4.22 mn liters compared to 4.41 mn liters per station in 2013, while on Group level it decreased to 3.76 mn liters in 2014 ( 2013: 3.89 mn liters per station).

In Romania, in order to increase brand awareness and customer loyalty, the "Romanian Achievements Collection" continued in the Petrom filling stations, encouraging the purchase of Romanian products. Furthermore, a number of Petrom filling stations were further revamped with

<sup>viii</sup> OMV Petrom's estimates based on preliminary data available

<sup>ix</sup> Renting space within shop area of a filling station to partners

a new refreshed outlook, together with an effective communication campaign which led to an increase in the Petrom brand awareness. 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 businesses in Romania, strengthening sustainable profitability.

#### **Affiliated companies**

Regarding the filling stations network, OMV Petrom pursued further optimization of its portfolio, mainly in Bulgaria. Affiliated

companies' sales development followed the same decreasing trend as a result of increased local competition and the difficult economic environment.

#### **Prices**

OMV 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 the 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, OMV Petrom fuels prices only reflect the trend, not the peaks.

**Increased  
competition  
and difficult  
economic  
enviroment**

#### **Number of retail filling stations per country**

	2012	2013	2014
Romania	546	545	544
Republic of Moldova	98	86	86
Bulgaria	93	93	89
Serbia	61	61	61
<b>Total</b>	<b>798</b>	<b>785</b>	<b>780</b>







# Report of the Governing Bodies





# Report of the Supervisory Board

## Transparency and accountability towards our shareholders

### Core activities

OMV Petrom S.A. (hereinafter also referred to as "OMV 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 OMV Petrom Group. A detailed structure of the consolidated companies in OMV Petrom Group as of December 31, 2014 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 2014.

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.omvpetrom.com](http://www.omvpetrom.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.

During 2014, the Supervisory Board consisted of the following members: Gerhard Roiss (President of the Supervisory Board), David Charles Davies (Deputy President of the Supervisory Board), Manfred Leitner, Hans-Peter Floren, Johann Pleininger, Joseph Bernhard Mark Mobius, Lucian-Dan Vlădescu, George Băeșu and Riccardo Puliti.

The Ordinary General Meeting of Shareholders held on April 29, 2014 appointed Johann Pleininger as member of the Supervisory Board until 28 April 2017. Until that moment, Johann Pleininger had been interim member of the Supervisory Board starting September 18, 2013, following Jaap Huijskes's waiver of his mandate as Supervisory Board member. Following Hans-Peter Floren's waiver of the mandate, Cristoph Trentini was appointed starting January 9, 2015 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.

During 2014, 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 with Exploration and Production activity), Neil Anthony Morgan (Executive Board member in charge with Refining and Marketing activity), Cristian Nicolae Secoșan (Executive Board member in charge with Gas and Power activity).

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four-year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity) <sup>\*</sup>.

Cristian Secoșan's mandate as member of the Executive Board will cease starting with April 17, 2015.

### **Supervisory Board activity during 2014**

In 2014, 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 five times in person.

Moreover, for specific and particularly urgent

**A new mandate  
for the Executive  
Board until April  
2019**

<sup>\*</sup> On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

**Over 90% average participation rate to Supervisory Board meetings**

plans and projects arising between the actual meetings, the Supervisory Board submitted their approval in writing on three occasions. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board in 2014. 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 significant matters for OMV 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.

**March 25 Supervisory Board meeting**

At our regular meeting of March 25, 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 25, we thoroughly discussed the 2013 annual consolidated financial statements as well as the respective management reports. The 2013 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 OMV Petrom Group. Based on the results achieved in 2013 and the low 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 1,745 mn as dividends.

Moreover, during the same meeting, we also approved the convening of the Ordinary General Meeting of Shareholders on April 28, 2014 and the related materials. In addition we also approved a Business Transfer Agreement concerning the transfer of Global Solutions organizational entity's business from OMV Petrom to OMV Petrom Global Solutions S.R.L., including the assets, know-how, relevant liabilities, relevant contracts and the employees attached to such Global Solutions activity.

**April 11 Supervisory Board (via circulation)**

On April 11, via a circular motion, we approved the acceleration of the Neptun Deep exploration program in the period 2015-2016 by adding one deepwater exploration well to the existing program.

**April 29 Supervisory Board meeting**

At our regular meeting of April 29, 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.

**May 27 Supervisory Board (via circulation)**

On May 27, via circulation, we agreed the reply proposal to a letter addressed by the Romanian Department of Energy to us.

**June 13 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 the same meeting, we approved the prefinancing for the second phase of Istria field redevelopment.

#### **September 23 Supervisory Board meeting**

At its meeting on September 23, 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. 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, we also resolved upon two E&P projects, namely Field Redevelopment Bustuchin and Field Redevelopment Tazlău Kliwa 1.

#### **November 18 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. Likewise, during the same meeting we took note of the preliminary 2015 budget and of OMV Petrom's transactions with related parties in the first half of 2014.

**Towards the end of December, by circular resolution,** we approved the budget for 2015 subject to further updates at the beginning of 2015 due to high volatility of oil prices. Likewise, on the same occasion we took note of some updates regarding three E&P investment projects.

In all our meetings held in 2014, the Executive Board informed us about the status of the process for the share capital increase of OMV Petrom by incorporating the value of plots of land received in administration and/or use from the Romanian State for which OMV Petrom obtained / is in the process to

obtain the land ownership certificates as well as about the constant dialog between the Company and the Romanian State via its authorized representative in order to clarify the pending issues.

#### **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 risk management 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 2014, 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 OMV Petrom's risk management process and its result and monitored the reports delivered by internal auditors including internal audit plan for 2015. 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 OMV Petrom Group's independent auditor in 2014. A proposal for the reappointment of EY as OMV Petrom Group's auditor will be submitted to the next Ordinary General Meeting of Shareholders to be held on April 28, 2015.

#### **Annual financial statements**

EY audited the 2014 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

**Audit Committee met three times in 2014**

**EY audited the 2014 financial statements**

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 24, 2015 in line with the Audit Committee's recommendation and will further be submitted for approval in the Ordinary General Meeting of Shareholders to be held on April 28, 2015.

#### **Financial reporting in compliance with international standards**

OMV 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, 2014 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 Ordinary General Meeting of Shareholders to pay a dividend of RON 0.0112 per share, corresponding to a payout ratio of 30% of the net profit recorded in 2014. The proposal is subject to the approval of the forthcoming Ordinary General Meeting of Shareholders on April 28, 2015.

#### **Corporate Governance**

The Supervisory Board also approved the Directors' Report which includes the Corporate Governance Report. OMV 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.

We thank our shareholders for their confidence in OMV Petrom. The Company continued its successful path of development in 2014 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 2014 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 24, 2015



Gerhard Roiss  
President of the Supervisory Board

**RON 0.0112 per  
share dividend  
proposal for 2014  
subject to GMS  
approval**

# Directors' report

## OMV Petrom Group financials (RON mn)

	2013	2014	Δ (%)
Sales revenues	24,185	21,541	(11)
Earnings before interest and taxes (EBIT)	5,958	3,338	(44)
Net income	4,824	2,100	(56)
Net income attributable to stockholders	4,821	2,103	(56)
Cash flow from operations	8,048	6,830	(15)
Capital expenditures	5,303	6,239	18
Employees at the end of period	19,619	16,948	(14)

In 2014, OMV Petrom generated an operating result (EBIT) of RON 3,338 mn, 44% below previous year's level, mainly due to the impact of lower selling prices for petroleum products following the decrease of international quotations and the impairments in the G&P segment and in the E&P segment (Kazakhstan). The introduction of the construction tax and higher additional tax on natural gas sales in Romania further negatively affected the EBIT of the year. Net special charges totalled RON (1,592) mn, mainly related to the impairment in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields and the impairment of the Brazi power plant due to the revised long-term market perspective.

The return on average capital employed <sup>xi</sup> (ROACE) stood at 7.6% while Clean CCS ROACE was 13.6%. The gearing ratio was 3%, helped by the low level at the beginning of the year as well as the good cash flow from operations. In 2014, we remained the largest investor in the energy sector in Romania with capital expenditures of RON 6,239 mn, 18% higher than in 2013, mostly dedicated to our E&P projects.

In **E&P**, for the second year in a row since privatization, we successfully achieved a slight yearly increase in hydrocarbon production 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 TOC fields.

In exploration, in 2014 we have intensified our activity, with a focus on offshore exploration drilling. In the deepwater sector of the Neptun block, in joint venture with EMEPRL, we progressed further the exploration activity, with the drilling of Domino-2. This well started in July and was completed in October 2014 in order to determine the commercial viability of the Domino discovery. Drilling sequence continued with Pelican South-1 exploration well.

In the shallow waters of the Black Sea, we have made the Marina 1 oil discovery, which is currently under assessment.

Onshore, we made the largest oil and gas discovery in the Moesian platform during the last 30 years with the Padina Nord 1 well, drilled in JV with Hunt Oil. The well was tested and indicates a potential production of 1,200 – 2,100 boe/day from two geological layers. The exploration license for nine blocks covering an area of approx. 19,000 km<sup>2</sup> has been prolonged until September 2017 and one block was relinquished. All nine blocks currently in exploration are under a single concession agreement for exploration, development and production. OMV Petrom has entered into partnerships with Hunt Oil for two blocks, and respectively with Repsol for four blocks.

In **G&P**, OMV Petrom's gas sales volumes reached 4.4 bcm, supplying more than one-third of Romania's estimated gas consumption in 2014. In line with our strategy to optimize downstream operations, we sold the 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy Romania S.A. in 2014. The power business generated a total net electrical output

**Intensified  
exploration  
activity in 2014**

**Divested  
participation in  
Congaz S.A.**

<sup>xi</sup> For definitions of these ratios please refer to page 76, section "Abbreviations and definitions"

**Adapted  
standard yield  
after Petrobraz  
modernization  
completion**

of 1.3TWh (accounting for ~2% of the national electricity production), mostly from the Brazi power plant.

In **R&M**, 2014 was the first year after privatization with positive Clean CCS EBIT contribution from both businesses, supported by increased refining margins, improved operational performance after the refinery modernization and good marketing result.

Following the finalization of the Petrobraz refinery modernization program in Romania, the opportunity has been taken to adapt the standard yield for the calculation of the indicator refining margin in Q3/14. The successful

completion of this program adds approx. USD 5/bbl to the standard profitability of the refinery prior to modernization.

The utilization rate for Petrobraz refinery stood at 89%, reflecting the one month planned refinery shutdown in Q2/14. Last year, we also started operations at Bacău fuel terminal and began reconstruction works at the Cluj terminal, both part of the fuel terminal network optimization program.

In Marketing, total sales volumes decreased by 7% compared with 2013, affected by increased taxation in Romania and higher competition in our operating region. The Group market share stood at 24%, broadly in line with 2013.

**Earnings before interest and taxes (EBIT)**

<b>EBIT (RON mn)</b>	<b>2013</b>	<b>2014</b>	<b>Δ %</b>
Exploration and Production <sup>1</sup>	5,529	3,932	(29)
Gas and Power	112	(818)	n.m.
Refining and Marketing	386	(79)	n.m.
Corporate and Other	(97)	(151)	55
Consolidation: elimination of intercompany profits	29	454	n.m.
<b>OMV Petrom Group EBIT</b>	<b>5,958</b>	<b>3,338</b>	<b>(44)</b>

<sup>1</sup> Excluding intersegmental profit elimination shown in the line "Consolidation"

**Hydrocarbon  
production in  
Romania slightly  
higher versus  
2013**

In **E&P**, EBIT decreased by 29% compared to 2013, to RON 3,932 mn, due to lower oil and NGL sales and higher special charges mainly related to impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields.

**Total Group hydrocarbon production** in 2014 was 180.3 kboe/day or 65.82 mn boe, slightly below 2013. **Total oil, gas and NGL production in Romania** totalled 62.57 mn boe, slightly higher compared to the previous year. Domestic crude oil production was 27.98 mn bbl, 2% below the value from 2013, due to planned workovers and weather conditions. Domestic gas production reached 34.58 mn boe, 2% higher compared to 2013. **Oil and gas production in Kazakhstan** decreased by 21% to 3.25 mn boe, as an effect of technical constraints. **Group sales volumes** were slightly lower compared to the 2013, supported by the higher gas sales in Romania.

In **G&P**, EBIT decreased to RON (818) mn from RON 112 mn in 2013, reflecting special charges of RON (755) mn mainly related to impairment of the Brazi power plant as a consequence of revised long-term market perspective. The **gas** business contribution continued to fall compared with 2013 due to lower volumes sold and increased storage costs. The **power** business contribution also declined compared to 2013 as a result of average negative spark spreads triggered by higher gas prices and slightly lower average electricity price.

In **R&M**, EBIT decreased to RON (79) mn as a result of lower international quotations which led to a significant adjustment to net realizable value of crude oil and petroleum products. This adjustment was done for segmental reporting purposes, and was released in Consolidation line, having a positive effect, as on Group level



cost of inventories is covered by realisable value. The special charges related to impairment of marketing assets in the Republic of Serbia at the amount of RON (63) mn also had a negative impact in reported EBIT. The increased refining margin, improved operational performance after the refinery modernization and good marketing result partially compensated the negative effects mentioned above. The **indicator refining margin** increased to USD 1.89/bbl, from USD (2.83)/

bbl in 2013 reflecting the updated standard yield following the completion of the Petrobraz refinery modernization program and lower cost of crude. The Petrobraz refinery **utilization rate** stood at 89% reflecting the one month planned refinery shutdown from Q2/14.

**Lower cost of crude in 2014**

**EBIT** in the **Corporate and Other (Co&O)** segment amounted to RON (151) mn, deteriorated compared to RON (97) mn in 2013.

## Notes to the income statement

### Summarized income statement (RON mn)

	2013	2014	Δ %
Sales revenues	24,185	21,541	(11)
Direct selling expenses	(646)	(480)	(26)
Cost of sales	(15,485)	(15,815)	2
Other operating income	298	316	6
Selling and administrative expenses	(1,284)	(1,267)	(1)
Exploration expenses	(423)	(156)	(63)
Other operating expenses	(687)	(801)	17
<b>Earnings before interest and taxes (EBIT)</b>	<b>5,958</b>	<b>3,338</b>	<b>(44)</b>
Net financial result	(259)	(429)	66
Taxes on income	(875)	(810)	(7)
<b>Net income</b>	<b>4,824</b>	<b>2,100</b>	<b>(56)</b>
Less net income / (loss) attributable to non-controlling interests	3	(3)	n.m.
<b>Net income attributable to stockholders of the parent</b>	<b>4,821</b>	<b>2,103</b>	<b>(56)</b>

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

Compared to 2013, **consolidated sales revenues** decreased by 11% to RON 21,541 mn mainly due to lower crude and petroleum products sales that more than offset higher sales of natural gas in 2014. After the elimination of intra-group transactions of RON 12,028 mn, the contribution of the **E&P** segment to consolidated sales revenues was RON 861 mn or about 4% of the Group's total sales revenues (2013: RON 1,108 mn). After elimination of intra-group sales, the **G&P** segment's contribution was RON 4,014 mn

or approximately 19% of total sales (2013: RON 3,880 mn). Sales to external customers in the **R&M** segment amounted to RON 16,602 mn or 77% of total consolidated sales (2013: RON 19,128 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 and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were in amount of RON 17,140 mn or 80% of the Group's total sales (2013: RON 18,964 mn) and sales in the rest of Central and Eastern Europe were RON 4,334 mn or 20% of Group sales (2013: RON 4,222 mn).

**Sales in Romania accounted for 80% of the Group's total sales**

**Cost of sales  
increased by 2%  
in 2014**

**Direct selling expenses** followed the decline in sales revenues, with a reduction from RON 646 mn in 2013, to RON 480 mn in 2014. **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by 2% to RON 15,815 mn. Higher impairments, mainly in relation to the Brazi power plant in G&P and to one of the Kazakhstan assets in E&P, as well as higher taxes, fully offset the lower cost of goods sold. **Other operating income** slightly increased by 6%, influenced by the positive impact from retirement obligation reassessment and the gain from transfer of assets to the newly set-up associate OMV Petrom Global Solutions in 2014; last year's effect was also positive, supported by damages received in relation with termination of land sales agreements and revenues from insurance indemnities. **Selling and administrative expenses** of RON 1,267 mn slightly decreased by 1%, being influenced by higher storage costs in 2014, while 2013 was affected by the sale of Petrom LPG subsidiary.

**Exploration expenses** decreased by 63% to RON 156 mn, as 2013 figures were influenced by the largest 3D seismic campaign in the Romanian sector of the Black Sea.

**Other operating expenses** increased by 17% compared to the 2013 value of RON 687 mn, largely affected by higher restructuring provisions.

**The net financial result** shows a loss of RON (429) mn and has worsened in comparison with the previous year (2013: loss of RON (259) mn), mainly as a result of late payment interest for taxes, partially offset by FX gains following USD appreciation versus RON.

**Taxes on income** amounting to RON 810 mn in 2014 were 7% lower compared to 2013. The effective tax rate increased to 28% (2013: 15%), being negatively impacted by non-deductible expenses related to impairment of fixed assets in Kazakhstan and by late payment interest in relation to fiscal reviews.

**Capital expenditure**

<b>Capital expenditure (RON mn)</b>	2013	2014	Δ (%)
Exploration and Production	4,401	5,349	22
Gas and Power	18	3	(82)
Refining and Marketing	827	794	(4)
Corporate and Others	57	92	61
<b>Total capital expenditure</b>	<b>5,303</b>	<b>6,239</b>	<b>18</b>
+/- Other adjustments <sup>1</sup>	105	1,292	n.m.
Investments in financial assets	0	(45)	n.m.
<b>Additions according to statement of non-current assets (intangible and tangible assets)</b>	<b>5,408</b>	<b>7,486</b>	<b>38</b>
+/- Non-cash changes <sup>2</sup>	(413)	(1,576)	282
<b>Cash outflow due to investments in intangible and tangible assets</b>	<b>4,995</b>	<b>5,910</b>	<b>18</b>
+ Net inflow from sale/investment in subsidiaries, non-current assets and other financial assets	(101)	(251)	149
<b>Net cash used for investing activities</b>	<b>4,895</b>	<b>5,658</b>	<b>16</b>

<sup>1</sup> 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

<sup>2</sup> 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 6,239 mn (2013: RON 5,303 mn), due to substantially higher investments in E&P.

Investments in **E&P**, at RON 5,349 mn (2013: RON 4,401 mn), represented 86% of the total figure for 2014 and were focused on activities related to drilling development wells, field redevelopment initiatives, workover activities and sub-surface operations, surface facilities, as well as investments related to the Black Sea projects. Capital expenditure in the **R&M** segment of RON 794 mn (2013: RON 827 mn) accounted for 13% of 2014 Group total investments. In Refining, investments were

mainly related to the planned Petrobrazil refinery shutdown for performing the works associated with the final milestones of the modernization program. 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 amounted to RON 92 mn (2013: RON 57 mn), mainly referring to investments directed to IT projects and the financial investment in the newly created OMV Petrom Global Solutions S.R.L., a service center which provides multiple support services exclusively to OMV Group companies.

**Investments in E&P represented 86% of the total amount for 2014**

## Balance sheet

### Summarized balance sheet (RON mn)

	2013	%	2014	%
<b>Assets</b>				
Non-current assets	34,560	86	37,243	86
Intangible assets and property, plant and equipment	31,474	79	33,947	79
Investments in associated companies	43	0	35	0
Other non-current assets	2,166	5	2,213	5
Deferred tax assets	877	2	1,048	2
Current assets	5,487	14	5,882	14
Inventories	1,996	5	2,250	5
Trade receivables	1,429	4	1,424	3
Other current assets	2,062	5	2,208	5
<b>Equity and liabilities</b>				
Total equity	26,642	67	27,005	63
Non-current liabilities	8,238	21	9,960	23
Pensions and similar obligations	304	1	283	1
Interest-bearing debts	1,254	3	1,589	4
Decommissioning and restoration obligations	5,778	14	7,255	17
Provisions and other liabilities	891	2	833	2
Deferred tax liabilities	11	0	0	0
Current liabilities	5,167	13	6,160	14
Trade payables	2,958	7	2,899	7
Interest-bearing debts	189	0	274	1
Provisions and other liabilities	2,020	5	2,987	7
<b>Total assets/ equity and liabilities</b>	<b>40,047</b>	<b>100</b>	<b>43,125</b>	<b>100</b>

### Total assets increased to RON 43,125 mn

**Total assets** increased by RON 3,078 mn to RON 43,125 mn. The increase in **intangible assets and property, plant and equipment** by RON 2,473 mn is the main driver of the net increase of non-current assets by RON 2,683 mn up to RON 37,243 mn. Additions to intangible assets and property, plant and equipment (RON 7,486 mn) exceeded the total of depreciation, amortization and impairments, as well as disposals by RON 2,473 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 79% (2013: 79%).

The upward development in **current assets**, of RON 395 mn, is caused mainly by the RON 254 mn increase in inventories, due to higher gas in storage and higher stock of petroleum products, following the decline in sales and increased levels of compulsory stock. The increase in **other current assets** was mainly the result of prepayments for carbon emission certificates, in accordance with legal requirements, offset by reduction in cash and cash equivalents.

The increase in **total equity** by RON 364 mn was the result of the net profit generated in the current year, partially offset by the dividends distributed for the 2013 financial year (RON 1,745 mn). The equity ratio slightly decreased to 63% (2013: 67%).

The increase in **interest-bearing debts** (both **long term and short term**) by RON 420 mn is mainly related to a new loan agreement concluded by Kom Munai LLP subsidiary with the EBRD in September 2014 for a total amount of USD 200 mn (out of which USD 142 mn was drawn at year end), for refinancing of intra-group loans and future capital expenditure purposes.

The Group's **liabilities other than interest bearing debt** (both **long term and short term**) increased by RON 2,295 mn, mostly due to higher decommissioning provisions by approx. RON 1,398 mn, increased liabilities in connection with investment activities (mainly in the Black Sea) and the set-up of provisions following fiscal controls performed in Romania and Kazakhstan.

### Gearing ratio

OMV Petrom Group's **net debt** shows an increase from RON 332 mn as of December 2013 to RON 890 mn as of December 2014. Consequently, as of December 31, 2014, the **gearing ratio** increased to 3.3%, from 1.2% in December 2013.

### Cash flow

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

**Cash flow from operating activities** decreased by RON 1,218 mn or 15% compared to 2013, reaching RON 6,830 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 4,240 mn for 2014 (2013: RON 2,426 mn), mainly deriving from depreciation, amortization and net impairment of RON 4,806 mn (2013: RON 3,355 mn) and net increase in provisions (including decommissioning and restoration obligations and other provisions for risks and charges) of RON 257 mn (2013: decrease of RON 60 mn).

The net gain on disposal of non-current assets, Group companies and transfer of business, together with other non-cash adjustments led to an increase of RON 165 mn (2013: increase of RON 101 mn). Net interest and tax on profit paid generated a cash outflow of RON 988 mn (2013: cash outflow of RON 969 mn).

In 2014, net working capital generated a cash outflow of RON 320 mn (2013: cash outflow of RON 77 mn). The main contributors to the movements are an increase in inventories by RON 315 mn (2013: decrease by RON 146 mn), increase in receivables by RON 152 mn (2013: decrease by RON 340 mn) and an increase in liabilities by RON 147 mn (2013: decrease by RON 562 mn).

Cash outflows for investments in non-current assets of RON 5,955 mn (2013: RON 4,995 mn) were partially offset by proceeds from disposals of RON 297 mn (2013: RON 101 mn).

**Net cash outflow from investment activities** totalled RON 5,658 mn (2013: RON 4,895 mn). Cash inflows from the net increase of short and long-term borrowings amounted to RON 397 mn (2013: outflow RON 837 mn). Cash



outflows for dividend payments amounted to RON 1,731 mn in 2014 (2013: RON 1,574 mn).

**Net cash outflow from financing activities** amounted to RON 1,334 mn (2013: outflow RON 2,412 mn).

### **Risk management**

As per the Code of Corporate Governance, OMV 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, OMV 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.

To assess the risks associated with OMV Petrom's entire portfolio of operations, the Executive Board has empowered a dedicated Risk and Insurance Management Department with the objective to lead and coordinate the company's risk management related processes.

Furthermore, OMV 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 2014, OMV Petrom has implemented together with the Institute of Risk Management UK an internal company-wide training program called "Petrom Risk Academy" which contributed to the enhancement of the risk management competences within top and middle management, as well as within employees without managerial responsibilities. This program has won an International Award for Commitment to Learning and Development at the IRM Global Risk Awards 2015. Through its risk management process, OMV Petrom secures its liquidity and long-term sustainability, and

decreases the uncertainty over its strategic objectives and financial targets.

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

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

OMV 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 OMV Petrom's Executive Board which steers and approves OMV 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 OMV Petrom's risk management system is to secure its capacity to deliver positive economic value added for a medium-term horizon by managing the company's risks and their potential cash flow impact within the limits of the risk appetite.

**OMV Petrom has a pyramid-type risk organization**

**OMV Petrom  
follows best  
international  
practices in risk  
management**

High potential single event risks as well as long-term Strategic risks are also identified and managed consistently.

The risk categories currently used within OMV Petrom's EWRM system are organized in 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, OMV 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. OMV Petrom's key financial and non-financial exposures are commodity market price risk, foreign exchange risk and single event hazard operational risks.

As regards to **market price risk**, OMV 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 OMV Petrom's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analyzed, quantified and evaluated. In 2014, no financial instruments were used for commodity hedging.

Derivative financial instruments are used for the purposes of managing exposure to commodity price, currency, stocks, which are being evaluated, considering OMV Petrom's needs and being approved by OMV Petrom's Executive Board in consistency with the company's risk appetite.

In terms of **foreign exchange risk management**, OMV 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, OMV 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 OMV Petrom's policy is to "prevent incidents, ensure safe operations". The high potential single-event risks associated with the operational activity (e.g. blow outs, explosions, earthquakes etc.) are 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, OMV 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 OMV Petrom. The 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 OMV 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 OMV Petrom remains solvent at all times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained.

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

In 2014, 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 2014.

OMV 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 2014, in March and October, the consolidated risk profile was reported and approved by OMV 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.

OMV 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

**Internal control system in all operation areas**

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

<b>Element</b>	<b>Description</b>
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 as well as Process and Compliance risk.
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.

OMV Petrom's successful management and operation means creating value for all stakeholders and requires a systematic and transparent management of the Company and the Group, while applying the best corporate

governance principles. To attain this objective, it is very important to establish and to maintain a rigorous Business Management System (BMS). BMS represents the set of policies,

management objectives, directives and corporate standards whose purpose is the management and control of the organization, created to match the integrated set of processes and tools used by the Company and the Group for the development and implementation of its strategy.

Corporate Affairs and Compliance department is responsible for the coordination of BMS and governance model for regulations at OMV Petrom Group level. Also, this department provides support to various entities of OMV Petrom to meet regulatory requirements, coordinates the elaboration of corporate regulations and performs the verification of their quality. Through the Directive "Regulation Management" the requirements for classification, definition and standardized structure of corporate regulations have been set, as well as for the development, approval, communication, monitoring and reporting thereof.

Internal Audit department 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-eye 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 36 in the Consolidated Financial Statements.

#### Outlook 2015

##### Market, regulatory and fiscal environment

For 2015, we expect the **Brent** oil price to average between USD 50-60/bbl. The Brent-Urals spread is anticipated to stay relatively tight.

The **gas and power markets and regulatory framework** are undergoing continuous changes that may adversely impact the company's financial and operating results.

In 2015, **gas** demand in Romania is not expected to recover, which will lead to increased competition and further margin pressure.

Regulated gas prices and import obligation for non-household consumers have been abolished starting January 2015, while the price for domestic production to be paid by regulated households during H1/15 was set at RON 53.3/MWh (EUR 12.0/MWh), unchanged since July 1, 2014. The same price applies for the domestic gas volumes which Romanian gas producers are obliged to supply to the district heating sector (only for the quantities used to produce heat for household consumption). In addition, gas producers must sell via Romanian centralized trading platforms approximately one third of their domestic gas quantities for the free market, which has proven to be a challenge in 2014.

In the **power** market, demand is anticipated to be relatively stable and prices remain under pressure.

In 2015, **refining** margins are expected to come down from the recent levels, due to persisting overcapacity in local and European markets. The lower product prices resulting from the decline in the oil price are expected to support demand in the **marketing** business, though



with increased competition.

The package of fiscal measures introduced in February 2013 imposing a supplementary taxation for oil and gas producers was extended for 2015. The constructions tax, however, was reduced to 1.0% from 1.5% in 2014.

This year, we expect public consultations with respect to upstream oil and gas taxation envisaged to be applicable starting 2016, as publicly announced by the authorities. Our aim remains to achieve a long-term, stable and investment-friendly taxation and regulatory framework, a key precondition for future investments.

### Sizeable investments

In light of the volatile and potentially prolonged weaker market fundamentals, we are scaling back our investment plans for 2015 and have intensified cost optimization programs whilst maintaining our potential growth projects in the Black Sea. The Group CAPEX plans for 2015 is in the range of EUR 0.8 – 1.1 bn of which approx. 85% will be dedicated to E&P.

In **E&P** <sup>xii</sup>, following the abrupt decrease in oil price in the second half of 2014, we leveraged our investment portfolio mix, by project prioritization and CAPEX re-phasing and reduction. Moreover, we have intensified cost optimization programs whilst maintaining our potential growth projects in the Black Sea. In 2015, we will continue our operational excellence initiatives focusing on efficiency, also taking into account the market operating environment. The E&P portfolio will be further optimized, by selling selected marginal fields. OMV Petrom's operational activities will focus on delivering around 1,200 workovers and up to 70 new wells, dependent on market and fiscal environment. Moreover, important new wells (e.g. wells on Bustuchin field and offshore Istria) are expected to contribute to the overall production.

We will concentrate on value based prioritization of the FRD projects, therefore those under development or execution will be slowed down, while those under appraisal will

be re-engineered or reduced.

The joint venture with Repsol continues with two exploration drilling wells on-going and another two leads expected to progress. The Padina Nord discovery under the joint venture with Hunt Oil will further advance and development options are under consideration. We will continue our joint venture with EMEPRL as further exploration operations and appraisal drilling are expected in 2015. Domino-2 and Pelican South-1 results together with data from additional exploration wells will be used for the evaluation of the consolidated block potential.

In Kazakhstan, we will pursue water injection schemes in both the TOC and Komsomolskoe fields in order to secure reservoir pressure support and slow down the natural decline of production.

In **G&P** <sup>xii</sup>, we will focus on further optimizing the gas value chain in an integrated manner so as to dynamically address challenges in the market and regulatory environment, whilst maximizing value creation. Our priority remains on maintaining a leading position in the free gas market, whilst capturing synergies from bundling electricity sales with natural gas sales. In the context of anticipated pressure on spark spreads, which may lead to a negative result of the power business in 2015, we will pursue strict cost management, portfolio optimization and aim to capture available market opportunities by capitalizing on the operational flexibility of the Brazi power plant.

In **R&M** <sup>xii</sup>, we will further capitalize on the successful completion of the Petrobrazi modernization along the whole value chain. Moreover, the refinery will continue to deliver on economic energy efficiency improvements. The fuel terminal network optimization program will continue with the reconstruction works at the Cluj terminal expected to be finalized by the end of 2015. We will further pursue cost discipline and optimization of the downstream business. The marketing business will continue to focus on strengthening the marketing position and consolidating the two brands strategy in Romania.

**2015 investment plans scaled back but potential growth Black Sea projects remain**

<sup>xii</sup> On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream; Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

# Corporate Governance Report

## Corporate governance practices updated to meet demands and opportunities

To remain competitive in a changing world, OMV 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, OMV 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 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 meeting. 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:

- ▶ 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;
- ▶ to distribute the profit and to establish the dividends;
- ▶ 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;
- ▶ to establish the remuneration of the members of the Supervisory Board and of the financial auditor for the current fiscal year;
- ▶ 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;
- ▶ to approve the income and expenditure budget, as well as the business program for the next fiscal year;
- ▶ 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:

- ▶ changing the corporate form of the company;
- ▶ altering the scope of business of the company;
- ▶ increasing the share capital of the company;
- ▶ reducing the share capital of the company;
- ▶ merging with other companies;
- ▶ spin-offs from the company;
- ▶ an early dissolution of the company;
- ▶ converting shares from one class into another;
- ▶ 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 2014, the membership of the Supervisory Board comprised the following individuals:

Gerhard Roiss, David Charles Davies, Joseph Bernhard Mark Mobius, Manfred Leitner, Hans-Peter Floren, Riccardo Puliti, Lucian-Dan Vlădescu, George Băeșu and Johann Pleininger.

### **Supervisory Board main powers**

The Supervisory Board has the following main powers:

- ▶ to exercise control over the management of the company by the Executive Board;
- ▶ to determine the structure and the number of positions in the Executive Board; to appoint and revoke the members of the Executive Board;
- ▶ to create an audit committee and other specialized committees, if appropriate;
- ▶ 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;
- ▶ to submit to the General Meeting of Shareholders a report concerning the supervision activity undertaken;
- ▶ to represent the company in relation to the Executive Board;
- ▶ to verify the company's financial statements;
- ▶ to verify the report of the members of the Executive Board;
- ▶ 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

### **Supervisory Board main powers**

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 2014 financial year, the Supervisory Board met five times in person and submitted its approval in writing on three 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.

### Audit Committee members

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 risk management and financial reporting and to monitor the information provided by its internal auditors. 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.

At the end of 2014, the Audit Committee consisted of the following members: David Charles Davies (President of the Audit Committee), Manfred Leitner (Deputy President of the Audit Committee), Riccardo Puliti (Member) and George Băeșu (Member). During the 2014 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

During 2014 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 with Exploration and Production activity), Neil Anthony Morgan (Executive Board member in charge with Refining and Marketing activity), Cristian Nicolae Secoșan (Executive Board member in charge with Gas and Power activity).

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four year



term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity) <sup>xiii</sup>. Cristian Secoșan's mandate as member of the Executive Board will cease starting with April 17, 2015.

### 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:

- ▶ to establish the strategy and the policies regarding the development of the company, including the organizational structure of the company and the operational divisions;
- ▶ 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;
- ▶ 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;
- ▶ 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;
- ▶ 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;

- ▶ 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 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

### Executive Board main duties

<sup>xiii</sup> On March 24, 2015, the Supervisory Board decided to rename OMV Petrom's business divisions with effect from April 1, 2015 as follows: Exploration and Production division to become Upstream Refining and Marketing division to become Downstream Oil; Gas and Power division to become Downstream Gas.

## Decisions assigned to shareholders

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 2014, 59 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

OMV 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. A shareholder may appoint by proxy one or more alternate representatives to ensure its representation in the GMS, if the designated representative is unable to fulfill its mandate.

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 responsible for appointing the respective person in the position of Director**

OMV 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.

#### **Company shares held by the Supervisory Board members**

Lucian - Dan Vlădescu holds a number of 985 company shares. OMV 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**

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

#### **Company shares held by the Executive Board members**

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 OMV 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 2014, around 27% of the first line directors Executive Board were women whilst the percentage of women in middle management was around 39%. Given the strong industrial bias of our operations, the proportion of women in the Group as a whole by year end was 24%, which is in line with the equivalent figure for the OMV Group, of which OMV Petrom is part.

**24% women  
proportion in  
total employees  
as of end-2014**

#### **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.

### “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. (“OMV 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
<b>P19</b>		Is the Issuer managed in a two tier system?	✓		Since April 2007, OMV Petrom is managed in a two-tier system by an Executive Board, which manages the daily operations under the supervision of the Supervisory Board.
<b>P1</b>	<b>R1</b>	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.
	<b>R2</b>	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.
	<b>R3</b>	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?	✓		OMV Petrom's 2014 Annual Report has a chapter describing all the relevant events related to the corporate governance issues in the 2014 financial year.



Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P1	R3	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?	✓		OMV 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 OMV 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 OMV Petrom's website.
		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	✓		OMV 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.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
<b>P3</b>	<b>R4</b>	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?	✓		OMV Petrom's website has a special section where the GMS convening notices are posted.
		b) the materials/ documents relating to the items on the agenda, as well as any other information about the items on the agenda?	✓		OMV 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.
		c) the templates of the special power of attorney?	✓		OMV Petrom's website has a special section where the templates of the special power of attorney can be found.
	<b>R6</b>	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, OMV 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.
	<b>R8</b>	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?	✓		OMV Petrom's website has a special section where the resolutions passed by the GMS are posted in due time.
		b) the detailed results of voting?	✓		OMV Petrom's website has a special section where detailed results of voting are posted in due time.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P3	R8	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?	✓		OMV 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?	✓		OMV Petrom's website has an easily accessible special section where the financial calendar and periodical reports are posted.
	R9	Has the Issuer set up a special department or has appointed a person dedicated to the relation with investors?	✓		OMV 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	R10	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 2014, the Supervisory Board met five times in person and passed resolutions by circulation on three additional occasions.
	R12	Has the Issuer a set of rules referring to the conduct and the reporting obligations relating to the trading of the shares or of other financial instruments issued by the Issuer ("issuer securities") made on their account by the members of the Executive Board and other related natural persons?	✓		Such rules are laid down in the internal regulations of the Issuer, while the Issuer has set up special structures to follow the implementation of such internal regulations.
		Are the trades with the issuer's securities made by the members of Supervisory Board, Executive Board or any other insiders on their own account disclosed via the Issuer's website, according to applicable rules?	✓		All these transactions are posted on the Bucharest Stock Exchange website, in the section dedicated to the market news related to OMV Petrom. OMV Petrom's website also contains a link to the Bucharest Stock Exchange website, in the section OMV Petrom>Investor Relations>Corporate Governance>Insider Trading.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
<b>P6</b>		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.
<b>P7</b>		Does the structure of the Supervisory Board provide a sufficient number of independent members?	✓		The membership of the Supervisory Board considers the Company Law no. 31/1990 specific provisions on independence criteria and the number of independent members.
<b>P8</b>	<b>R15</b>	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"> <li>► reviews and prepares the adoption of the annual accounts</li> <li>► prepares the proposal for the distribution of profits</li> <li>► prepares a proposal of an independent financial auditor</li> <li>► supervises OMV Petrom's risk management arrangements and its financial performance</li> <li>► monitors the reports delivered by the internal auditors.</li> </ul>
		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.
	<b>R16</b>	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
<b>P8</b>	<b>R17</b>	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.
<b>P9</b>		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.
<b>P10</b>		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.
<b>P11</b>	<b>R21</b>	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.
	<b>R22</b>	Is there a Remuneration Committee made exclusively of non-executive members of the Supervisory Board?		✓	The Remuneration Committee has not been established yet.
	<b>R24</b>	Is the remuneration policy of the Issuer mentioned in the Statute/Corporate Governance Regulation?		✓	Please see above.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
<b>P12, P13</b>	<b>R25</b>	Does the Issuer disclose the information subject of the reporting requirements in English: a) periodical information (regular providing information)?	✓		OMV Petrom discloses periodical information in English.
		b) permanent information (continuous providing information)?	✓		OMV Petrom discloses permanent information in English.
		Does the Issuer prepare and make public the financial report according to the IFRS standards?	✓		OMV 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, OMV 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 OMV Petrom also prepares separate individual financial statements in accordance with IFRS.
	<b>R26</b>	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?	✓		OMV 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 2014. The company also attended analyst and investor conferences, organized in Romania and abroad.
	<b>R27</b>	Is there an Audit Committee within the Issuer?	✓		OMV Petrom's Supervisory Board has set up an Audit Committee.
	<b>R28</b>	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 and the risk management system implemented by OMV Petrom.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
<b>P12, P13</b>	<b>R29</b>	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.
	<b>R30</b>	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?	✓		OMV Petrom's Audit Committee met three times in 2014 in order to deal with significant accounting, reporting and risk management issues as well as with the review on the financial statements.
	<b>R32</b>	Does the Audit Committee make proposals to the Supervisory Board regarding the selection, the appointment, the reappointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration?	✓		OMV Petrom's Audit Committee makes proposals to the Supervisory Board regarding the selection, the appointment, the reappointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration.
<b>P14</b>		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.
<b>P15</b>	<b>R33</b>	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?	✓		OMV Petrom Supervisory Board has put in place rules relating to conflicts of interest as well as the approach in this respect.
<b>P16</b>	<b>R34/ R35</b>	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?	✓		OMV 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.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
<b>P17</b>	<b>R36</b>	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?	✓		OMV Petrom has internal regulations in place for such matters.
<b>P18</b>	<b>R37/ R38</b>	Does the Issuer carry on activities regarding the Issuer's social and environmental responsibility?	✓		OMV Petrom conducts various activities regarding social and environmental responsibility. Please see the Annual Report's section relating to community involvement.



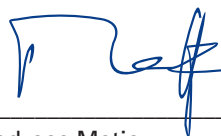
## Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2014, 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 EB



Andreas Matje  
Chief Financial Officer  
Member of the EB



Gabriel Selischi  
Member of the EB  
Responsible for E&P



Cristian Secoșan  
Member of the EB  
Responsible for G&P



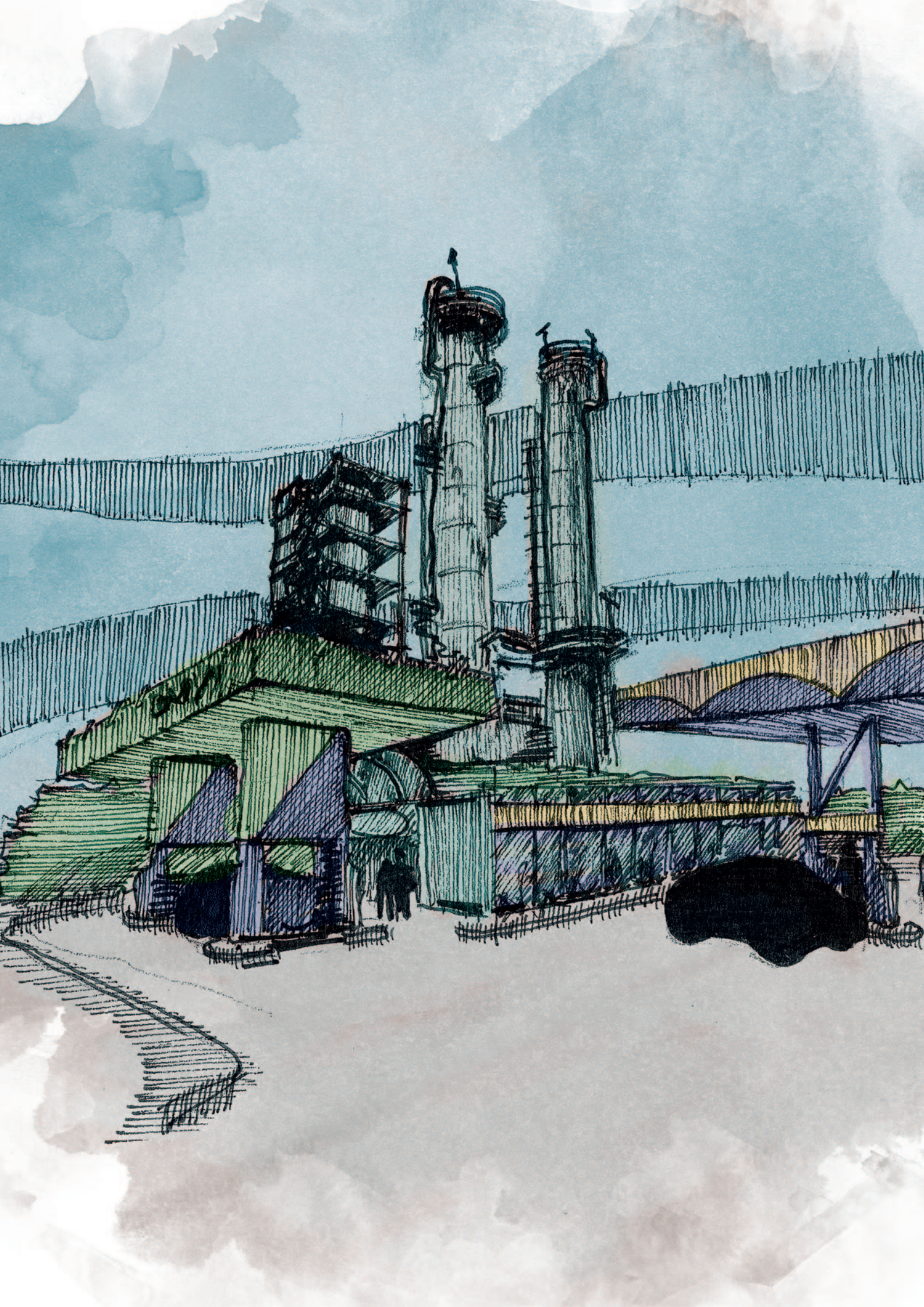
Neil Anthony Morgan  
Member of the EB  
Responsible for R&M

# 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 billion 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
CCPS	Center for chemical process safety
CEO	Chief Executive Officer
Co&O	Corporate and Other
CO <sub>2</sub>	Carbon Dioxide
CR	Community relations
CSR	Corporate Social Responsibility
CV	Curriculum Vitae
DAV	Atmospheric and Vacuum Distillation
E&P	Exploration and Production
EBIT	Earnings Before Interest and Taxes
EBITD	Earnings Before Interest, Taxes and Depreciation
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
FD	Field development
FRD, FRDs	Field redevelopment(s)
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
HAZOP	Hazard and operability study
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
IRM	Institute of Risk Management
ISO	International Organization for Standardization
ISO 31000	International standard for risk management
IT	Information Technology
JV	Joint venture
lhs, rhs	left hand side, right hand side
LIBOR	London Interbank Offered Rate

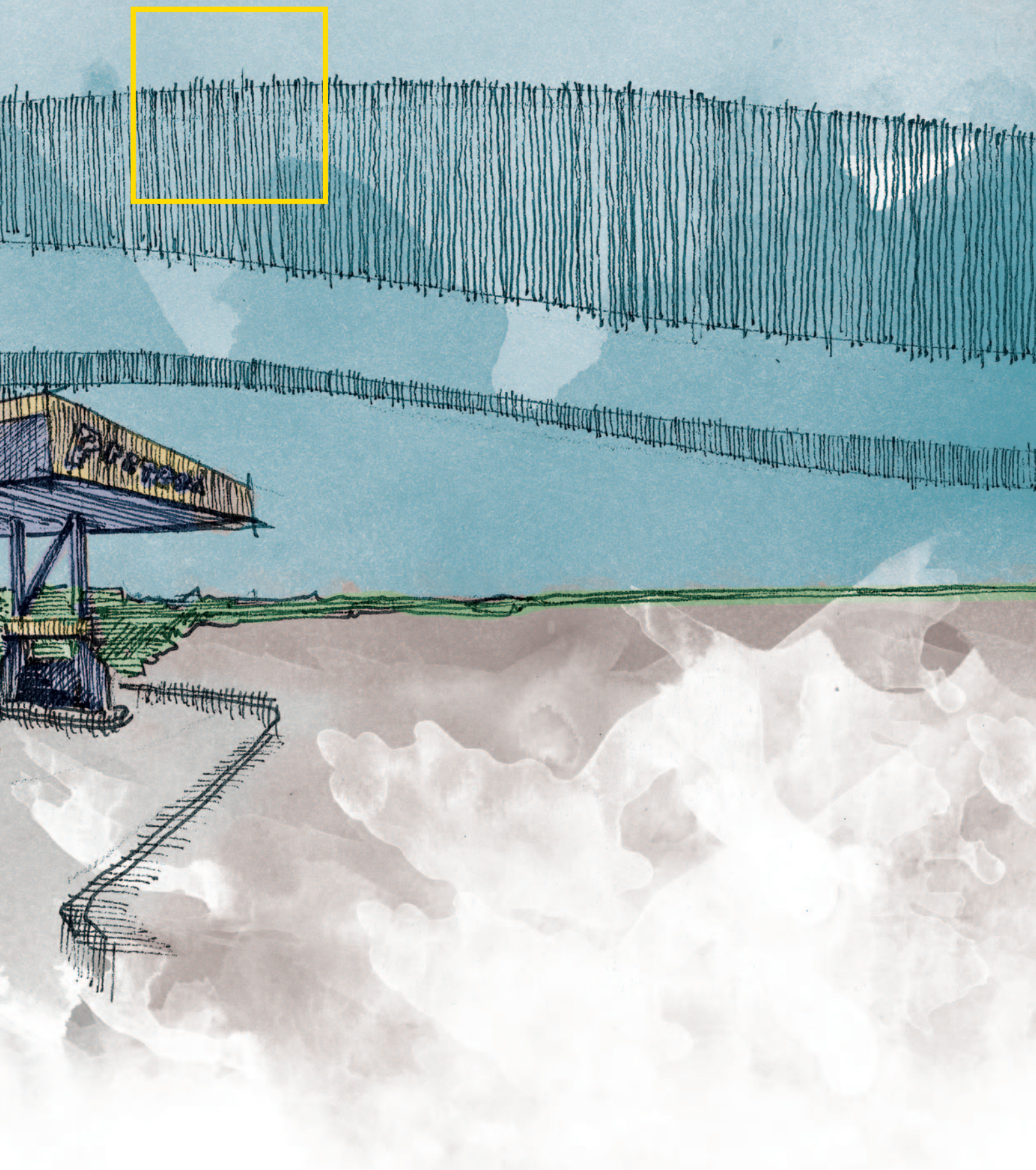
LPG	Liquefied Petroleum Gas
LTIR	Lost time injury rate = Average injury frequency with one or more lost workday related to the working time performed
m, km	meter(s), kilometer(s)
mn	million
MW; MWh	megawatt(s); megawatt hour(s)
n.m.	not meaningful
Net debt	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids
NGO	Non-governmental organization
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
PEC, PECs	Production Enhancement Contract(s)
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)
VAT	Value-added tax







# Independent auditor's report and consolidated financial statements





# Independent auditor's report

## To the Shareholders of S.C. OMV Petrom S.A.

1. We have audited the accompanying consolidated financial statements of OMV Petrom S.A. and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as endorsed by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibility

3. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

6. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards as endorsed by the European Union.

### **Report on other legal and regulatory requirements**

In accordance with the Order of the Minister of Public Finance no. 1286/2012, article no. 30 point c) from Chapter III, we have read the Directors' Report. The Directors' Report is not a part of the consolidated financial statements. In the Directors' Report we have not identified any financial information which is not in accordance, in all material respects, with the information presented in the accompanying consolidated financial statements as at 31 December 2014.

On behalf of

Ernst & Young Assurance Services SRL  
Registered with the Chamber of Financial Auditors in Romania  
Nr. 77/ 15 August 2001



Name of signing person: Bogdan Ion  
Registered with the Chamber of Financial Auditors in Romania  
Nr. 1565/ 29 July 2004

Bucharest, Romania  
24 March 2015

S.C. OMV PETROM S.A. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2014  
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2013	December 31, 2014
<b>ASSETS</b>			
Intangible assets	6	814.73	1,656.88
Property, plant and equipment	7	30,659.38	32,289.64
Investments in associated companies	8	42.71	35.30
Other financial assets	9	2,143.45	2,191.79
Other assets	10	22.34	21.34
Deferred tax assets	18	877.28	1,047.78
<b>Non-current assets</b>		<b>34,559.89</b>	<b>37,242.73</b>
Inventories	11	1,996.29	2,250.05
Trade receivables	9	1,429.24	1,424.37
Other financial assets	9	302.67	388.87
Other assets	10	314.67	537.06
Cash and cash equivalents		1,408.24	1,267.98
<b>Current assets</b>		<b>5,451.11</b>	<b>5,868.33</b>
Assets held for sale	12	35.87	13.71
<b>Total assets</b>		<b>40,046.87</b>	<b>43,124.77</b>
<b>EQUITY AND LIABILITIES</b>			
Share capital	13	5,664.41	5,664.41
Reserves		21,006.10	21,377.16
<b>Stockholders' equity</b>		<b>26,670.51</b>	<b>27,041.57</b>
Non-controlling interests		(28.83)	(36.29)
<b>Total equity</b>		<b>26,641.68</b>	<b>27,005.28</b>
Provisions for pensions and similar obligations	14	303.95	283.01
Interest-bearing debts	15	1,253.73	1,588.96
Provisions for decommissioning and restoration obligations	14	5,778.13	7,254.92
Other provisions	14	601.80	553.85
Other financial liabilities	16	289.28	279.10
Deferred tax liabilities	18	11.05	-
<b>Non-current liabilities</b>		<b>8,237.94</b>	<b>9,959.84</b>

The notes on pages 89 to 161 form part of these consolidated financial statements.



	Notes	December 31, 2013	December 31, 2014
Trade payables	16	2,958.26	2,899.24
Interest-bearing debts	15	189.04	273.67
Income tax liabilities		258.76	329.09
Other provisions and decommissioning	14	651.84	1,108.93
Other financial liabilities	16	318.87	664.46
Other liabilities	17	790.37	884.26
<b>Current liabilities</b>		<b>5,167.14</b>	<b>6,159.65</b>
Liabilities associated with assets held for sale	12	0.11	-
<b>Total equity and liabilities</b>		<b>40,046.87</b>	<b>43,124.77</b>

These consolidated financial statements were approved on March 24, 2015.



Mariana Gheorghe,  
Chief Executive Officer



Andreas Matje,  
Chief Financial Officer



Gabriel Selischi,  
E.B. Member,  
Exploration & Production



Cristian Secoșan,  
E.B. Member,  
Gas & Power



Neil Morgan,  
E.B. Member,  
Refining & Marketing



Alina Popa,  
Director Finance Department



Eduard Petrescu,  
Head of Financial Reporting

The notes on pages 89 to 161 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES  
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2014  
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2013	December 31, 2014
Sales revenues	27	24,185.22	21,541.26
Direct selling expenses		(646.20)	(479.70)
Cost of sales		(15,484.69)	(15,815.11)
<b>Gross profit</b>		<b>8,054.33</b>	<b>5,246.45</b>
Other operating income	19	298.26	315.73
Selling expenses		(1,090.38)	(1,077.68)
Administrative expenses		(193.56)	(189.21)
Exploration expenses		(423.45)	(156.17)
Other operating expenses	20	(687.34)	(800.82)
<b>Earnings before interest and taxes (EBIT)</b>		<b>5,957.86</b>	<b>3,338.30</b>
Income from associated companies	8, 22	4.40	10.67
Interest income	23	205.90	72.33
Interest expenses	23	(360.20)	(549.15)
Other financial income and expenses	24	(109.36)	37.03
<b>Net financial result</b>		<b>(259.26)</b>	<b>(429.12)</b>
<b>Profit from ordinary activities</b>		<b>5,698.60</b>	<b>2,909.18</b>
Taxes on income	25	(874.56)	(809.51)
<b>Net income for the year</b>		<b>4,824.04</b>	<b>2,099.67</b>
<b>thereof attributable to stockholders of the parent</b>		<b>4,820.85</b>	<b>2,102.67</b>
thereof attributable to non-controlling interests		3.19	(3.00)
<b>Basic and diluted earnings per share in RON</b>	26	<b>0.0851</b>	<b>0.0371</b>

These consolidated financial statements were approved on March 24, 2015.



Mariana Gheorghe,  
Chief Executive Officer



Andreas Matje,  
Chief Financial Officer



Gabriel Selischi,  
E.B. Member,  
Exploration & Production



Cristian Secoșan,  
E.B. Member,  
Gas & Power



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Refining & Marketing



Alina Popa,  
Director Finance Department



Eduard Petrescu,  
Head of Financial Reporting

The notes on pages 89 to 161 form part of these consolidated financial statements.

## S.C. OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2014

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

	December 31, 2013	December 31, 2014
<b>Net income for the year</b>	<b>4,824.04</b>	<b>2,099.67</b>
Exchange differences from translation of foreign operations	(4.36)	(29.73)
<b>Total of items that may be reclassified ("recycled") subsequently to the income statement</b>	<b>(4.36)</b>	<b>(29.73)</b>
Remeasurement gains/ (losses) on defined benefit plans	-	(21.01)
<b>Total of items that will not be reclassified ("recycled") subsequently to the income statement</b>	<b>-</b>	<b>(21.01)</b>
Income tax relating to items that may be reclassified ("recycled") subsequently to the income statement	2.73	(19.21)
Income tax relating to items that will not be reclassified ("recycled") subsequently to the income statement	-	3.36
<b>Total income tax relating to components of other comprehensive income</b>	<b>2.73</b>	<b>(15.85)</b>
<b>Other comprehensive income for the year, net of tax</b>	<b>(1.63)</b>	<b>(66.59)</b>
<b>Total comprehensive income for the year</b>	<b>4,822.41</b>	<b>2,033.08</b>
<b>thereof attributable to stockholders of the parent</b>	<b>4,818.27</b>	<b>2,040.50</b>
thereof attributable to non-controlling interests	4.14	(7.42)

The notes on pages 89 to 161 form part of these consolidated financial statements.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2014**  
(all amounts are expressed in million RON, unless otherwise specified)

**Consolidated statement of changes in equity for the year ended December 31, 2014**

	Share capital	Revenue reserves	Translation of foreign operations	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
<b>Balance at January 1, 2014</b>	<b>5,664.41</b>	<b>21,000.68</b>	<b>72.63</b>	<b>(67.19)</b>	<b>(0.02)</b>	<b>26,670.51</b>	<b>(28.83)</b>	<b>26,641.68</b>
Net income for the year	-	2,102.67	-	-	-	2,102.67	(3.00)	2,099.67
Other comprehensive income/(loss) for the year	-	(17.65)	(145.39)	100.87	-	(62.17)	(4.42)	(66.59)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>2,085.02</b>	<b>(145.39)</b>	<b>100.87</b>	<b>-</b>	<b>2,040.50</b>	<b>(7.42)</b>	<b>2,033.08</b>
Dividends distribution	-	(1,744.63)	-	-	-	(1,744.63)	(0.04)	(1,744.67)
Other increases	-	-	-	75.19	-	75.19	-	75.19
<b>Balance at December 31, 2014</b>	<b>5,664.41</b>	<b>21,341.07</b>	<b>(72.76)</b>	<b>108.87</b>	<b>(0.02)</b>	<b>27,041.57</b>	<b>(36.29)</b>	<b>27,005.28</b>

Note: For details on equity components, see Note 13.

**Consolidated statement of changes in equity for the year ended December 31, 2013**

	Share capital	Revenue reserves	Translation of foreign operations	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
<b>Balance at January 1, 2013</b>	<b>18,983.37</b>	<b>4,396.08</b>	<b>60.91</b>	<b>(2.07)</b>	<b>(0.02)</b>	<b>23,438.27</b>	<b>(32.93)</b>	<b>23,405.34</b>
Net income for the year	-	4,820.85	-	-	-	4,820.85	3.19	4,824.04
Other comprehensive income/(loss) for the year	-	-	11.72	(14.30)	-	(2.58)	0.95	(1.63)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>4,820.85</b>	<b>11.72</b>	<b>(14.30)</b>	<b>-</b>	<b>4,818.27</b>	<b>4.14</b>	<b>4,822.41</b>
Dividends distribution	-	(1,586.03)	-	-	-	(1,586.03)	(0.03)	(1,586.06)
Adjustments to share capital and revenue reserves	(13,318.96)	13,318.96	-	-	-	-	-	-
Change in non-controlling interests and other	-	50.82	-	(50.82)	-	-	(0.01)	(0.01)
<b>Balance at December 31, 2013</b>	<b>5,664.41</b>	<b>21,000.68</b>	<b>72.63</b>	<b>(67.19)</b>	<b>(0.02)</b>	<b>26,670.51</b>	<b>(28.83)</b>	<b>26,641.68</b>

Note: For details on equity components, see Note 13.

The notes on pages 89 to 161 form part of these consolidated financial statements.



## S.C. OMV PETROM S.A. AND SUBSIDIARIES

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2014

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

	Notes	December 31, 2013	December 31, 2014
<b>Cash flow from operating activities</b>			
<b>Profit before taxation</b>		<b>5,698.60</b>	<b>2,909.18</b>
<b>Adjustments for:</b>			
Interest expenses and other financial expenses	23, 24	138.10	355.78
Interest income	23	(82.32)	(23.80)
Net movement in provisions and allowances for:			
- Financial assets		-	0.78
- Inventories		(59.24)	(24.56)
- Receivables		30.95	23.69
- Pensions and similar liabilities		66.29	(27.69)
- Decommissioning and restoration obligations		56.54	(22.50)
- Other provisions for risk and charges		(154.85)	306.75
Discounting / Write-off of receivables and other similar items		0.56	23.29
Income from associated companies	22	(3.27)	(10.67)
Gain on transfer of business	31	-	(52.59)
Loss on disposal of Group companies	31	0.93	2.40
(Gain)/Loss on disposal of non-current assets	19, 20	(1.50)	30.04
Depreciation, amortization and impairment expense, net	6, 7, 21	3,354.72	4,806.30
Other non-cash items		48.25	(159.36)
Interest received		38.36	23.80
Interest paid		(102.54)	(84.77)
Tax on profit paid		(904.74)	(926.57)
<b>Cash generated from operating activities before working capital movements</b>		<b>8,124.84</b>	<b>7,149.50</b>
(Increase)/Decrease in inventories		145.53	(314.56)
(Increase)/Decrease in receivables and other assets		339.72	(152.02)
Increase/(Decrease) in liabilities		(562.10)	146.92
<b>Net cash generated from operating activities</b>		<b>8,047.99</b>	<b>6,829.84</b>

The notes on pages 89 to 161 form part of these consolidated financial statements.

	Notes	December 31, 2013	December 31, 2014
<b>Cash flow from investing activities</b>			
<b>Investments</b>			
Intangible assets and property, plant and equipment		(4,995.37)	(5,909.53)
Investments and other financial assets	31	(0.10)	(45.28)
<b>Disposals</b>			
Proceeds from sale of non-current assets		47.14	63.85
Proceeds from transfer of business	31	-	173.36
Proceeds from sale of Group companies, net of cash disposed	31	53.74	59.51
<b>Net cash used for investing activities</b>		<b>(4,894.59)</b>	<b>(5,658.09)</b>
<b>Cash flow from financing activities</b>			
Net drawings/(repayment) of loans	31	(837.34)	397.49
Dividends paid		(1,574.31)	(1,731.04)
<b>Net cash used for financing activities</b>		<b>(2,411.65)</b>	<b>(1,333.55)</b>
Effect of foreign exchange rate changes on cash and cash equivalents		(0.16)	21.54
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>741.59</b>	<b>(140.26)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>666.65</b>	<b>1,408.24</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>1,408.24</b>	<b>1,267.98</b>

The notes on pages 89 to 161 form part of these consolidated financial statements.

**S.C. OMV PETROM S.A. AND SUBSIDIARIES****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2014**

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

**1. LEGAL PRINCIPLES AND BASIS OF PREPARATION**

OMV Petrom S.A. (22 Coralilor Street, 013329 Bucharest, Romania), has activities in Exploration and Production (E&P), Gas and Power (G&P), Refining and Marketing (R&M) segments and it is listed on Bucharest Stock Exchange under "SNP" code.

<b>Shareholders' structure as at December 31, 2014 was as follows:</b>	<b>Percent</b>
OMV Aktiengesellschaft	51.01%
Romanian State	20.64%
Property Fund S.A.	18.99%
Legal entities and private individuals	9.36%
<b>Total</b>	<b>100.00%</b>

There were no changes in shareholders' structure compared to December 31, 2013.

**Statement of compliance**

These consolidated financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU).

Romanian listed Companies such as OMV Petrom S.A. are required by Ministry of Finance Order no. 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS as endorsed by EU starting 2007.

The financial year corresponds to the calendar year.

**Basis of preparation**

Consolidated financial statements of OMV Petrom Group, hereinafter referred to also as "the Group", are presented in RON ("Romanian Leu"), using going concern principles. All values are presented in millions, rounded to the nearest 2 decimals. The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments that have been measured at fair value. For financial assets and liabilities where fair value differs from carrying amounts at the reporting date, fair values have been disclosed in Note 32.

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets, liabilities, income and expenses, the accompanying disclosures and the disclosure of contingent liabilities. Estimates and judgments are continuously evaluated and are based on management's experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. However, uncertainty about these assumptions and estimates could result in actual outcomes that may differ from these estimates and may require a material adjustment to the carrying amount of the assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties in relation to capital management and financial risk management and policies are included in Note 35.

Changes in estimates are accounted for prospectively.

### Estimates and assumptions

The key assumptions concerning the future and other key sources of uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market change or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

### a) Oil and gas reserves

Mineral reserves (oil and gas reserves) are estimated by OMV Petrom Group's own engineers. The estimates are audited externally every two years. Commercial reserves are determined using estimates of hydrocarbons in place, recovery factors and future oil and gas prices.

The oil and gas assets are depreciated on a unit of production basis at a rate calculated by reference to either total proved or proved developed reserves (please refer to Depreciation, amortization and depletion accounting policy below), determined as presented above. The carrying amount of oil and gas assets at December 31, 2014 is shown in Note 6 and 7.

The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's development and production assets should be impaired.

### b) Decommissioning costs

The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation activities. These decommissioning and restoration obligations are principally of material importance in the E&P segment (oil and gas wells, surface



## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

facilities). At the time the obligation arises, it is provided for in full by recognizing the present value of future decommissioning and restoration expenses as a liability. An equivalent amount is capitalized as part of the carrying amount of long-lived assets.

Decommissioning costs will be incurred by the Group at the end of the operating life of some of the facilities and properties.

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports issued by OMV Petrom Group engineers as well as past experience. Provisions for restoration costs require estimates of discount rates and inflation rates. These estimates have a material effect on the amount of the provisions (see Note 14).

The ultimate decommissioning and restoration costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future results.

### c) Impairment of non-financial assets

The Group assesses each asset or cash generating unit (CGU) for each reporting period to determine whether any indication of impairment exists. When an indicator exists, a formal estimate of the recoverable amount is made, which is considered to be the higher of the fair value less costs to sell and value in use. For all impairment tests performed, the recoverable amount was based on value in use. The assessments require the use of different estimates and assumptions depending on the business such as crude oil prices, discount rates, reserves, growth rates, gross margins and spark spreads.

#### E&P impairment test

Considering the significant decline in oil prices towards the end of 2014, the Group considered indications of impairment are present. As a result, an impairment test was performed for the E&P CGUs of the Group.

The nominal oil price assumptions and the RON/USD exchange rate used in the impairment review are listed below:

	2015	2016	2017	2018 and thereafter
Brent oil price (USD/bbl)	55	75	90	105
RON/USD exchange rate	3.91	3.91	3.46	3.53
Brent oil price (RON/bbl)	215	293	312	371

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

### **E&P OMV Petrom S.A.**

Following the impairment test performed, no impairment was identified for any of the E&P CGUs of OMV Petrom S.A.

### **E&P Tasbulat**

During 2014, E&P Tasbulat field redevelopment in Kazakhstan was completed. As the production results were not in line with the expectations and also in the context of revised crude price, there was a downward revision in the production profile of the field, which led to an impairment charge of RON 601.14 million. The recoverable amount was based on value in use and amounted to RON 80.68 million. The pre-tax discount rate used was 7.32%.

Changes in economic conditions may further affect the assumptions used in determining value in use, so that actual results may eventually be different. A 10% reduction in production volumes, or a Brent oil price lower by USD 10/bbl, would lead to the full impairment of Tasbulat assets.

For all producing assets and assets currently under development in the E&P segment of the Group, a long-term Brent oil price assumption of USD 75/bbl would lead to an impairment of RON 1,697.26 million, without taking into account cost and investments reduction measures and any other changes in the broader environment.

### **G&P impairment test**

Taking into account the challenging power market conditions, both Brazi gas-fired power plant and Dorobanțu wind power park were tested for impairment as of December 31, 2014.

Following the impairment tests performed, G&P segment recognized impairment losses of RON 715.81 million related to Brazi gas-fired power plant and Dorobanțu wind park CGUs in Romania. The key valuation assumptions used in determining value in use were as follows:

- ▶ for **Brazi gas-fired power plant**: the spark spreads (being the differences between the electricity prices and the gas and CO<sub>2</sub> certificates prices), the power quantity produced and balancing revenues. The assumptions used for the first three years are based on medium term plans, while the medium and long-term assumptions are consistent with data provided by external studies. The pre-tax discount rate used was 6.58% (2013: 6.16%). Recoverable amount was estimated at RON 1,677.20 million, triggering an impairment loss of RON 591.87 million for tangible assets and RON 45.82 million for intangible assets as of December 31, 2014;
- ▶ for **Dorobanțu wind park**: expected power production, electricity prices and green certificates prices and eligibility. The pre-tax discount rate used was 6.68%. Recoverable amount was estimated at RON 191.12 million, triggering an impairment loss of RON 67.65 million for tangible assets and RON 10.47 million for intangible assets as of December 31, 2014.

Changes in economic conditions may further affect the assumptions used in determining value

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

in use, so that actual results may eventually be different. The sensitivity analysis of value in use to changes in key assumptions shows the following additional impacts:

### Brazi power plant

	RON million
5% decrease in clean spark spread	(234.41)
Plus 0.5% to discount rate	(103.54)
5% decrease in power quantity produced	(138.05)
50% decrease in quantity for balancing revenues	(112.05)

### Dorobanțu wind park

	RON million
Plus 2% to discount rate	(22.41)
Green certificates are no longer received for production starting 2015 and onwards	(99.62)
35% decrease in electricity prices	(84.77)

### R&M impairment test

The R&M segment recognized impairment losses mainly referring to retail assets in the Republic of Serbia in amount of RON 62.81 million (corresponding to a recoverable amount of RON 232.17 million), using a pre-tax discount rate of 10.83%. Main assumptions refer to volumes and selling prices for fuels.

Changes in economic conditions may further affect the assumptions used in determining value in use, so that actual results may eventually be different. The sensitivity analysis of value in use to changes in key assumptions shows the following additional impacts:

### Retail assets in Serbia

	RON million
10% decrease in volumes	(83.64)
10% decrease in margins	(67.79)
10% increase in costs	(46.51)

## d) Exploration and evaluation expenditure

The application of the Group's accounting policy for exploration and evaluation expenditure requires judgment in determining whether it is probable that future economic benefits are likely either from future operation or sale or whether activities have not reached a stage which permits

## 2. JUDGMENTS, ESTIMATES AND ASSUMPTIONS (continued)

a reasonable assessment of the existence of reserves. The determination of reserves and resources is itself an estimation process that involves varying degrees of uncertainty depending on sub-classification and these estimates directly impact the point of deferral of exploration and evaluation expenditure. The deferral policy requires management to make certain estimates and assumptions as to future events and circumstances, in particular whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of the expenditure is unlikely, the relevant capitalized amount is written off in profit or loss in the period when the new information becomes available.

### **Judgments**

In the process of applying the Group's accounting policies, the following judgments were made, particularly with respect to the following:

#### **a) Cash generating units**

Management exercises judgment in determining the appropriate level of grouping E&P assets into CGUs, in particular with respect to the E&P assets which share significant common infrastructure and are consequently grouped into the same CGU.

#### **b) Contingencies**

By their nature, contingencies will only be resolved when one or more future events occur or fail to occur. The assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events.



### 3. CONSOLIDATION

#### a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. ("OMV Petrom") and its subsidiaries ("OMV Petrom Group") as at December 31, 2014, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2014, as the parent company.

Control exists when OMV Petrom is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights result in control. To support this presumption and when OMV Petrom has less than a majority of the voting or similar rights of an investee, OMV Petrom considers all relevant facts and circumstances in assessing whether it has power over an investee, including: the contractual arrangement with the other vote holders of the investee; rights arising from other contractual arrangements as well as voting rights and potential voting rights. OMV Petrom re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control.

Consolidation of a subsidiary begins when OMV Petrom obtains control over the subsidiary and ceases when OMV Petrom loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date OMV Petrom gains control until the date OMV Petrom ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of OMV Petrom Group. All intra-group assets and liabilities, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

### 3. CONSOLIDATION (continued)

The number of consolidated entities is as follows:

	Full consolidation	Equity consolidation
<b>As at January 1, 2014</b>	<b>14</b>	<b>1</b>
Included for the first time*	-	1
Deconsolidated during the year**	-	(1)
<b>As at December 31, 2014</b>	<b>14</b>	<b>1</b>
Romanian companies	6	1
Foreign companies	8	-

\*) In 2014 associated company OMV Petrom Global Solutions S.R.L. was consolidated in the Group by equity method of accounting.

\*\*) In 2014 OMV Petrom sold its interest in Congaz S.A., associated company accounted for at equity method.

There were no changes in ownership interests in fully consolidated subsidiaries compared to prior year.

Please refer to Note 30 for further details on group structure.

The Company holds majority of the voting rights in all fully consolidated subsidiaries.

Non-controlling interests are not significant as of December 31, 2014 and December 31, 2013.

#### b) Associates

An associate is an entity over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee, but has not control or joint control over these policies. This is normally presumed to exist when OMV Petrom has 20% or more of the voting power of the entity. The results, assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not tested for impairment individually. After application of the equity method, the Group determines whether it is necessary to recognize any impairment loss with respect to Group's investment in the associate.

The income statement reflects the share of the results of operations of the associate. Any change in other comprehensive income (OCI) of the associate is presented as part of the Group's OCI. In addition, where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of the changes and discloses it in the statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend

### 3. CONSOLIDATION (continued)

is established, and presents separately (Note 22) the share of the results of operations of the associate corresponding to dividends received.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit and loss outside operating profit (earnings before interest and taxes) and represents profit or loss after tax and non-controlling interest in the subsidiaries of the associate.

The financial statements of the associates are prepared for the same reporting period as the Group.

When the Group has transactions with an associate of the Group, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

#### c) Interests in joint arrangements

IFRS defines joint control as the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities (i.e. activities that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing the control.

##### (i) Joint operations

A joint operation is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement.

In relation to its interests in joint operations, the Group recognises its:

- ▶ assets, including its share of any assets held jointly
- ▶ liabilities, including its share of any liabilities incurred jointly
- ▶ revenue from the sale of its share of the output arising from the joint operation
- ▶ share of the revenue from the sale of the output by the joint operation
- ▶ expenses, including its share of any expenses incurred jointly.

The Group has interests in joint operations, therefore it recognizes its share of any assets held jointly and liabilities incurred jointly, revenue from the sale of the output by the joint operation, together with its share of the expenses incurred jointly. The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation, line by line, in its consolidated financial statements.

The material joint arrangements where OMV Petrom is partner, as well as commitments in relation to the joint arrangements, are presented in Note 34.

##### (ii) Joint ventures

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. The Group's investment in its joint venture is accounted for using the equity method.

### 3. CONSOLIDATION (continued)

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is not individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the joint venture. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The aggregate of the Group's share of profit or loss of the joint venture is shown on the face of the statement of profit or loss and other comprehensive income as part of operating profit and represents profit or loss after tax.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

At each reporting date, the Group determines whether there is objective evidence that the investment in the joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value, and then recognises the loss as "Share of profit of a joint venture" in the statement of profit or loss and other comprehensive income.

On loss of joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the retained investment and proceeds from disposal is recognised in the statement of profit or loss and other comprehensive income.

Classifying the joint arrangement as joint venture or joint operation requires the Group to assess their rights and obligations arising from the arrangement. Specifically, the Group considers:

- ▶ the structure of the joint arrangement – whether it is structured through a separate vehicle;
- ▶ when the arrangement is structured through a separate vehicle, the Group also considers the rights and obligations arising from:
  - ▶ the legal form of the separate vehicle;
  - ▶ the terms of the contractual arrangement;
  - ▶ other facts and circumstances, considered on a case by case basis.



## 4. ACCOUNTING AND VALUATION PRINCIPLES

### 4.1. First time adoption of new or revised standards

The accounting policies adopted are consistent with those of the previous financial year except for the following new interpretations and amendments to the existing standards and interpretations issued by the International Accounting Standards Board and endorsed by EU with a date of initial application of January 1, 2014, but had no significant effects on the financial statements:

- ▶ **IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements.** IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.
- ▶ **IFRS 11 Joint Arrangements.** IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.
- ▶ **IFRS 12 Disclosures of Interests in Other Entities.** IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard has no impact on the Group's financial position or performance, but led to additional disclosures (i.e. Note 2, Note 8 and Note 34).
- ▶ **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities.** These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous.
- ▶ **IAS 39 Financial Instruments (Amended): Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting.** Under the amendment there would be no need to discontinue hedge accounting if a hedging derivative was novated, provided certain criteria are met. The IASB made a narrow-scope amendment to IAS 39 to permit the continuation of hedge accounting in certain circumstances in which the counterparty to a hedging instrument changes in order to achieve clearing for that instrument.
- ▶ **IAS 36 Impairment of Assets (Amended) – Recoverable Amount Disclosures for Non-Financial Assets.** These amendments remove the unintended consequences of IFRS 13 on the disclosures required under IAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or CGUs for which impairment loss has been recognised or reversed during the period.
- ▶ **IFRIC 21 Levies.** The Interpretations Committee was asked to consider how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

financial statements. This Interpretation is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

- **IAS 28 Investments in Associates and Joint Ventures (Revised).** As a consequence of the new IFRS 11 Joint arrangements and IFRS 12 Disclosure of Interests in Other Entities, IAS 28 Investments in Associates, has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

### 4.2. New or revised standards and interpretations not yet mandatory

At the date of authorization of these financial statements the following standards, revisions and interpretations were issued by IASB, but are not yet effective and were not early adopted by the Group:

- **IAS 16 Property, Plant & Equipment and IAS 38 Intangible assets (Amendment): Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment is effective for annual periods beginning on or after 1 January 2016. This amendment clarifies the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendment has not yet been endorsed by the EU.

- **IAS 19 Employee benefits (Amended): Employee Contributions**

The amendment is effective for annual periods beginning on or after 1 February 2015. The amendment applies to contributions from employees or third parties to defined benefit plans. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- **IFRS 9 Financial Instruments – Classification and measurement**

The standard is applied for annual periods beginning on or after 1 January 2018 with early adoption permitted. The final phase of IFRS 9 reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. The standard has not yet been endorsed by the EU.

- **IFRS 11 Joint arrangements (Amendment): Accounting for Acquisitions of Interests in Joint Operations**

The amendment is effective for annual periods beginning on or after 1 January 2016. IFRS 11

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. The amendment has not yet been endorsed by the EU.

### ► IFRS 14 Regulatory Deferral Accounts

The standard is effective for annual periods beginning on or after 1 January 2016. The aim of this interim standard is to enhance the comparability of financial reporting by entities that are engaged in rate-regulated activities, whereby governments regulate the supply and pricing of particular types of activity. This can include utilities such as gas, electricity and water. Rate regulation can have a significant impact on the timing and amount of an entity's revenue. The IASB has a project to consider the broad issues of rate regulation and plans to publish a Discussion Paper on this subject. Pending the outcome of this comprehensive Rate-regulated Activities project, the IASB decided to develop IFRS 14 as an interim measure. IFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. This standard has not yet been endorsed by the EU.

### ► IFRS 15 Revenue from Contracts with Customers

The standard is effective for annual periods beginning on or after 1 January 2017. IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer (with limited exceptions), regardless of the type of revenue transaction or the industry. The standard's requirements will also apply to the recognition and measurement of gains and losses on the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., sales of property, plant and equipment or intangibles). Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The standard has not been yet endorsed by the EU.

### ► IAS 27 Separate Financial Statements (amended)

The amendment is effective from 1 January 2016. This amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and will help some jurisdictions move to IFRS for separate financial statements, reducing compliance costs without reducing the information available to investors. This amendment has not yet been endorsed by the EU.

### ► IAS 16 Property, Plant & Equipment and IAS 41 Agriculture (amended)

The amendment is effective for annual periods beginning on or after 1 January 2016. Bearer plants will now be within the scope of IAS 16 Property, Plant and Equipment and will be subject to all of the requirements therein. This includes the ability to choose between the cost model and revaluation model for subsequent measurement. Agricultural produce growing on bearer plants (e.g., fruit growing on a tree) will remain within the scope of IAS 41 Agriculture. Government grants relating to bearer plants will now be accounted for in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, instead of in accordance with IAS 41. The amendment has not yet been endorsed by the EU.

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### ► **Amendment in IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture**

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. The amendments will be effective from annual periods commencing on or after 1 January 2016. The amendments have not yet been endorsed by the EU.

- The **IASB has issued the Annual Improvements to IFRSs 2010 – 2012 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 February 2015.
- The **IASB has issued the Annual Improvements to IFRSs 2011 – 2013 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2015.
- The **IASB has issued the Annual Improvements to IFRSs 2012 – 2014 Cycle**, which is a collection of amendments to IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2016. These annual improvements have not yet been endorsed by the EU.
- **IFRS 10, IFRS 12 and IAS 28: Investment Entities: Applying the Consolidation Exception (Amendments)**

The amendments address three issues arising in practice in the application of the investment entities consolidation exception. The amendments are effective for annual periods beginning on or after 1 January 2016. The amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value. Also, the amendments clarify that only a subsidiary that is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. Finally, the amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries. These amendments have not yet been endorsed by the EU.

### ► **IAS 1: Disclosure Initiative (Amendment)**

The amendments to IAS 1 Presentation of Financial Statements further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016. The narrow-focus amendments to IAS clarify, rather than significantly change, existing IAS 1 requirements. The amendments relate to materiality, order of the notes, subtotals and disaggregation, accounting policies and presentation of items of other comprehensive income (OCI) arising from equity accounted Investments. These amendments have not yet been endorsed by the EU.



## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Potential effects in the respective years of initial application are currently being evaluated by management.

### 4.3. Summary of accounting and valuation principles

#### a) Business combinations

Business combinations are accounted for using the acquisition method. Assets and liabilities of subsidiaries acquired are included at their fair values at the time of the acquisition.

For each business combination, the Group elects whether it measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

Goodwill is recognized as an asset and reviewed for impairment at least annually. All impairments are immediately charged against income, and there are no subsequent reversals of goodwill impairment.

Non-controlling interests entitle their holders to a proportionate share of the entity's net assets in the event of liquidation. Non-controlling interests are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent's shareholders' equity. Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

#### b) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred. Pre-license prospecting is performed in the very preliminary stage of evaluation when trying to identify areas that may potentially contain oil and gas reserves without having physical access to the area. Related costs may include seismic studies, magnetic measurements, satellite and aerial photographs, gravity-meter tests etc.

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### c) Licence acquisition costs

Exploration licence acquisition costs are capitalized in intangible assets. Licence costs paid in connection with a right to explore in an existing exploration area are capitalized and amortized over the term of the permit.

Licence acquisition costs are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned, or that it has been determined, or work is under way to determine that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing.

If no future activity is planned or the licence has been relinquished or has expired, the carrying value of the licence acquisition costs is written off through profit or loss. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to oil and gas assets.

### d) Exploration and appraisal costs

Exploration and appraisal costs are accounted for using the successful efforts method of accounting. Costs related to geological and geophysical activity are expensed as and when incurred. The costs associated to exploration and appraisal drilling are initially capitalized as oil and gas assets with unproved reserves pending determination of the commercial viability of the relevant properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon recognition of proved reserves and internal approval for development. The status of such prospects and related costs are reviewed regularly by technical, commercial and executive management including review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off.

### e) Development and production costs

Development costs including costs incurred to gain access to proved reserves and to prepare development wells locations for drilling, to drill and equip development wells and to construct and install production facilities, are capitalized as oil and gas assets.

Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

### f) Intangible assets and property, plant and equipment

Intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses.

Property, plant and equipment are recognized at cost of acquisition or construction and are presented net of accumulated depreciation and impairment losses.

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

Depreciation and amortization is calculated on a straight-line basis, except for E&P assets, where depletion occurs to a large extent on a unit-of-production basis. In the consolidated income statement, depreciation and amortization as well as impairment losses for filling stations are disclosed as part of selling expenses, those for exploration assets as exploration expenses, and those for other assets are reported as cost of sales or as other operating expenses.

<b>Intangible assets</b>	<b>Useful life (years)</b>
Goodwill	Indefinite
Software	3 - 5
Concessions, licences and other intangibles	5 - 20, or contract duration
<b>Business-specific property, plant and equipment</b>	
E&P Oil and gas core assets	Unit of production method
G&P Gas pipelines	20 - 30
G&P Gas power plant	8 - 30
G&P Wind power stations	10 - 20
R&M Storage tanks and refinery facilities	25 - 40
R&M Pipeline systems	20
R&M Filling stations components	5 - 20
<b>Other property, plant and equipment</b>	
Production and office buildings	20 - 50
Other plant and equipment	10 - 20
Fixtures and fittings	5 - 10

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

For the application of the unit of production depreciation method the Group has separated the areas where it operates in seventeen regions (thirteen regions for the parent and four regions for its Kazakhstan subsidiaries). The unit of production factor is computed at the level of each region, based on the extracted quantities and the proved reserves or developed reserves as applicable.

Capitalized exploration and appraisal activities are generally not depreciated as long as they are related to unproved reserves, but tested for impairment. Once the reserves are proved and commercial viability is established, the related assets are reclassified into tangible assets and once production starts depreciation commences. Capitalized development costs and support equipment are generally depreciated based on proved developed reserves/ total proved reserves by applying the unit-of-production method once production starts; capitalized exploration rights and acquired reserves are amortized on the basis of total proved reserves.

An item of property, plant and equipment and any significant part initially recognized are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognized.

Under the successful efforts method individual mineral interests and other assets are combined to cost centers (fields, blocks, areas), which are the basis for depreciation and impairment testing. If single wells or other assets from a pooled depreciation base with proved reserves are abandoned, the accumulated depreciation for the single asset might be not directly identifiable. In general, irrespective if book values of abandoned assets are identifiable, no loss is recognized from the partial relinquishment of assets from a pooled depreciation base as long as the remainder of the group of properties continues to produce oil or gas. It is assumed that the abandoned or retired asset is fully amortized. The capitalized costs for the asset are charged to the accumulated depreciation base of the cost center.

Where an asset or part of an asset, that was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Where part of the asset replaced was not separately considered as a component and therefore not depreciated separately, the replacement value is used to estimate the carrying amount of the replaced asset(s) which is immediately written off.

Assets classified as held for sale are disclosed at the lower of carrying value and fair value net of any disposal costs. Non-current assets and groups of assets are classified as held for sale if their carrying value will be recovered principally through a sale transaction rather than through continuing use. This classification requires that the sale must be estimated as highly probable, and that the asset must be available for immediate disposal in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification. Property, plant and equipment and intangible assets are not depreciated or amortized once classified as held for sale.



## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### **Impairment of intangible assets and property, plant and equipment**

In accordance with IAS 36, intangible assets as well as property, plant and equipment are reviewed at each reporting date for any indications of impairment. For intangible assets with undetermined useful lives, impairment tests are carried out annually. This applies even if there are no indications of impairment.

If any indication exists, or when annual impairment test for an asset is required, the Group estimates the asset's recoverable amount, being the higher of fair value less costs of disposal and its value in use.

If the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and an impairment loss is recognized to reduce the asset to its lower recoverable amount. Impairment losses are recognized in the statement of profit or loss in expense categories consistent with the function of the impaired asset.

A previously recognized impairment loss is reversed up to the asset depreciated cost if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is recognized under other operating income.

### **g) Major maintenance and repairs**

The capitalized costs of regular and major inspections and overhauls are separate components of the related asset or asset groups. The capitalized inspection and overhaul costs are amortized on a straight line basis, or on basis of the number of service hours or produced quantities or similar, if this better reflects the time period for the inspection interval (until the next inspection date).

Expenditure on major maintenance refits, inspections or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection.

Cost of major remedial activities for wells workover, if successful, is also capitalized and depreciated using the unit-of-production method.

All other day-to-day repairs and maintenance costs are expensed as incurred.

### **h) Leases**

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A finance lease is defined as a lease which transfers substantially all the risks and rewards incidental to the ownership of the related asset to the lessee. All leases which do not meet the definition of a finance lease are classified as operating leases.

Non-current assets held under finance lease arrangements are capitalized at the commencement of the lease at the lower of the present value of minimum lease payments and fair value of leased property, and then depreciated over their expected useful life or the duration of the lease, if shorter. A liability equivalent to the capitalized amount is recognized, and future lease payments are split into the finance charge and the capital repayment element.

In the case of operating leases, lease payments are recognized on a straight-line basis over the lease term.

### i) Financial instruments

#### **Non-derivative financial assets**

At initial recognition, the Group classifies its financial assets into the following three categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the nature and purpose of the financial asset. All regular way trades are recognized and derecognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset.

All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Securities are classified as at fair value through profit or loss when they are either held for trading or if they are designated as at fair value through profit or loss. Financial assets at fair value through profit or loss are measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are measured at amortized cost (using the effective interest rate method (EIR)) less any impairment. The EIR amortization is included in finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables. Whether loans and receivables are impaired is assessed individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The carrying amount of

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

the asset is reduced through the use of an allowance account and the loss is recognized in the statement of profit or loss.

After initial measurement, available-for-sale financial assets are recognized at fair value. Unrealized gains and losses are disclosed separately in other comprehensive income net of any attributable tax effects. If there is objective evidence of impairment, write-downs including amounts previously recognized in other comprehensive income, are recognized in profit and loss. If the reason for the recognition of an impairment loss subsequently ceases to exist, the amount of the reversal up to amortized costs is included either as income in the case of debt instruments, or is taken to equity in the case of equity instruments.

Investments in non-consolidated subsidiaries and other companies, whose fair value cannot be reliably estimated, are measured at acquisition cost less any impairment losses.

At each reporting date, the carrying amounts of financial assets not classified as at fair value through profit or loss are reviewed for objective evidence of impairment. Evidence of impairment may include for example indications that the debtor or issuer is experiencing significant financial difficulty, default or delinquency in payments, the probability that the debtor or issuer will enter bankruptcy or a considerable detrimental change in the debtor's or issuer's technological, economical, legal environment and/or market environment. In the case of equity instruments classified as available for sale, objective evidence would include significant or prolonged decrease in fair value below cost. Any impairment is recognized in profit or loss.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability that reflects the rights and obligations that the Group has retained. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Loans and receivables together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

### **Non-derivative financial liabilities**

Financial liabilities are classified, at initial recognition, as financial liabilities through profit or loss, loans and borrowings or payables and are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

After initial measurement, liabilities are carried at amortized cost, with the exception of derivative financial instruments, which are recognized at fair value. Long-term liabilities are discounted using the effective interest rate method (EIR). Gains and losses are recognized in profit or loss when the

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

liabilities are derecognized as well as through the EIR amortization process.

A financial liability is derecognized when the obligation under the liability is discharge or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amount is recognized in the statement of profit or loss.

### **Derivative financial instruments**

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices. Derivative instruments are recognized at fair value, which reflects the estimated amounts that the Group would pay or receive if the positions were closed at statement of financial position date. Quotations from banks or appropriate pricing models have been used to estimate the fair value of financial instruments at statement of financial position date.

Price calculation in these models is based on forward prices of the underlying, foreign exchange rates as well as volatility indicators as of statement of financial position date. Unrealized gains and losses are recognized as income or expense, except where hedge accounting is applied.

Those derivatives qualifying and designated as hedges are either (i) a fair value hedge when hedging exposure to changes in the fair value of a recognized asset or liability or (ii) a cash flow hedge when hedging exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the underlying and the hedging instrument are recognized as income or expense.

For cash flow hedges, the effective part of the changes in fair value is recognized in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Where the hedging of cash flows results in an asset or liability, the amounts that have previously been recognized in other comprehensive income are reclassified into profit and loss in the period in which the hedged position affects earnings.

Contracts to buy or sell a non-financial item that can be settled net in cash or another financial instrument, or by exchanging financial instruments, as if the contracts were financial instruments, are accounted for as financial instruments. However, contracts that are entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the Group's expected purchase, sale or usage requirements are not accounted for as derivative financial instruments, but rather as executory contracts. However, even though such contracts are not financial instruments, they may contain embedded derivatives. Embedded derivatives are accounted for separately from the host contract when the economic characteristics and risks of the embedded derivatives are not closely related to the economic characteristics and risks of the host contract.

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### j) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized until the assets are substantially ready for their intended use or for sale. Borrowing costs include interest on bank short-term and long-term loans, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. All other costs of borrowing are expensed in the period in which they are incurred.

### k) Government grants

Government grants – except for emission rights (see Note 4m) – are recognized as income or deducted from the related asset where it is reasonable to expect that the granting conditions will be met and that the grants will be received.

### l) Inventories

Inventories are valued at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the normal course of activity less any selling expenses.

Cost of producing crude oil and gas and refining petroleum products is accounted on weighted average basis, and includes all costs incurred in the normal course of business in bringing each product to its present location and condition, including the appropriate proportion of depreciation, depletion and amortization and overheads based on normal capacity.

Appropriate allowances are made for any obsolete or slow moving stocks based on the management's assessments.

### m) Provisions

Provisions are made for all present obligations (legal or constructive) to third parties resulting from a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provision for individual obligations is based on the best estimate of the amount necessary to settle the obligation. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is applicable, the increase in the provision due to the passage of time is recognized as a finance cost.

The Group's core activities regularly lead to obligations related to dismantling and removal, asset retirement and soil remediation obligations, more specifically consisting in:

- ▶ plugging and abandoning wells;



## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

- ▶ cleaning of sludge pits;
- ▶ dismantlement of wellheads and production facilities;
- ▶ restoration of producing areas in accordance with licence requirements and the relevant legislation.

These decommissioning and restoration obligations are mainly of material importance in the E&P segment (oil and gas wells, above-ground facilities). At the time the obligation arises, it is provided for in full by recognizing as a liability the present value of future decommissioning and restoration expenses. An equivalent amount is capitalized as part of the carrying value of related property, plant and equipment. The obligation is calculated on the basis of best estimates. The capitalized asset is depreciated using the unit-of-production method for upstream activities and on straight-line basis for downstream assets.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Based on the privatization agreement of OMV Petrom S.A., part of OMV Petrom's decommissioning and environmental cost will be reimbursed by the Romanian State. The portion to be reimbursed by the Romanian State has been presented as receivable and reassessed in order to reflect the current best estimate of the cost at its present value, using the same discount rate as for the related provisions.

Changes in the assumptions related to decommissioning costs are dealt with prospectively, by recording an adjustment to the provision and a corresponding adjustment to property, plant and equipment (for Group obligation) or to the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The unwinding of the decommissioning provision is presented as part of the interest expenses in the Income Statement, net of the unwinding of the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

Changes in the assumptions related to environmental costs are dealt with prospectively, by recording an adjustment to the provision and a corresponding adjustment in the Income Statement (for Group obligation) or to the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The unwinding of the environmental provision is presented as part of the interest expenses in the Income Statement, net of the unwinding of the related receivable from the Romanian State (for the works to be reimbursed by Romanian State).

The effect of changes in discount rate and timing assumptions for the receivables from the

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Romanian State which are additional to the changes in discount rates and timing assumptions for decommissioning costs and environmental costs, is presented in the Income Statement under interest expenses or interest income.

Provisions for pensions and severance payments are calculated using the projected-unit-credit method, which divides the costs of the estimated benefit entitlements over the whole period of employment and thus takes future increases in remuneration into account. Actuarial gains/losses are recognized in full in the period in which they occur as follows: for pensions in other comprehensive income and for similar obligations in profit or loss.

Provisions for voluntary and involuntary separations under restructuring programs are recognized if a detailed plan has been approved by management prior to balance sheet date, and an irrevocable commitment is thereby established. Voluntary amendments to employees' remuneration arrangements are recognized if the respective employees have accepted the company's offer. Provisions for obligations under individual separation agreements are recognized at the present value of the obligation where the amounts and dates of payment are fixed and determined.

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO<sub>2</sub> emissions and are recognized based on net approach for Government Grant (i.e. zero value in accounting). Provisions are recognized only for shortfalls. The provision for a shortfall is initially measured at the best estimation of expenditure required to settle the obligation, which is the market price of the emission rights at the closing date. The related expense is recognized as emission costs, included in cost of sales. If, subsequently to the recognition of a provision, emission rights are purchased then an asset is only recognized for the excess of the emission rights over the CO<sub>2</sub> emissions. Any price difference between the provision and the quantity of offsetting emission rights is expensed as emission cost.

### n) Taxes on income and royalties

#### **Current tax**

Current income tax is the expected tax payable or receivable on the taxable net result for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### Deferred tax

Deferred tax is recognised in respect of temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- ▶ where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilized except:

- ▶ where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- ▶ in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient future taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised directly in other comprehensive income or equity is recognised in other comprehensive income or equity and not in profit or loss.

Deferred tax assets and deferred tax liabilities at Group level are shown net, if there is a legally enforceable right to offset and the deferred taxes relate to matters subject to the same tax jurisdiction.

## 4. ACCOUNTING AND VALUATION PRINCIPLES (continued)

### **Production taxes**

Royalties are based on the value of oil and gas production and are included in the income statement under cost of sales.

### **o) Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other incentives.

#### **Sale of goods**

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- ▶ the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- ▶ the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- ▶ the amount of revenue can be measured reliably;
- ▶ it is probable that the economic benefits associated with the transaction will flow to the entity; and
- ▶ the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### **Dividend and interest revenue**

Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued using the effective interest rate, which is the rate that discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### **p) Cash and cash equivalents**

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

## 5. FOREIGN CURRENCY TRANSLATION

### a) Group companies

The consolidated financial statements are presented in RON, which is OMV Petrom S.A. functional currency and the Group's presentation currency. Each entity in OMV Petrom Group determines its own functional currency, and items included in its individual financial statements are measured using the functional currency. The functional currency of the foreign operations is generally their local currency (which for the majority of the Group's operations is the RON), except for Kazakhstani entities that have USD as functional currency.

Where the functional currency differs from the Group's presentation currency, individual financial statements are translated using closing rate method. Differences arising between statement of financial position items translated at closing and historical rates are presented as a separate item directly in equity and in other comprehensive income. The use of average rates for translation of income statement creates additional differences compared to the application of the closing rates in the statement of financial position which are also recorded in equity and in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income and equity relating to the translation of that particular foreign operation is recognized in the income statement.

The rates applied in translating foreign currencies to RON were as follows:

Exchange rates	Year ended December 31, 2013*	Average for the year ended December 31, 2013	Year ended December 31, 2014*	Average for the year ended December 31, 2014
US dollar (USD)	3.2551	3.3279	3.6868	3.3487
Euro (EUR)	4.4847	4.4186	4.4821	4.4440
Moldavian Leu (MDL)	0.2496	0.2646	0.2359	0.2386
Serbian Dinar (RSD)	0.0391	0.0391	0.0369	0.0379
Bulgarian Leva (BGN)	2.2930	2.2592	2.2916	2.2722

\*) as communicated by National Bank of Romania

### b) Transactions and balances

Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.



## 6. INTANGIBLE ASSETS

	Concessions, licences, and other intangible assets	Oil and gas assets with unproved reserves	Total
<b>COST</b>			
<b>Balance as at January 1, 2014</b>	<b>1,836.71</b>	<b>782.95</b>	<b>2,619.66</b>
Exchange differences	(1.27)	-	(1.27)
Additions*	18.07	1,153.63	1,171.70
Transfers to tangible assets (Note 7)	(0.57)	(32.36)	(32.93)
Disposals**	(460.55)	(32.29)	(492.84)
<b>Balance as at December 31, 2014</b>	<b>1,392.39</b>	<b>1,871.93</b>	<b>3,264.32</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT</b>			
<b>Balance as at January 1, 2014</b>	<b>1,446.47</b>	<b>358.46</b>	<b>1,804.93</b>
Exchange differences	(0.73)	-	(0.73)
Amortization	81.29	-	81.29
Impairment	89.86	63.68	153.54
Transfers to tangible assets (Note 7)	(0.57)	-	(0.57)
Disposals**	(398.73)	(32.29)	(431.02)
<b>Balance as at December 31, 2014</b>	<b>1,217.59</b>	<b>389.85</b>	<b>1,607.44</b>
<b>CARRYING AMOUNT</b>			
<b>As at January 1, 2014</b>	<b>390.24</b>	<b>424.49</b>	<b>814.73</b>
<b>As at December 31, 2014</b>	<b>174.80</b>	<b>1,482.08</b>	<b>1,656.88</b>

\*) Include the amount of RON 0.18 million representing increase from the reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

\*\*) Include disposal of intangible assets in relation to transfer of business to OMV Petrom Global Solutions S.R.L. – refer to Note 31d) for details.

## 7. PROPERTY, PLANT AND EQUIPMENT

	Land, land rights and buildings, incl. buildings on third-party property	Oil and gas assets	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Payments in advance	Total
<b>COST</b>							
<b>Balance as at January 1, 2014</b>	<b>4,621.57</b>	<b>30,354.14</b>	<b>8,774.12</b>	<b>918.42</b>	<b>1,194.26</b>	<b>82.28</b>	<b>45,944.79</b>
Exchange differences	(23.78)	376.18	17.29	2.71	0.80	0.04	373.24
Additions**	77.15	5,167.90	510.70	12.52	514.92	30.82	6,314.01
Transfers*	129.66	53.81	497.00	56.64	(640.22)	(63.96)	32.93
Transfers (to)/from assets held for sale	(0.45)	-	0.14	0.07	-	-	(0.24)
Disposals***	(134.71)	(629.63)	(293.06)	(27.46)	(27.09)	(49.18)	(1,161.13)
<b>Balance as at December 31, 2014</b>	<b>4,669.44</b>	<b>35,322.40</b>	<b>9,506.19</b>	<b>962.90</b>	<b>1,042.67</b>	<b>-</b>	<b>51,503.60</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT</b>							
<b>Balance as at January 1, 2014</b>	<b>1,384.96</b>	<b>10,150.12</b>	<b>3,129.57</b>	<b>568.85</b>	<b>51.83</b>	<b>0.08</b>	<b>15,285.41</b>
Exchange differences	(7.88)	279.43	14.38	0.95	(0.11)	-	286.77
Depreciation	185.27	1,799.48	656.00	73.24	-	-	2,713.99
Impairment	87.48	1,011.27	682.34	17.89	65.02	-	1,864.00
Transfers*	(3.75)	(0.49)	(18.88)	23.86	(0.17)	-	0.57
Transfers to/(from) assets held for sale	1.09	-	0.11	0.07	-	-	1.27
Disposals***	(32.85)	(623.11)	(239.22)	(25.21)	(11.06)	(0.08)	(931.53)
Write-ups	(0.97)	(1.74)	(3.56)	(0.11)	(0.14)	-	(6.52)
<b>Balance as at December 31, 2014</b>	<b>1,613.35</b>	<b>12,614.96</b>	<b>4,220.74</b>	<b>659.54</b>	<b>105.37</b>	<b>-</b>	<b>19,213.96</b>
<b>CARRYING AMOUNT</b>							
<b>As at January 1, 2014</b>	<b>3,236.61</b>	<b>20,204.02</b>	<b>5,644.55</b>	<b>349.57</b>	<b>1,142.43</b>	<b>82.20</b>	<b>30,659.38</b>
<b>As at December 31, 2014</b>	<b>3,056.09</b>	<b>22,707.44</b>	<b>5,285.45</b>	<b>303.36</b>	<b>937.30</b>	<b>-</b>	<b>32,289.64</b>

\*) Net amount represents transfers from intangibles. See Note 6.

\*\*) Include the amount of RON 1,208.03 million representing increase from reassessment of the decommissioning asset, the amount of RON 24.13 million representing additions through finance lease, mainly for production of electricity and pipe yards facilities, and RON 1.24 million representing land deeds obtained from Romanian State.

\*\*\*) Include disposal of property, plant and equipment in relation to transfer of business to OMV Petrom Global Solutions S.R.L. – refer to Note 31d) for details

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 278.43 million as at December 31, 2014 (2013: RON 292.85 million).

The Group ceased to capitalize borrowing costs during 2013, following the finalization of the qualifying projects.

Expenditure capitalized in the course of construction of tangible and intangible assets is RON 736.69 million (2013: RON 680.92 million).

For details on impairments see Note 21.

## 8. INVESTMENTS IN ASSOCIATED COMPANIES

As at December 31, 2014 and December 31, 2013 OMV Petrom Group had the following associates:

Associate	Principal place of business	Shareholding %	
		December 31, 2013	December 31, 2014
OMV Petrom Global Solutions S.R.L.	Romania	-	25.00
Congaz S.A.	Romania	28.59	-

None of these associates is individually material to the Group. The table below summarizes financial information for the Group's interest in associates (aggregated):

	2013	2014
<b>Carrying amount of interests in individually immaterial associates</b>	<b>42.71</b>	<b>35.30</b>
<b>Group's share of:</b>		
profit from continuing operations (Note 22)	3.27	10.67
unrecognized gain from transfer of business (Note 31d)	-	(17.53)
<b>Total comprehensive income</b>	<b>3.27</b>	<b>(6.86)</b>

Carrying amount reconciliation for immaterial associates is as follows:

<b>COST</b>	<b>Associates</b>
<b>Balance as at January 1, 2014</b>	<b>42.71</b>
Additions	45.24
Share of result of associates (Note 22)	10.67
Share of unrecognized gain from transfer of business (Note 31d)	(17.53)
Disposals	(45.79)
<b>Balance as at December 31, 2014</b>	<b>35.30</b>

Additions relate to set-up of new associate OMV Petrom Global Solutions S.R.L. and disposals consist of the sale of Congaz S.A.

There are no significant unrecognized commitments in relation with associates.

## 9. RECEIVABLES AND OTHER FINANCIAL ASSETS

a) **Trade receivables** are amounting to RON 1,424.37 million as at December 2014 (2013: RON 1,429.24 million). They are presented net of impairment allowances, which are detailed in 9c) below.

b) **Other financial assets** (net of allowances)

	Liquidity term		
	December 31, 2014	less than 1 year	over 1 year
Investments	4.16	-	4.16
Expenditure recoverable from Romanian State	2,362.12	236.84	2,125.28
Other financial assets	214.38	152.03	62.35
<b>Total</b>	<b>2,580.66</b>	<b>388.87</b>	<b>2,191.79</b>

	Liquidity term		
	December 31, 2013	less than 1 year	over 1 year
Investments	5.03	-	5.03
Expenditure recoverable from Romanian State	2,249.88	180.44	2,069.44
Other financial assets	191.21	122.23	68.98
<b>Total</b>	<b>2,446.12</b>	<b>302.67</b>	<b>2,143.45</b>

### Investments

The position "Investments" comprises all the investments in companies that were not consolidated, as the Group neither has control nor significant influence over their operations, or they were considered immaterial for the Group. These financial assets are accounted for at amortized cost.

### Expenditure recoverable from Romanian State

As part of the privatization agreement, OMV Petrom S.A. is entitled to reimbursement by the Romanian State of part of decommissioning and environmental costs incurred to restore and clean up areas pertaining to activities prior to privatization in 2004. Consequently, OMV Petrom S.A. has recorded as receivable from the Romanian State the estimated decommissioning obligations having a net present value of RON 2,085.81 million as at December 31, 2014 (2013: RON 1,895.73 million) and environmental liabilities in E&P, R&M and Doljchim with net present value of RON 276.31 million (2013: RON 354.15 million), as these were existing prior to privatization of OMV Petrom S.A.

### c) Valuation allowances

The movements in valuation allowances for investments were as follows:

	Year 2014
<b>January 1, 2014</b>	<b>13.96</b>
Additions	0.78
<b>December 31, 2014</b>	<b>14.74</b>

## 9. RECEIVABLES AND OTHER FINANCIAL ASSETS (continued)

The movements in valuation allowances for trade receivables and for other financial assets were as follows:

Valuation allowance for:			
	Trade receivables	Other financial assets	Total
<b>January 1, 2014</b>	<b>200.17</b>	<b>464.33</b>	<b>664.50</b>
Additions/ (releases)	(8.88)	41.38	32.50
Used	(7.16)	(1.65)	(8.81)
Exchange differences and changes in consolidated Group	(0.30)	0.29	(0.01)
<b>December 31, 2014</b>	<b>183.83</b>	<b>504.35</b>	<b>688.18</b>

The gross value of impaired trade receivables as at December 31, 2014 is of RON 198.33 million (2013: RON 220.25 million) and the gross value of impaired other financial assets amounts to RON 520.21 million (2013: RON 476.81 million).

**d) The aging profile of receivables and other financial assets** which were past due but not impaired was as follows:

Trade receivables	December 31, 2013	December 31, 2014
Up to 60 days overdue	121.25	156.17
61 to 120 days overdue	2.82	2.23
More than 120 days overdue	8.30	12.26
<b>Total</b>	<b>132.37</b>	<b>170.66</b>

Other financial assets	December 31, 2013	December 31, 2014
Up to 60 days overdue	0.24	0.20
61 to 120 days overdue	-	-
More than 120 days overdue	0.04	-
<b>Total</b>	<b>0.28</b>	<b>0.20</b>



## 10. OTHER ASSETS

The carrying value of other assets was as follows:

	Liquidity term		
	December 31, 2014	less than 1 year	over 1 year
Receivable from taxes	340.40	319.88	20.52
Prepaid expenses and deferred charges	69.45	69.27	0.18
Advance payments on fixed assets*	49.37	49.37	-
Rental and lease prepayments	34.96	34.96	-
Other assets	64.22	63.58	0.64
<b>Total</b>	<b>558.40</b>	<b>537.06</b>	<b>21.34</b>

	Liquidity term		
	December 31, 2013	less than 1 year	over 1 year
Receivables from taxes	232.78	211.32	21.46
Prepaid expenses and deferred charges	40.80	40.57	0.23
Rental and lease prepayments	30.97	30.97	-
Other assets	32.46	31.81	0.65
<b>Total</b>	<b>337.01</b>	<b>314.67</b>	<b>22.34</b>

\*) shown in other assets from December 31, 2014

## 11. INVENTORIES

	December 31, 2013	December 31, 2014
Crude oil	358.13	395.48
Natural gas	57.32	183.75
Other raw materials	253.72	264.46
Work in progress	117.91	117.12
Finished products	1,198.39	1,289.24
Advances paid for inventories*	10.82	-
<b>Total</b>	<b>1,996.29</b>	<b>2,250.05</b>

\*) shown in other assets from December 31, 2014

The cost of materials and goods consumed during 2014 (whether used in production or re-sold) is of RON 6,328.37 million (2013: RON 7,958.41 million).

The carrying amount of inventories pledged as security for liabilities is RON 16.64 million as of December 31, 2014 (2013: RON 3.32 million).

## 12. ASSETS HELD FOR SALE

	December 31, 2013	December 31, 2014
Land and buildings	27.70	12.03
Plant and equipment	3.01	-
Intangible assets	1.78	1.68
Other assets	1.74	-
Deferred tax asset (Note 18)	1.64	-
<b>Assets held for sale</b>	<b>35.87</b>	<b>13.71</b>
Provisions	0.09	-
Liabilities	0.02	-
<b>Liabilities associated with assets held for sale</b>	<b>0.11</b>	<b>-</b>

As at December 31, 2014, the assets and liabilities held for sale relate mainly to R&M segment for the estimated sale of several plots of land.

As at December 31, 2013, most of the assets and liabilities held for sale relate to several subsidiaries in R&M segment (OMV Bulgaria OOD and OMV Srbija DOO), for the estimated sale of several filling stations and plots of land.

## 13. STOCKHOLDERS' EQUITY

### Share capital

The share capital of OMV Petrom S.A. consists of 56,644,108,335 fully paid shares as at December 31, 2014 and 2013 with a total nominal value of RON 5,664.41 million.

During 2013, OMV Petrom S.A. used the inflation adjustment to share capital in amount of RON 13,318.96 million (Romania was a hyperinflationary economy until January 2004), to cover the related accumulated loss. This was approved at the General Meeting of the Shareholders held on April 22, 2013.

### Revenue reserves

Revenue reserves include retained earnings, as well as other non-distributable reserves (legal and geological quota facility reserves, other reserves from fiscal facilities).

Geological quota included in revenue reserves is amounting to RON 5,062.84 million (2013: same amount). Until December 31, 2006, OMV Petrom S.A. benefited from geological quota facility whereby it could charge up to 35% of the market value of the volume of oil and gas extracted during the year. This facility was recognized directly in reserves. This quota was restricted to investment purposes and is not distributable. The quota was non-taxable.

### 13. STOCKHOLDERS' EQUITY (continued)

Legal reserves included in revenue reserves are amounting to RON 1,132.88 million (2013: same amount). OMV Petrom S.A. sets its legal reserve in accordance with the provisions of the Romanian Companies Law, which requires that 5% of the annual accounting profit before tax is transferred to "legal reserve" until the balance of this reserve reaches 20% of the share capital of the Company.

Other reserves from fiscal facilities are amounting to RON 248.29 million (2013: RON 208.60 million). The amount of RON 39.69 million was allocated to other reserves in the year 2014 representing fiscal facilities from reinvested profit.

#### Other reserves

Other reserves contain mainly reserves from business combinations in stages, land for which land ownership certificates were obtained but was not yet included in share capital and exchange differences on loans considered net investment in a foreign operation.

Increase in other reserves amounting to RON 75.19 million is related to land for which land ownership certificates were obtained by OMV Petrom S.A. from Romanian State up to December 31, 2014 but was not yet included in share capital.

### 14. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
<b>January 1, 2014</b>	<b>303.95</b>	<b>6,148.24</b>	<b>883.53</b>	<b>7,335.72</b>
thereof short-term	-	370.11	281.73	651.84
thereof long-term	303.95	5,778.13	601.80	6,683.88
Exchange differences	-	13.05	(0.02)	13.03
Liabilities associated with assets held for sale	-	-	0.09	0.09
Used	(11.66)	(229.34)	(42.18)	(283.18)
Allocations/(releases) *	(9.28)	1,614.34	529.99	2,135.05
<b>December 31, 2014</b>	<b>283.01</b>	<b>7,546.29</b>	<b>1,371.41</b>	<b>9,200.71</b>
thereof short-term	-	291.37	817.56	1,108.93
thereof long-term	283.01	7,254.92	553.85	8,091.78

\*) Include release of provisions in relation to transfer of business to OMV Petrom Global Solutions S.R.L. – refer to Note 31d) for details.

## 14. PROVISIONS (continued)

### Provisions for pensions and similar obligations

Employees of several Group companies are entitled to receive severance payments upon termination of employment or on reaching normal retirement age. The entitlements depend on years of service and final compensation levels. Provisions have been set up based on actuarial calculations performed by qualified actuaries using the following parameters: a discount rate of 3.73% (2013: 4.85%), an inflation rate of 2.22% (2013: 2.02%) and an average yearly salary increase of 5.00% (2013: 5.00%).

### Provisions for decommissioning and restoration

Changes in provisions for decommissioning and restoration are shown in the table below. In the event of subsequent changes in estimated restoration costs only the effect of the change in present value is recognized in the period concerned. If the value increases, the increase is depreciated over the remaining useful life of the asset, and if it decreases, the decrease is deducted from capitalized asset value. Interest rates applied for calculating of decommissioning and restoration costs are between 0.23% and 3% (2013: between 0.59% and 3%).

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 7,416.88 million (2013: RON 6,033.66 million). There is a corresponding receivable from the Romanian State of RON 2,085.81 million (2013: RON 1,895.73 million), which is disclosed under "Other financial assets" item (Note 9).

Revisions in estimates for decommissioning and restoration provisions arise from the yearly reassessment of the cost of workings, the number of wells and other applicable items, as well as the expected timing of the decommissioning and restoration, as well as revision of estimated interest rates.

Details on the Decommissioning and restoration obligations are as follows:

	2013	2014
<b>January 1</b>	<b>6,228.04</b>	<b>6,148.24</b>
Exchange differences	(3.15)	13.05
Revisions in estimates	(251.12)	1,325.21
Unwinding effect	373.83	289.13
Used in current year	(199.36)	(229.34)
<b>December 31</b>	<b>6,148.24</b>	<b>7,546.29</b>

The revisions in estimates impact either the assets subject to decommissioning or the related receivable from State. The unwinding effect is included in the income statement under the interest expenses line (Note 23) net of the unwinding effect on the related receivable from State. The effect of changes in discount rate or timing of the receivable from State (which are additional to

## 14. PROVISIONS (continued)

the changes in discount rate or timing of the decommissioning costs) is included in the income statement under interest expenses or interest income. Impact from revision in estimates in 2014 is generated by reduction of discount rates and by higher estimated decommissioning costs for onshore and offshore wells and facilities in Romania.

**Other provisions** were as follows:

<b>December 31, 2014</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	196.65	66.49	130.16
Other personnel provisions	160.51	160.51	-
Provisions for litigations	460.55	73.85	386.70
Other	553.70	516.71	36.99
<b>Total</b>	<b>1,371.41</b>	<b>817.56</b>	<b>553.85</b>
<b>December 31, 2013</b>	<b>Total</b>	<b>less than 1 year</b>	<b>over 1 year</b>
Environmental provision	173.38	52.40	120.98
Other personnel provisions	65.92	65.92	-
Provisions for litigations	453.75	78.10	375.65
Other	190.48	85.31	105.17
<b>Total</b>	<b>883.53</b>	<b>281.73</b>	<b>601.80</b>

### Environmental provisions

The environmental provisions were estimated by the management based on the list of environment related projects that must be completed by OMV Petrom Group. Provisions recorded as at December 31, 2014 and 2013 represent the best estimate of the Group's experts for environmental matters. Environmental provisions are computed using the same interest rates as for the decommissioning and restoration provisions.

OMV Petrom S.A. recorded environmental liabilities against receivable from the Romanian State in E&P and R&M, as these obligations existed prior to privatization. (Note 9)

### Other personnel provisions

Included in other personnel provisions is mainly the restructuring provision recorded by OMV Petrom S.A. further to approved restructuring plan that has been communicated to those affected by it.

### Provisions for litigations

OMV Petrom Group monitors all litigations instigated against it and assesses the likelihood of losses and related financial cost using in house lawyers and external legal advisors. OMV Petrom Group has assessed the potential liabilities with respect to ongoing cases and recorded its best estimate of likely cash outflows.

### Other provisions

Increase in other short-term provisions as at December 31, 2014 is driven primarily by alleged



## 14. PROVISIONS (continued)

debts and late payment interest charges following a tax review of the years 2009 and 2010 in OMV Petrom S.A.

### **Emissions certificates**

Directive 2003/87/EC of the European Parliament and of the European Council established a greenhouse gas emissions trading scheme, requiring member states to draw up national plans to allocate emissions certificates. Romania was admitted to the scheme in January 2007, when it joined the EU.

The only company from the Group included in this allocation is OMV Petrom S.A. Under this scheme OMV Petrom S.A. is entitled to 2,664,658 emission certificates for year 2014 (2013: 3,006,806 emissions certificates). During 2014, OMV Petrom S.A. received 3,690,188 emissions certificates, out of which 3,006,806 emission certificates from 2013 entitlement and 683,382 emission certificates from 2014 entitlement.

During 2014 the Group had net sales of 257,000 emissions certificates (2013: net purchases of 159,507 emissions certificates).

A shortfall in emissions certificates would be provided for. Until December 31, 2014, the Group was not short of certificates.

## 15. INTEREST-BEARING DEBTS

As at December 31, 2014 and December 31, 2013 OMV Petrom Group had the following loans:

Borrower	Lender	December 31, 2013	December 31, 2014
<b>Interest-bearing debts short-term</b>			
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	95.07	95.02
OMV Petrom S.A.	European Investment Bank (b)	85.42	85.37
OMV Petrom S.A.	OMV Petrom Global Solutions S.R.L. (c)	-	73.76
OMV Petrom Marketing S.R.L.	Raiffeisen Bank S.A. (d)	-	9.00
Tasbulat Oil Corp.	Citibank Kazakhstan (e)	0.63	-
	Accrued interest	9.38	12.07
	Prepayments in relation with loan amounts drawn	(1.46)	(1.55)
<b>Total interest bearing debts short term</b>		<b>189.04</b>	<b>273.67</b>
<b>Interest-bearing debts long-term</b>			
OMV Petrom S.A.	European Investment Bank (b)	698.33	612.55
Kom Munai LLP.	European Bank for Reconstruction and Development (f)	-	523.53
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	564.18	468.83
	Prepayments in relation with loan amounts drawn	(8.78)	(15.95)
<b>Total interest-bearing debts long term</b>		<b>1,253.73</b>	<b>1,588.96</b>
<b>Total interest-bearing debts</b>		<b>1,442.77</b>	<b>1,862.63</b>

(a) For the construction of Brazil Power Plant, OMV Petrom S.A. concluded an unsecured corporate loan agreement with European Bank for Reconstruction and Development for a maximum amount of EUR 200.00 million. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The amount due as at December 31, 2014 amounted to RON 563.85 million (equivalent of EUR 125.80 million) (2013: RON 659.25 million, equivalent of EUR 147.00 million).

(b) For the construction of the Brazil Power Plant, OMV Petrom S.A. also concluded an unsecured loan agreement for an amount of EUR 200.00 million with European Investment Bank. The agreement was signed on May 8, 2009 and the final maturity date is June 15, 2023. The outstanding amount as at December 31, 2014 was RON 697.92 million (equivalent of EUR 155.71 million) (2013: RON 783.75 million, equivalent of EUR 174.76 million).

(c) A cash pooling agreement with maturity on April 24, 2015, renewable each year, was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. on April 25, 2014. The aggregated amount of the loan is RON 90.00 million, usable in RON or any other currency EUR, USD and GBP. Amount drawn by the Group as at December 31, 2014 was RON 73.76 million.

## 15. INTEREST-BEARING DEBTS (continued)

- (d) A committed loan concluded on June 23, 2014 between OMV Petrom Marketing S.R.L. and Raiffeisen Bank S.A. for an amount of EUR 2.10 million, to finance the energy efficiency investment in LED technology in OMV Petrom branded filling stations with maturity on March 31, 2015. The balance as at December 31, 2014 amounts to RON 9.00 million, equivalent of EUR 2.00 million.
- (e) A revolving credit facility contracted by Tasbulat LLP from Citibank Kazakhstan, with a maximum limit of USD 3.00 million (equivalent of RON 11.06 million) and maturity date December 31, 2014. The facility was cancelled in August 2014, when a new agreement was signed, detailed at point (i) below. The outstanding amount as at December 31, 2013 was of USD 0.19 million (equivalent of RON 0.63 million), amount that was fully paid during 2014.
- (f) On September 25, 2014 was concluded an unsecured loan agreement between European Bank for Reconstruction and Development and Kom-Munai LLP with a limit of USD 200.00 million and the final maturity date May 20, 2022, consisting of:
- ▶ tranche 1 with a maximum limit of USD 120.00 million, to be used for refinancing of intra-group loans;
  - ▶ tranche 2 with a maximum limit of USD 80.00 million, to be used for future capital expenditures.

The amount due as at December 31, 2014 is of RON 523.53 million (equivalent of EUR 142.00 million).

The OMV Petrom Group's companies have several credit facilities signed as at December 31, 2014 as follows:

- (g) An unsecured credit facility granted by Raiffeisen Bank S.A. up to EUR 141.60 million consisting in two subfacilities: subfacility A with maturity date prolonged to December 31, 2015 (for an amount of EUR 95.00 million) and subfacility B with maturity date December 15, 2016 (for an amount of EUR 46.60 million). Subfacility A can be used only in RON and only by OMV Petrom S.A. as overdraft credit line. Subfacility B can be used in EUR, USD or RON by OMV Petrom S.A., OMV Petrom Marketing S.R.L. and OMV Petrom Gas S.R.L. (up to the limit of EUR 46.60 million); OMV Petrom Wind Power S.R.L. (up to the maximum limit of EUR 1.00 million) and by S.C. OMV Petrom Aviation S.A. (up to the maximum limit of EUR 10.00 million) only for the issuance of letters of credit and/or issuance of letters of bank guarantee. The Credit facility was not used as at December 31, 2014 and December 31, 2013.
- (h) On November 22, 2011, OMV Petrom S.A. replaced the Banks Consortiums credit facilities amounting to EUR 875.00 million contracted in 2008 and 2009 with a new unsecured Banks Consortium revolving facility amounting to EUR 930.00 million with 3 years maturity and possibility of extension with another 2 years. The Banks Consortium included Banca Comercială Română S.A. (Erste Bank), Barclays Bank PLC, BRD – Groupe Société Générale S.A., Citibank Europe plc, BNP Paribas-Fortis Bank SA/NV Bruxelles Bucharest Branch, ING Bank N.V. Amsterdam Bucharest Branch, J.P. Morgan Europe Limited, OTP Bank Romania S.A., Raiffeisen Bank International AG, Raiffeisenlandesbank Niederösterreich Wien AG,

## 15. INTEREST-BEARING DEBTS (continued)

Raiffeisenlandesbank Oberösterreich AG, Raiffeisen Bank S.A., Bank of Tokyo Mitsubishi UFJ (Holland) N.V., Unicredit Bank Austria AG, Unicredit Tiriak Bank S.A. The final maturity date was prolonged until November 22, 2016. There are no drawings from this facility as at December 31, 2014 and December 31, 2013.

- (i) A credit facility contracted on October 8, 2014 by Tasbulat Oil Corporation LLP and Kom-Munai LLP (the "Borrowers") from JSK Citibank Kazakhstan, accessible to both borrowers up to the maximum limit of USD 10.00 million (equivalent of RON 36.86 million) and maturity date July 31, 2015 with further extension possibility for successive periods of 12 (twelve) months, but for no more than a total 5 (five) years from the date of the agreement i.e. until October 8, 2019. The purpose of the facility is for general corporate needs and working capital financing. The credit facility was not used as at December 31, 2014.
- (j) An unsecured facility contracted by OMV Bulgaria OOD from Citibank Sofia, with a maximum limit of BGN 23.27 million (equivalent of RON 53.33 million) and maturity date June 30, 2015. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of bank guarantee without cash collateral. There were no drawings under the overdraft facility as at December 31, 2014.
- (k) An unsecured revolving facility contracted by OMV Srbija from Raiffeisen Bank Belgrade, with a maximum limit of EUR 4.00 million (equivalent of RON 17.93 million) and maturity prolonged until March 2, 2015. The destination of the facility is general corporate purposes financing on a roll-over basis and issuance of letters of bank guarantee without cash collateral. No drawings were made under the revolving facility as at December 31, 2014.
- (l) An unsecured facility contracted by OMV Srbija from Raiffeisen Bank Belgrade, with a maximum limit of RSD 350.00 million (equivalent of RON 12.92 million) and maturity date March 31, 2015. The destination of the facility is general corporate purposes financing on an overdraft basis and issuance of letters of bank guarantee without cash collateral. No drawings were made under the overdraft facility as at December 31, 2014.
- (m) An uncommitted, unsecured overdraft facility of RON 85.00 million contracted by OMV Petrom S.A. from Banca Comercială Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 22, 2015. No drawings were made under the overdraft facility as at December 31, 2014.
- (n) An uncommitted, unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, up to the maximum amount of EUR 70.00 million (equivalent of RON 313.75 million), for issuance of letters of guarantee and as overdraft for working capital financing. The maturity for letters of guarantee is until November 22, 2017 and for overdraft and the maturity is until November 22, 2015. No drawings under the overdraft were made as at December 31, 2014.

## 15. INTEREST-BEARING DEBTS (continued)

(o) An uncommitted and unsecured credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 120.00 million (equivalent of RON 537.85 million) that can be used in RON, with maturity date April 30, 2015. The facility is designated to finance OMV Petrom's current activity and for issuance of letters of guarantee and letters of credit. No drawings under the facility were made as at December 31, 2014.

OMV Petrom Group's companies have signed also facilities with several banks for issuing letters of guarantee, as follows:

- (p) An unsecured facility agreement was signed by OMV Petrom S.A. with Fortis Bank S.A.– Bucharest branch – for up to EUR 30.00 million (equivalent of RON 134.46 million), to be utilized only for issuance of letters of bank guarantee, with maturity date May 31, 2015 with yearly automatic renewal, but not later than May 31, 2017.
- (q) An unsecured credit facility up to EUR 30.00 million (equivalent of RON 134.46 million) obtained by OMV Petrom S.A. from BRD – Groupe Société Générale S.A., to be utilized only for issuance of letters of bank guarantee and letters of credit. The validity period for the credit facility is April 30, 2015.
- (r) An unsecured credit facility received by OMV Petrom S.A. from Bancpost S.A., up to EUR 25.00 million (equivalent of RON 112.05 million), to be utilized only for issuance of letters of bank guarantee, with maturity until March 31, 2015.
- (s) A frame facility contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 2.00 million (equivalent of RON 8.96 million) and maturity date January 12, 2016. The destination of the facility is the issuance of letters of bank guarantee and letters of credit.

As at December 31, 2014, OMV Petrom Group is in compliance with all financial covenants stipulated by the loan agreements.

Please refer also to Note 35 for details regarding interest rate risks of interest-bearing debt.



## 16. OTHER FINANCIAL LIABILITIES

	December 31, 2014	less than 1 year	over 1 year
Finance lease liabilities	295.75	37.39	258.36
Financial liabilities in connection with joint operations	425.79	425.79	-
Other financial liabilities	222.02	201.28	20.74
<b>Total</b>	<b>943.56</b>	<b>664.46</b>	<b>279.10</b>
	December 31, 2013	less than 1 year	over 1 year
Finance lease liabilities	297.74	36.62	261.12
Financial liabilities in connection with joint operations	12.73	12.73	-
Other financial liabilities	297.68	269.52	28.16
<b>Total</b>	<b>608.15</b>	<b>318.87</b>	<b>289.28</b>

### Finance lease liabilities

OMV Petrom Group acquired through finance lease mainly equipment for production of electricity and pipe yards facilities for tubing reconditioning in OMV Petrom (E&P segment) and a hydrogen and medium pressure steam production plant for Petrobrazi Refinery in OMV Petrom (R&M segment).

For the pipe yards facilities (including 2014 additions) the lease period is 15 years and the total future minimum lease payments amounts to RON 83.92 million as at December 31, 2014 (2013: RON 68.60 million).

For the hydrogen and medium pressure steam production plant (acquired in 2013) the lease period is 15 years and the total future minimum lease payments amounts to RON 169.50 million as at December 31, 2014 (2013: RON 175.35 million).

A breakdown of present value of finance lease liabilities is presented below.

	December 31, 2013	December 31, 2014
<b>Obligations under finance leases</b>		
Amounts due within 1 year	51.88	57.42
Amounts due after more than 1 year but not later than 5 years	161.63	160.25
Amounts due after 5 years	202.93	202.58
<b>Total lease obligations</b>	<b>416.44</b>	<b>420.25</b>
Less future finance charges on finance leases	(118.70)	(124.50)
<b>Present value of finance lease liabilities</b>	<b>297.74</b>	<b>295.75</b>
Analyzed as follows:		
Maturing within 1 year	36.62	37.39
Maturing after more than 1 year but not later than 5 years	119.04	114.57
Maturing after 5 years	142.08	143.79
<b>Total present value of finance lease liabilities</b>	<b>297.74</b>	<b>295.75</b>

## 16. OTHER FINANCIAL LIABILITIES (continued)

### Maturity profile of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted cash flows:

	< 1 year	1-5 years	> 5 years	Total
<b>December 31, 2014</b>				
Interest-bearing debts	297.83	1,175.25	511.51	1,984.59
Trade payables	2,899.24	-	-	2,899.24
Other financial liabilities	684.49	180.98	202.59	1,068.06
<b>Total</b>	<b>3,881.56</b>	<b>1,356.23</b>	<b>714.10</b>	<b>5,951.89</b>
<b>December 31, 2013</b>	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>&gt; 5 years</b>	<b>Total</b>
Interest-bearing debts	224.96	812.33	560.63	1,597.92
Trade payables	2,958.26	-	-	2,958.26
Other financial liabilities	334.14	189.71	203.00	726.85
<b>Total</b>	<b>3,517.36</b>	<b>1,002.04</b>	<b>763.63</b>	<b>5,283.03</b>

## 17. OTHER LIABILITIES

	December 31, 2014	less than 1 year	over 1 year
Deferred income	103.78	103.78	-
Tax liabilities	612.21	612.21	-
Social security	37.28	37.28	-
Other liabilities	130.99	130.99	-
<b>Total</b>	<b>884.26</b>	<b>884.26</b>	<b>-</b>
	December 31, 2013	less than 1 year	over 1 year
Deferred income	114.08	114.08	-
Tax liabilities	587.11	587.11	-
Social security	42.10	42.10	-
Other liabilities	47.08	47.08	-
<b>Total</b>	<b>790.37</b>	<b>790.37</b>	<b>-</b>

## 18. DEFERRED TAX

December 31, 2014	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	278.74	74.02	204.72	392.68
Financial assets	85.96	1.02	84.94	4.67
Inventories	38.13	1.17	36.96	-
Receivables and other assets	71.74	41.72	30.02	4.15
Untaxed reserves	1.50	-	1.50	9.64
Provisions for pensions and severance payments	45.28	-	45.28	-
Other provisions	1,035.64	16.31	1,019.33	-
Liabilities	22.86	6.07	16.79	4.02
Tax loss carried forward	23.40	-	23.40	-
<b>Total</b>	<b>1,603.25</b>	<b>140.31</b>	<b>1,462.94</b>	<b>415.16</b>
Netting (same tax jurisdiction/country)			(415.16)	(415.16)
<b>Deferred tax, net</b>			<b>1,047.78</b>	<b>-</b>
<b>Total deferred tax</b>			<b>1,047.78</b>	<b>-</b>

December 31, 2013	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	209.37	-	209.37	398.78
Financial assets	85.09	-	85.09	8.96
Inventories	50.92	-	50.92	1.30
Receivables and other assets	76.42	41.99	34.43	0.13
Untaxed reserves	-	-	-	10.15
Provisions for pensions and severance payments	48.63	-	48.63	-
Other provisions	781.80	-	781.80	-
Liabilities	24.10	-	24.10	0.97
Tax loss carried forward	52.18	-	52.18	-
<b>Total</b>	<b>1,328.51</b>	<b>41.99</b>	<b>1,286.52</b>	<b>420.29</b>
Netting (same tax jurisdiction/country)			(409.24)	(409.24)
<b>Deferred tax, net</b>			<b>877.28</b>	<b>11.05</b>
Deferred tax for assets and related liabilities held for sale (Note 12)	1.64	-	1.64	-
<b>Total deferred tax</b>			<b>878.92</b>	<b>11.05</b>

## 18. DEFERRED TAX (continued)

As at December 31, 2014, losses carry-forward for tax purposes amounted to RON 295.38 million (2013: RON 278.68 million). Eligibility of losses for carry-forward expires as follows:

	2013	2014
2014	3.26	-
2015	10.21	3.60
2016	3.75	3.78
2017	-	2.28
2018	65.46	-
2019 / After 2018	196.00	48.10
After 2019	-	237.62
<b>Total</b>	<b>278.68</b>	<b>295.38</b>

## 19. OTHER OPERATING INCOME

	December 31, 2013	December 31, 2014
Exchange gains from operating activities	64.45	90.15
Gain on transfer of business (Note 31d)	-	52.59
Gains on disposal of non-current assets	45.94	30.13
Write-up tangible and intangible assets	12.30	6.52
Other operating income	175.57	136.34
<b>Total</b>	<b>298.26</b>	<b>315.73</b>

## 20. OTHER OPERATING EXPENSES

	December 31, 2013	December 31, 2014
Exchange losses from operating activities	74.36	122.13
Losses on disposal of non-current assets	44.44	60.17
Expenses with provisions for litigations	7.53	16.25
Other operating expenses	561.01	602.27
<b>Total</b>	<b>687.34</b>	<b>800.82</b>

## 20. OTHER OPERATING EXPENSES (continued)

Other operating expenses include an amount of RON 104.16 million (2013: RON 15.81 million) representing restructuring expenses. Restructuring expenses were also booked in 2013 in administrative expenses in amount of RON 3.76 million and in cost of sales in amount of RON 1.34 million.

## 21. COST INFORMATION

For the years ended December 31, 2014 and December 31, 2013 the consolidated income statement includes the following personnel expenses:

	December 31, 2013	December 31, 2014
Wages and salaries	2,013.14	2,254.45
Other personnel expenses	167.94	148.72
<b>Total personnel expenses</b>	<b>2,181.08</b>	<b>2,403.17</b>

Included in the above personnel expenses is the amount of RON 317.10 million, representing Group's contribution to state pension plan for the year ended December 31, 2014 (2013: RON 328.20 million).

Depreciation, amortization and impairment losses net of write-ups of intangible assets and property, plant and equipment consisted of:

	December 31, 2013	December 31, 2014
Depreciation and amortization	2,823.90	2,795.28
Net impairment intangible assets and property, plant and equipment	530.82	2,011.02
<b>Total depreciation, amortization and impairment</b>	<b>3,354.72</b>	<b>4,806.30</b>

Net impairment losses booked during the year ended December 31, 2014 for intangible assets and property, plant and equipment were related to E&P segment amounting RON 1,229.91 million (including impairment of one of Kazakhstan assets, impairments for replaced assets, for unsuccessful workovers and exploration wells in Romania), to G&P amounting RON 715.81 million (related to Brazi power plant and Dorobanțu wind power park in Romania), to R&M amounting RON 65.04 million (mainly related to impairment of retail assets in Serbia) and also to Corporate & Other segment RON 0.26 million.

Net impairment losses booked during the year ended December 31, 2013 for tangible and intangible assets were related to E&P segment amounting RON 444.02 million (including mainly impairments for replaced assets and for unsuccessful exploration wells in Romania), to G&P amounting



## 21. COST INFORMATION (continued)

RON 43.69 million (mainly related to Petrom Distributie Gaze S.R.L. assets), to R&M amounting RON 42.82 million (mainly related to impairment of marketing assets) and also to Corporate & Other segment RON 0.29 million.

In the consolidated income statement the impairment losses are mainly included under cost of sales amounting RON 1,884.80 million (2013: RON 367.64 million), exploration expenses of RON 63.68 million (2013: RON 93.72 million) and selling expenses of RON 69.06 million (2013: RON 81.76 million). These impairment losses are netted of with write-ups amounting to RON 6.52 (2013: RON 12.30 million).

Rental expenses included in current period consolidated income statement are RON 204.27 million (2013: RON 225.72 million).

## 22. INCOME FROM ASSOCIATED COMPANIES

	December 31, 2013	December 31, 2014
Share of the result of associated companies	3.27	10.67
Dividends from associated companies	1.13	-
<b>Total income from associated companies</b>	<b>4.40</b>	<b>10.67</b>

## 23. INTEREST INCOME AND INTEREST EXPENSES

	December 31, 2013	December 31, 2014
<b>Interest income</b>		
Interest income from receivables and other	48.45	9.22
Interest income from short term bank deposits	33.87	14.58
Unwinding income for other financial assets and positive effect of changes in discount rate and timing for State receivable	123.58	48.53
<b>Total interest income</b>	<b>205.90</b>	<b>72.33</b>
<b>Interest expenses</b>		
Interest expenses	(78.97)	(313.08)
Unwinding expenses for retirement benefits provision	(15.59)	(14.38)
Unwinding expenses for decommissioning provision, net of the unwinding income for related State receivable	(258.58)	(208.39)
Unwinding and discounting for other items	(7.06)	(13.30)
<b>Total interest expenses</b>	<b>(360.20)</b>	<b>(549.15)</b>
<b>Net interest result</b>	<b>(154.30)</b>	<b>(476.82)</b>

Decrease in interest income is mainly driven by the fact that last year was positively impacted by reassessment of receivables.

Interest expenses line in 2014 mainly relates to alleged late payment interest charges following a tax review of the years 2009 and 2010 in OMV Petrom S.A.

## 24. OTHER FINANCIAL INCOME AND EXPENSES

	December 31, 2013	December 31, 2014
<b>Financial income</b>		
Exchange gains from financing activities	72.60	147.31
Gains from investments and financial assets	1.86	3.55
<b>Total financial income</b>	<b>74.46</b>	<b>150.86</b>
<b>Financial expense</b>		
Exchange losses from financing activities	(124.69)	(65.34)
Losses from financial assets and securities	-	(5.79)
Other financial expenses	(59.13)	(42.70)
<b>Total financial expense</b>	<b>(183.82)</b>	<b>(113.83)</b>
<b>Other financial income and expenses</b>	<b>(109.36)</b>	<b>37.03</b>

## 25. TAXES ON INCOME

	December 31, 2013	December 31, 2014
Taxes on income - current year	896.95	981.63
Deferred tax (revenue) / expenses	(22.39)	(172.12)
<b>Total taxes on income</b>	<b>874.56</b>	<b>809.51</b>

The reconciliation of net deferred tax assets is as follows:

	2013	2014
Deferred taxes January 1	856.62	867.87
Deferred taxes December 31	867.87	1,047.78
<b>Changes in deferred taxes</b>	<b>11.25</b>	<b>179.91</b>
thereof deferred taxes in Other Comprehensive Income	(11.14)	7.79
thereof deferred taxes revenues / (expenses) in the Income Statement	22.39	172.12
<b>Reconciliation</b>		
<b>Profit before taxation</b>	<b>5,698.60</b>	<b>2,909.18</b>
Income tax rate applicable for parent company	16%	16%
<b>Profits tax based on income tax rate of the parent</b>	<b>911.78</b>	<b>465.47</b>
Effect of differing foreign tax rates	(31.06)	(33.18)
Profits tax based on applicable rates	880.72	432.29
Tax effect of permanent differences	(6.16)	377.22
<b>Profits tax expense in the Income Statement</b>	<b>874.56</b>	<b>809.51</b>

Permanent differences in 2014 were generated mainly by non-deductible expenses related to alleged debts and late payment interest charges as a result of tax review for years 2009 and 2010 in Romania and by non-deductible impairment booked in Kazakhstan.

## 26. EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

	December 31, 2013	December 31, 2014
Net profit attributable to own shareholders	4,820.85	2,102.67
Weighted average number of shares	56,643,903,559	56,643,903,559
<b>Earnings per share in RON</b>	<b>0.0851</b>	<b>0.0371</b>

## 26. EARNINGS PER SHARE (continued)

The basic and diluted earnings per share are the same as there are no instruments that have a dilutive effect on earnings.

At the Annual General Meeting held on April 29, 2014, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2013 for the amount of RON 1,744.63 million, resulting in a dividend per share of 0.0308 RON.

## 27. SEGMENT INFORMATION

OMV Petrom Group is organized into three operating business segments: Exploration and Production (E&P), Gas and Power (G&P) and Refining and Marketing (R&M), while management, financing activities and certain service functions are concentrated in the Corporate & Other segment.

OMV Petrom Group's involvement in the oil and gas industry, by its nature, exposes it to certain risks. These include political stability, economic conditions, changes in legislation or fiscal regimes, as well as other operating risks inherent in the industry such as the high volatility of crude prices and the US dollar. A variety of measures are used to manage these risks.

Apart from the integration of OMV Petrom Group's upstream and downstream operations, and the policy of maintaining a balanced portfolio of assets in the E&P segment, the main instruments used are operational in nature. There is a Group-wide environmental risk reporting system in operation, designed to identify existing and potential obligations and to enable timely action to be taken. Insurance and taxation are also dealt with on a Group-wide basis. Regular surveys are undertaken across OMV Petrom Group to identify current litigation and pending court and administrative proceedings.

Business decisions of fundamental importance are made by the Executive Board of OMV Petrom S.A. The business segments are independently managed, as each represents a strategic unit with different products and markets.

**E&P** activities are mainly focused on Romania and Kazakhstan. E&P products are crude oil and natural gas.

**Gas** business unit has the objective to focus on gas sales and on the best use of the potential and opportunities resulting from the market liberalization. Business division **Power** mainly extends the gas value chain into a gas-fired power plant.

**R&M** produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division operates one Romanian refinery, Petrobrazi. **Marketing** division delivers products to both Retail and Wholesale customers and operates in Romania, Bulgaria, Serbia and Republic of Moldova. OMV Petrom S.A. is the main player on the Romanian fuels market.

## 27. SEGMENT INFORMATION (continued)

### Operating segments:

December 31, 2014	Exploration & Production	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	12,028.28	361.30	152.54	393.07	<b>12,935.19</b>	(12,935.19)	-
Sales with third parties	860.77	4,013.91	16,601.99	64.59	<b>21,541.26</b>	-	<b>21,541.26</b>
<b>Total sales</b>	<b>12,889.05</b>	<b>4,375.21</b>	<b>16,754.53</b>	<b>457.66</b>	<b>34,476.45</b>	<b>(12,935.19)</b>	<b>21,541.26</b>
<b>EBIT</b>	<b>3,932.33</b>	<b>(818.07)</b>	<b>(79.37)</b>	<b>(150.50)</b>	<b>2,884.39</b>	<b>453.91</b>	<b>3,338.30</b>
Total assets*	25,703.71	2,088.41	5,629.47	524.93	<b>33,946.52</b>	-	<b>33,946.52</b>
Additions in PPE/IA	6,635.86	4.38	798.37	47.10	<b>7,485.71</b>	-	<b>7,485.71</b>
Depreciation and amortization	2,038.69	151.01	555.38	50.20	<b>2,795.28</b>	-	<b>2,795.28</b>
Impairment losses (net)	1,229.91	715.81	65.04	0.26	<b>2,011.02</b>	-	<b>2,011.02</b>

\*) Intangible assets (IA), property, plant and equipment (PPE).

### Information about geographical areas:

December 31, 2014	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	17,139.59	4,334.19	67.48	-	<b>21,541.26</b>
Total assets*	32,486.05	711.11	749.36	-	<b>33,946.52</b>
Additions in PPE/IA	7,312.56	23.16	149.99	-	<b>7,485.71</b>

\*) Intangible assets (IA), property, plant and equipment (PPE).

\*\*) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

Sales with third parties made in Rest of CEE (Central Eastern Europe) include sales made in Bulgaria amounting to RON 2,273.62 million in 2014.

The key figure of operating performance for OMV Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.



## 27. SEGMENT INFORMATION (continued)

### Operating segments:

December 31, 2013	Exploration & Production	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	12,112.56	435.56	180.65	553.25	<b>13,282.02</b>	(13,282.02)	-
Sales with third parties	1,107.85	3,879.91	19,127.63	69.83	<b>24,185.22</b>	-	<b>24,185.22</b>
<b>Total sales</b>	<b>13,220.41</b>	<b>4,315.47</b>	<b>19,308.28</b>	<b>623.08</b>	<b>37,467.24</b>	<b>(13,282.02)</b>	<b>24,185.22</b>
<b>EBIT</b>	<b>5,528.61</b>	<b>112.43</b>	<b>385.53</b>	<b>(97.25)</b>	<b>5,929.32</b>	<b>28.54</b>	<b>5,957.86</b>
Total assets*	22,296.95	2,948.54	5,491.25	737.37	<b>31,474.11</b>	-	<b>31,474.11</b>
Additions in PPE/IA	4,502.71	18.32	827.84	59.46	<b>5,408.33</b>	-	<b>5,408.33</b>
Depreciation and amortization	2,045.27	167.96	529.31	81.36	<b>2,823.90</b>	-	<b>2,823.90</b>
Impairment losses (net)	444.02	43.69	42.82	0.29	<b>530.82</b>	-	<b>530.82</b>

\*) Intangible assets (IA), property, plant and equipment (PPE).

### Information about geographical areas:

December 31, 2013	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	18,963.51	4,221.53	1,000.18	-	<b>24,185.22</b>
Total assets*	29,362.84	839.41	1,271.86	-	<b>31,474.11</b>
Additions in PPE/IA	5,123.17	23.65	261.51	-	<b>5,408.33</b>

\*) Intangible assets (IA), property, plant and equipment (PPE).

\*\*) Sales are allocated per countries/regions based on the location where the risks and benefits are transferred to the customer.

Sales with third parties made in Rest of CEE (Central Eastern Europe) include sales made in Bulgaria amounting to RON 2,969.56 million in 2013.

The key figure of operating performance for OMV Petrom Group is earnings before interest and tax (EBIT). In compiling the segment results, business activities with similar characteristics have been aggregated. Intra-Group sales and cost allocations by the parent company are determined in accordance with internal group policies. Management is of the opinion that the transfer prices of goods and services exchanged between segments correspond to market prices.

## 28. AVERAGE NUMBER OF EMPLOYEES

	December 31, 2013	December 31, 2014
<b>Total OMV Petrom Group</b>	<b>20,393</b>	<b>18,884</b>
thereof:		
OMV Petrom S.A.	19,016	17,861
Subsidiaries	1,377	1,023

## 28. AVERAGE NUMBER OF EMPLOYEES (continued)

The number of employees was calculated as the average of the month's end number of employees during the year.

During 2014, a number of 1,141 employees were transferred to OMV Petrom Global Solutions S.R.L. Refer to Note 31d) for more details.

## 29. RELATED PARTIES

The terms of the outstanding balances receivable from/payable to related parties are typically 10 to 60 days. The balances are unsecured and will be settled in cash. There are no significant provisions for doubtful debts relating to these balances and no significant expense recognized in the consolidated income statement in respect of bad or doubtful debts. There are no guarantees given or paid to related parties as at December 31, 2014 and December 31, 2013. Dividends receivable are not included in the below balances and revenues.

During 2014, OMV Petrom Group had the following transactions with related parties (including balances as of December 31, 2014):

	Nature of transaction	Purchases	Balances payable
<b>OMV Petrom S.A. - parent company</b>			
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	215.05	62.80
OMV Refining & Marketing GmbH	Acquisition of petroleum products	144.88	52.14
OMV International Oil & Gas GmbH	Delegation of personnel and other	101.44	9.63
OMV Exploration & Production GmbH	Delegation of personnel and other	80.63	49.06
OMV Solutions GmbH	Delegation of personnel and other	30.18	-
OMV Aktiengesellschaft	Delegation of personnel and other	24.59	4.85
OMV Trading GmbH	Services and other	21.83	5.20
OMV Supply & Trading AG	Acquisition of petroleum products	13.50	-
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	5.86	-
OMV Gas & Power GmbH	Delegation of personnel and other	4.91	3.45
OMV Austria Exploration & Production GmbH	Various services	0.18	0.07
OMV Abu Dhabi E&P GmbH	Various services	0.16	0.16
OMV Samsun Elektrik Üretim Sanayi ve Ticaret A.Ş.	Delegation of personnel and other	0.10	0.10
OMV Power International GmbH	Delegation of personnel and other	0.01	-
OMV East Abu Dhabi Exploration GmbH	Various services	0.01	-
<b>Total OMV Petrom S.A.</b>		<b>643.33</b>	<b>187.46</b>

## 29. RELATED PARTIES (continued)

	Nature of transaction	Purchases	Balances payable
<b>OMV Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	202.56	19.51
OMV Petrom Global Solutions S.R.L.	Financial, IT and other services	42.26	16.82
OMV Exploration & Production GmbH	Delegation of personnel and other	15.13	3.92
EconGas Hungária Földgázkereskedelmi Kft.	Acquisition of gas	14.55	12.62
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	5.41	-
EconGas GmbH	Acquisition of gas	2.12	-
OMV Aktiengesellschaft	Delegation of personnel and other	1.83	0.13
Congaz S.A.	Various services	0.80	-
Petrom Nadlac S.R.L.	Various services	0.79	-
Borealis AG	Various services	0.41	0.05
OMV - International Services GmbH	Financial services	0.40	25.86
Petrol Ofisi A.Ş.	Acquisition of petroleum products	0.30	-
OMV International Oil & Gas GmbH	Delegation of personnel and other	0.24	0.26
OMV Solutions GmbH	Delegation of personnel and other	0.19	0.01
OMV Gas & Power GmbH	Various services	0.08	0.06
OMV Power International GmbH	Delegation of personnel and other	0.03	-
<b>Total subsidiaries</b>		<b>287.10</b>	<b>79.24</b>
<b>Total OMV Petrom Group</b>		<b>930.43</b>	<b>266.70</b>

	Nature of transaction	Revenues	Balances receivable
<b>OMV Petrom S.A. - parent company</b>			
OMV Supply & Trading AG	Sales of petroleum products	1,569.66	3.46
OMV Deutschland GmbH	Sales of propylene	193.11	20.65
OMV Solutions GmbH	Financial, IT and other services	43.35	-
OMV Trading GmbH	Services and other	32.22	0.27
OMV Exploration & Production GmbH	Delegation of personnel and other	21.34	3.15
OMV Refining & Marketing GmbH	Delegation of personnel and other	21.22	2.60
OMV Aktiengesellschaft	Delegation of personnel and other	17.36	3.61
OMV Petrom Global Solutions S.R.L.	Various services*	15.54	4.99
Borealis AG	Sales of petrochemicals	11.72	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.87	0.18
Trans Gas LPG Services S.R.L.	Various services	0.06	0.04
Petrol Ofisi A.Ş.	Sales of petroleum products	0.02	0.04
Petrom Nadlac S.R.L.	Various services	0.01	0.01
<b>Total OMV Petrom S.A.</b>		<b>1,926.48</b>	<b>39.00</b>

\*) does not include transfer of business that is disclosed separately in Note 31d).

## 29. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
<b>OMV Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.22	0.33
OMV - International Services GmbH	Other services	3.50	14.28
OMV Exploration & Production GmbH	Delegation of personnel and other	1.32	0.49
OMV Aktiengesellschaft	Delegation of personnel and other	1.09	0.20
OMV Petrom Global Solutions S.R.L.	Various services	0.59	-
Borealis AG	Various services	0.21	-
Trans Gas LPG Services S.R.L.	Various services	0.02	-
<b>Total subsidiaries</b>		<b>10.95</b>	<b>15.30</b>
<b>Total OMV Petrom Group</b>		<b>1,937.43</b>	<b>54.30</b>

During 2014, OMV Petrom Group had the following interest income and interest expenses with related parties (including balances as of December 31, 2014 related to interest payable and interest receivable).

	Interest expense	Balances payable
<b>OMV Petrom S.A. - parent company</b>		
OMV Petrom Global Solutions S.R.L.	1.25	0.06
<b>Total OMV Petrom S.A.</b>	<b>1.25</b>	<b>0.06</b>
<b>Total OMV Petrom Group</b>	<b>1.25</b>	<b>0.06</b>

	Interest income	Balances receivable
<b>OMV Petrom S.A. - parent company</b>		
OMV Supply & Trading AG	1.21	-
OMV Petrom Global Solutions S.R.L.	0.13	-
<b>Total OMV Petrom S.A.</b>	<b>1.34</b>	<b>-</b>
<b>Total OMV Petrom Group</b>	<b>1.34</b>	<b>-</b>

## 29. RELATED PARTIES (continued)

During 2013, OMV Petrom Group had the following transactions with related parties (including balances as of December 31, 2013):

	Nature of transaction	Purchases	Balances payable
<b>OMV Petrom S.A. - parent company</b>			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	512.53	39.69
OMV Exploration & Production GmbH	Delegation of personnel and other	110.43	45.51
OMV Solutions GmbH	Delegation of personnel and other	52.76	10.31
OMV Aktiengesellschaft	Delegation of personnel and other	35.60	5.51
OMV Trading GmbH	Acquisition of electricity and other	31.74	21.70
OMV Supply & Trading AG	Acquisition of petroleum products	30.76	1.03
OMV International Oil & Gas GmbH	Delegation of personnel and other	21.42	0.25
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	3.79	-
OMV Power International GmbH	Delegation of personnel and other	2.95	2.82
OMV Gas & Power GmbH	Delegation of personnel and other	1.27	0.12
<b>Total OMV Petrom S.A.</b>		<b>803.25</b>	<b>126.94</b>

	Nature of transaction	Purchases	Balances payable
<b>OMV Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	225.40	31.64
OMV Exploration & Production GmbH	Delegation of personnel	13.47	8.46
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	12.51	0.60
OMV - International Services GmbH	Financial services	2.84	31.73
Petrol Ofisi A.Ş.	Acquisition of petroleum products	1.17	0.05
OMV Aktiengesellschaft	Delegation of personnel and other	0.18	0.12
OMV Power International GmbH	Delegation of personnel and other	0.13	0.13
OMV Solutions GmbH	Delegation of personnel and other	0.03	-
Petrom Nadlac S.R.L.	Various services	-	0.27
OMV Gas & Power GmbH	Various services	-	0.06
<b>Total subsidiaries</b>		<b>255.73</b>	<b>73.06</b>
<b>Total OMV Petrom Group</b>		<b>1,058.98</b>	<b>200.00</b>



**29. RELATED PARTIES (continued)**

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances receivable</b>
<b>OMV Petrom S.A. - parent company</b>			
OMV Supply & Trading AG	Sales of petroleum products	1,905.88	60.10
OMV Deutschland GmbH	Sales of propylene	313.64	47.03
OMV Solutions GmbH	Financial, IT and other services	59.03	12.42
OMV Exploration & Production GmbH	Delegation of personnel and other	9.27	2.88
OMV Refining & Marketing GmbH	Delegation of personnel and other	7.89	0.67
OMV Aktiengesellschaft	Delegation of personnel and other	3.54	3.12
OMV Trading GmbH	Services and other	2.68	0.27
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Sales of petroleum products	0.31	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.06	0.06
OMV (Pakistan) Exploration GmbH	Various services	0.01	-
SC Solar Jiu S.R.L.	Various services	-	0.01
<b>Total OMV Petrom S.A.</b>		<b>2,302.31</b>	<b>126.56</b>

	<b>Nature of transaction</b>	<b>Revenues</b>	<b>Balances receivable</b>
<b>OMV Petrom Group subsidiaries</b>			
OMV Refining & Marketing GmbH	Delegation of personnel and other	5.72	0.70
OMV - International Services GmbH	Other services	3.07	14.54
OMV Aktiengesellschaft	Delegation of personnel and other	2.20	0.07
OMV Exploration & Production GmbH	Delegation of personnel and other	0.05	0.05
Trans Gas LPG Services S.R.L.	Various services	0.01	-
<b>Total subsidiaries</b>		<b>11.05</b>	<b>15.36</b>
<b>Total OMV Petrom Group</b>		<b>2,313.36</b>	<b>141.92</b>

During 2013, OMV Petrom Group had no interest income and interest expenses with related parties (including balances as of December 31, 2013 related to interest payable and interest receivable).

**Loan to OMV Petrom Global Solutions S.R.L.**

A loan agreement with maturity on June 15, 2019 was signed between OMV Petrom S.A. and OMV Petrom Global Solutions S.R.L. for a maximum limit of RON 27.00 million. There are no outstanding amounts under this facility as at December 31, 2014. Relationship with OMV Petrom Global Solutions S.R.L. also comprises the cash pooling during 2014, included in Note 15c).

**Loan to Petrom Nadlac S.R.L.**

During 2014, OMV Petrom S.A. granted an intercompany loan to Petrom Nadlac S.R.L. with the

## 29. RELATED PARTIES (continued)

maximum limit of RON 1.70 million, having maturity on April 30, 2019. The outstanding amount as at December 31, 2014 was RON 1.50 million.

### **Ultimate parent**

As disclosed in Note 1, OMV Petrom S.A.'s major shareholder is OMV Aktiengesellschaft, being the ultimate parent of the Group and it is based in Austria. The majority of OMV Aktiengesellschaft shares are held by Österreichische Industrieholding AG (ÖIAG – 31.5%) and International Petroleum Investment Company (IPIC, Abu Dhabi – 24.9%).

### **Key management remuneration**

Each member of the Supervisory Board is entitled to receive a net amount of EUR 20,000 per year as remuneration for its service for the year ended December 31, 2014 (2013: same amount).

At December 31, 2014 and 2013 there are no loans or advances granted by the Group to the members of the Supervisory Board.

As at December 31, 2014 and 2013, the Group does not have any obligations regarding pension payments to former members of the Supervisory Board.

### 30. DIRECT AND INDIRECT INVESTMENTS OF OMV PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2014

Company Name	Share interest percentage	Consolidation treatment*	Activity	Country of incorporation
<b>Subsidiaries (&gt;50%)</b>				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
ICS Petrom Moldova S.A.	100.00%	FC	Fuel distribution	Moldova
OMV Petrom Marketing S.R.L.	100.00%	FC	Fuel distribution	Romania
Tasbulat Oil Corporation BVI	100.00%	NC	Holding company	British Virgin Islands
OMV Petrom Wind Power S.R.L.	99.99%	FC	Wind power production	Romania
OMV Petrom Gas S.R.L.	99.99%	FC	Gas distribution	Romania
Petromed Solutions S.R.L.	99.99%	FC	Medical services	Romania
OMV Petrom Aviation S.A.	99.99%	FC	Airport sales services	Romania
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
OMV Srbija DOO	99.96%	FC	Fuel distribution	Serbia
Petrom Nădlac S.R.L.	98.51%	NC	Fuel distribution	Romania
Kom Munai LLP	95.00%	FC	Oil exploration and production in Kazakhstan	Kazakhstan
Petrochemicals Argeş S.R.L.	95.00%	NC	Refining petrochemicals products	Romania
Trans Gas LPG Services S.R.L.	80.00%	NC	LPG transportation related services	Romania
Petrom Exploration & Production Limited	50.00%	FC	Exploration and production services	Isle of Man
OMV Petrom Ukraine E&P GmbH	100.00%	FC	Oil and gas exploration in Ukraine	Austria
OMV Petrom Ukraine Finance Services GmbH	100.00%	FC	Other services	Austria
<b>Associated companies (20-50%)</b>				
Franciza Petrom 2001 S.A.	40.00%	NAE	Fuel distribution	Romania
Brazi Oil & Anghelescu Prod Com S.R.L.	37.70%	NAE	Fuel distribution	Romania
Fontegas Peco Mehedinti S.A.	37.40%	NAE	Fuel distribution	Romania
OMV Petrom Global Solutions S.R.L.	25.00%	EM	Financial, IT and other services	Romania
Asociația Română pentru Relația cu Investitorii	20.00%	NAE	Public representation	Romania

\*) Consolidation treatment:

FC	Full consolidation
EM	Accounted for at equity (associated company)
NC	Not – consolidated subsidiary (companies of relative insignificance, both individually and collectively, to the consolidated financial statements)
NAE	Other investment recognized at cost (associated companies of relatively little importance to the assets and earnings of the consolidated financial statements).

Non-consolidated subsidiary Solar Jiu S.R.L. was deregistered during 2014.

The subsidiaries which are not consolidated have very low volumes of business; the total sales, net income/losses and equity of such companies represent less than 1% of the consolidated totals.

## 31. CASH FLOW STATEMENT INFORMATION

### a) Drawings and repayments of borrowings

During 2014 OMV Petrom Group has drawn borrowings amounting to RON 604.36 million (2013: RON 0.63 million) and has repaid borrowings amounting to RON 179.17 million (2013: RON 825.73 million) and finance lease obligations amounting to RON 27.70 million (2013: RON 12.24 million).

### b) Investments and other financial assets

During 2014 OMV Petrom Group did not acquire any subsidiary. However, a new associated entity, OMV Petrom Global Solutions S.R.L., was set-up in 2014, in which OMV Petrom S.A. holds 25% interest, generating cash out flow amounting to RON 45.24 million. OMV Petrom Global Solutions S.R.L. is a service center which provides multiple support services exclusively to OMV Group companies. The entity is accounted for at equity in the Group's consolidated financial statements and the Group's share in 2014 results is presented in Note 8.

During 2014 OMV Petrom paid in cash an amount of RON 0.12 million for the increase of share capital of OMV Petrom Ukraine Finance Services GmbH. At OMV Petrom Group level, there is no net cash out impact from this transaction.

During 2014 OMV Petrom paid in cash an amount of RON 0.04 million for the increase of share capital of Solar Jiu S.R.L., before disposal.

During 2013 OMV Petrom Group acquired from OMV Exploration & Production GmbH a percentage of 100% in two new companies: OMV Petrom Ukraine E&P GmbH and OMV Petrom Ukraine Finance Services GmbH. OMV Petrom paid a total amount of RON 198.36 million (equivalent of EUR 44.52 million), which represents exactly the cash owned by these companies at the moment of acquisition. Therefore, at OMV Petrom Group level there is no net cash out impact from these acquisitions.

During 2013 OMV Petrom paid in cash an amount of RON 0.10 million for the share capital of Solar Jiu S.R.L., not consolidated subsidiary.

### c) Disposal of Group companies

#### Associates

On July 31, 2014 OMV Petrom sold its 28.59% interest in the non-core gas distribution and supply company Congaz S.A. to GDF SUEZ Energy Romania S.A.

## 31. CASH FLOW STATEMENT INFORMATION (continued)

### OMV Petrom's share in net assets of disposed associate at the date of disposal

	December 31, 2013	December 31, 2014
Non-current assets	-	50.57
Current assets	-	15.90
Current liabilities	-	(20.69)
<b>Share in net assets disposed of</b>	<b>-</b>	<b>45.78</b>
<b>Gain / (Loss) on disposal of associate</b>		
Share of proceeds on disposal of associate	-	43.52
Share of net assets disposed of	-	(45.78)
<b>Loss on disposal of associate</b>	<b>-</b>	<b>(2.26)</b>

### Net cash flow from sale of associate

	December 31, 2013	December 31, 2014
Net consideration received	-	43.52
<b>Net cash inflow on disposal of associate</b>	<b>-</b>	<b>43.52</b>

### Subsidiaries

During 2014, OMV Petrom Group did not dispose of any fully consolidated subsidiary. The Group deregistered Solar Jiu S.R.L., non-consolidated subsidiary, thus generating a loss from disposal in amount of RON 0.14 million.

During 2014, OMV Petrom also collected the remaining amount of RON 15.99 million related to the sale of Petrom Distribuție Gaze in 2013.

During 2013, OMV Petrom Group disposed of two subsidiaries: Petrom LPG S.A. from R&M segment and Petrom Distribuție Gaze S.R.L. from G&P segment.



### 31. CASH FLOW STATEMENT INFORMATION (continued)

#### Net assets of disposed subsidiaries at the date of disposal

	December 31, 2013	December 31, 2014
<b>Non-current assets</b>		
Intangible assets	1.27	-
Property, plant and equipment	69.11	-
<b>Current assets</b>		
Inventories	21.99	-
Trade receivables	42.85	-
Other financial assets short term	39.56	-
Other assets short term	1.35	-
Cash and cash equivalents	36.48	-
Deferred tax asset	12.25	-
<b>Liabilities</b>		
Provisions for pensions and similar obligations long term	(7.70)	-
Other financial liabilities long term	(49.07)	-
Trade payables	(34.31)	-
Deferred tax liabilities	(3.46)	-
Current income tax payable	(0.09)	-
Other provisions and decommissioning short term	(1.90)	-
Other liabilities short term	(11.38)	-
<b>Net assets disposed of</b>	<b>116.95</b>	<b>-</b>

#### Gain / (Loss) on disposal of subsidiaries

	December 31, 2013	December 31, 2014
Proceeds on disposal of subsidiaries	116.02	-
Net assets disposed of	(116.95)	-
<b>Loss on disposal of subsidiaries</b>	<b>(0.93)</b>	<b>-</b>

#### Net cash flow on disposal of subsidiaries

	December 31, 2013	December 31, 2014
Net consideration received in cash and cash equivalents	100.04	-
Less cash and cash equivalents balances disposed of	(36.48)	-
<b>Net cash inflow on disposal of subsidiaries</b>	<b>63.56</b>	<b>-</b>
Less cash advance received in 2012 for Petrom LPG S.A.	(9.82)	-
Plus encashment for 2013 sale of Petrom Distribuție Gaze S.R.L.	-	15.99
<b>Net cash inflow on disposal of subsidiaries</b>	<b>53.74</b>	<b>15.99</b>

## 31. CASH FLOW STATEMENT INFORMATION (continued)

### d) Transfer of business

In July 2014, OMV Petrom transferred its business related to IT and financial service center to the newly incorporated associated company OMV Petrom Global Solutions S.R.L..

#### Net assets at the date of transfer

	December 31, 2013	December 31, 2014
Intangible assets and property, plant and equipment	-	122.42
Prepayments	-	21.85
Other current assets	-	0.41
Provisions	-	(30.92)
Other non-current liabilities	-	(0.74)
Current liabilities	-	(9.78)
<b>Net assets</b>	<b>-</b>	<b>103.24</b>

#### Gain / (Loss) on transfer of business

	December 31, 2013	December 31, 2014
Proceeds on transfer of business	-	173.36
Unrecognized gain from transfer of business	-	(17.53)
Net assets disposed of	-	(103.24)
<b>Gain on transfer of business</b>	<b>-</b>	<b>52.59</b>

#### Net cash flow from transfer of business

	December 31, 2013	December 31, 2014
Net consideration received	-	173.36
<b>Net cash inflow on transfer of business</b>	<b>-</b>	<b>173.36</b>

### e) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by OMV Petrom Group for the year ended December 31, 2014 is of RON 1,018.02 million (2013: RON 416.20 million), out of which the amount of RON 102.22 million is related to operating activities (2013: RON 313.13 million) and the amount of RON 915.80 million represents cash outflows for exploration investing activities (2013: RON 103.07 million).

## 32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Estimates of fair value at year end date, discussed below, are normally based on the market information available. The fair value of other financial assets and securities and investments is calculated primarily on the basis of quoted market prices. Where no quoted price and no present value can be established, the determination of a fair value is not feasible.

The book values of accounts receivable and other assets and cash in hand, checks and cash at bank are reasonable estimates of their fair values, as the assets in question generally have maturities of less than one year.

The fair value of financial liabilities, for which market prices are not available, was established by discounting future cash flows using the interest rates prevailing at year end date for similar liabilities with like maturities (level 2 hierarchy).

The carrying values of tax provisions and other current provisions is the same as their fair value. The fair value of non-current provisions is not considered to differ materially from their carrying value.

The carrying value of other liabilities is effectively the same as their fair value, because they are predominantly short-term. The fair value of derivative financial instruments corresponds to their market value.

The following overview presents the measurement of financial instruments (assets and liabilities) recognized at fair value.

In accordance with IFRS 13, the individual levels are defined as follows:

Level 1: Using quoted prices in active markets for identical assets or liabilities.

Level 2: Using inputs for the asset or liability, other than quoted prices, that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Using inputs for the asset or liability that are not based on observable market data such as prices, but on internal models or other valuation methods.

### Fair value hierarchy for derivative instruments as at December 31, 2014

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-
Other derivatives (net asset)	-	3.24	-	3.24
<b>Total</b>	<b>-</b>	<b>3.24</b>	<b>-</b>	<b>3.24</b>

### Fair value hierarchy for derivative instruments as at December 31, 2013

	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	-	-	-	-
Other derivatives (net asset)	-	3.26	-	3.26
<b>Total</b>	<b>-</b>	<b>3.26</b>	<b>-</b>	<b>3.26</b>

## 32. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

The financial liabilities whose fair values differ from their carrying amounts as at December 31, 2014 and December 31, 2013 (Level 2 – observable inputs), as well as the respective differences are presented in the table below:

<b>December 31, 2014</b>			
<b>Financial liabilities</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Difference</b>
Interest-bearing debts	1,826.83	1,862.63	(35.80)
Finance lease liabilities	295.50	295.75	(0.25)
<b>Total</b>	<b>2,122.33</b>	<b>2,158.38</b>	<b>(36.05)</b>

<b>December 31, 2013</b>			
<b>Financial liabilities</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Difference</b>
Interest-bearing debts	1,411.13	1,442.77	(31.64)
Finance lease liabilities	310.89	297.74	13.15
<b>Total</b>	<b>1,722.02</b>	<b>1,740.51</b>	<b>(18.49)</b>

The fair value of these financial liabilities was determined by discounting future cash flows using interest rates prevailing at reporting date for similar liabilities with similar maturities.

## 33. COMMITMENTS AND CONTINGENCIES

### Commitments

As at December 31, 2014 the total commitments engaged by OMV Petrom Group for investments is of RON 1,412.32 million (2013: RON 1,088.31 million), out of which RON 1,284.50 million related to property, plant and equipment (2013: RON 1,027.92 million) and RON 127.82 million for intangible assets (2013: RON 60.39 million). The Group has additional commitments in relation to joint arrangements. For details please refer to Note 34.

### Litigations

OMV Petrom Group provides for litigations that are likely to result in obligations. Management is of the opinion that litigations, to the extent not covered by provisions or insurance, will not materially affect OMV Petrom Group's financial position. The production facilities and properties of all Group companies are subject to a variety of environmental protection laws and regulations in the countries where they operate; provisions are made for probable obligations arising from environmental protection measures. The management believes that compliance with current laws and regulations, and future more stringent laws and regulations, will not have a material negative impact on consolidated results.

### Contingent liabilities

OMV Petrom Group has contingent liabilities representing performance guarantees in amount of RON 25.23 million as at December 31, 2014 (2013: RON 28.70 million).

## 34. INTERESTS IN JOINT ARRANGEMENTS

OMV Petrom S.A. entered into a farm out arrangement with ExxonMobil Exploration and Production Romania Limited ("Exxon") with the purpose to explore and develop the Neptun Deepwater block in Black Sea and has a participating interest of 50%. Starting August 2011, ExxonMobil has been appointed as operator (previously OMV Petrom S.A. was operator).

OMV Petrom S.A. entered into a farm out arrangement with Hunt Oil Company of Romania S.R.L. ("Hunt") with the purpose to explore and develop Adjud and Urziceni East onshore blocks and has a participating interest of 50%. Starting October 2013, Hunt has been appointed as operator (previously OMV Petrom S.A. was operator).

In 2013 OMV Petrom S.A. entered into four farm out arrangements with Repsol with the purpose to explore and develop four onshore blocks (Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII) for the area deeper than 2,500-3,000 m and has a participating interest of 51%. OMV Petrom S.A. has been appointed operator.

In 2012 OMV Petrom S.A. signed a transfer agreement with ExxonMobil, Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of hydrocarbon exploration and production rights to the deep water portion of the XV Midia Block ("Midia Deep"). Following completion of the transfer agreement in 2014, the participating interests in Midia Deep are: ExxonMobil 42.5%, OMV Petrom 42.5%, and Gas Plus 15% and ExxonMobil will be the operator of petroleum operations.

Joint activities described above are classified as joint operations according with IFRS 11.

OMV Petrom's share of the aggregate capital commitments for these joint arrangements as at December 31, 2014 is amounting RON 235.11 million (2013: RON 541.59 million), mainly in relation to off-shore drilling requirements.

## 35. RISK MANAGEMENT

### Capital risk management

OMV Petrom Group continuously manages its capital adequacy to ensure that its entities will be optimally capitalized in balance with their risks exposure in order to maximize the return to stakeholders. The capital structure of OMV Petrom Group consists of equity attributable to equity holders of the parent (comprising share capital, reserves and revenue reserves as disclosed in the "Consolidated Statement of Changes in Equity") and debt (which includes the short and long term borrowings disclosed in Note 15). Capital risk management at OMV Petrom Group is part of the value management and it is based on permanent review of the gearing ratio of the group.

The gearing ratio of OMV Petrom Group calculated as net debt/ (equity)\*100 was 3% as at December 31, 2014 (December 31, 2013: 1%) showing an increasing exposure to leverage risk. Net debt is calculated as interest-bearing debts including financial lease liability, less cash and cash equivalents.



## 35. RISK MANAGEMENT (continued)

OMV Petrom Group's management reviews the capital structure as well as group risk reports regularly. As part of this review, the cost of capital and the risks associated with each class of capital are being considered.

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 4 to the financial statements.

### Financial risk management objectives and policies

The objective of OMV Petrom Group's Risk Management function is to secure positive economic value added for medium term time horizon by managing the group's consolidated cash flow exposure within the risk appetite. High potential single event risks are monitored individually.

Risk Management function reports twice per year to OMV Petrom Executive Board and Supervisory Board's Audit Committee an overview of OMV Petrom Group's risk profile for midterm horizon, as well as the risk management activities and initiatives undergone for mitigating the Group's risk exposures.

### Risk exposures and responses

OMV Petrom Risk Management function performs a central coordination of an Enterprise Wide Risk Management (EWRM) process in which it actively pursues the identification, analysis, evaluation and treatment of significant risks (market and financial, operational and strategic) in order to minimize their effects on cash flows up to an acceptable level agreed as the risk appetite.

Risk Management function monitors and manages all significant risks of OMV Petrom Group companies through an integrated process in line with ISO 31000 EWRM standard, by internal risk reports and regular assessments which analyze all significant risk exposures and their cash flow magnitude in comparison with the risk appetite.

Aside the business operational and strategic category of exposures, the market and financial risk category plays an important role in OMV Petrom Group's risk profile and is managed with special diligence – market and financial risk includes, among others, foreign exchange risk, interest rate risk, counterparty credit risk, commodity market price risk and liquidity risk.

Response wise, any risk which increases near to its significance level or which is sensitive to the risk appetite level and it rapidly develops is monitored and alert is issued. For these situations individual and case specific treatment plans are proposed, approved and implemented immediately in order to decrease the exposures down to acceptable levels.

### Commodity Market Price Risk

OMV Petrom Group is naturally exposed to the market risks arising out of the price driven

## 35. RISK MANAGEMENT (continued)

volatility of the cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. The market risk has core strategic importance within OMV Petrom Group risk profile and the company's midterm liquidity. The market price risks of OMV Petrom Group commodities are very closely analyzed, quantified, evaluated and mitigated when required in order to secure their expected returns within OMV Petrom Group's midterm objectives.

Financial instruments may be used where appropriate to hedge the main industry risks associated with price volatility such as the highly negative impact of low oil prices on cash flow. In 2014 no financial instruments were used for commodity hedging.

### Foreign exchange risk management

Because OMV Petrom Group operates in many countries and currencies, industry specific activities and the corresponding exchange risks are being analyzed. OMV Petrom Group is mostly exposed to the movement of the US dollar and Euro against Romanian Leu. Other currencies have only limited impact on cash flow and EBIT.

### Foreign currency sensitivity analysis

The carrying amounts of foreign currency denominated monetary assets and liabilities of OMV Petrom Group companies at the reporting date are as follows:

	Assets		Liabilities	
	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014
Thousand USD	616,894	468,260	26,720	129,219
Thousand EUR	155,397	92,087	440,822	437,717

**Translation risk** arises on the consolidation of subsidiaries preparing their financial statements in other currencies than in Romanian lei but also from the consolidation of assets and liabilities naturally denominated in foreign currency. Foreign currency assets and liabilities are those which result from transactions denominated in other currencies than the functional currencies of OMV Petrom Group companies. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

The following table details OMV Petrom Group's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant foreign currencies. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. A positive number below indicates an increase in total comprehensive income generated by a 10% currency fluctuation and a negative number below indicates a decrease in total comprehensive income with the same value.

## 35. RISK MANAGEMENT (continued)

### +10% increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2013	2014	2013	2014
Profit/ (Loss)	42,379	6,841	(28,543)	(34,563)
Other comprehensive income	16,638	27,063	-	-

### -10% decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2013	2014	2013	2014
Profit/ (Loss)	(42,379)	(6,841)	28,543	34,563
Other comprehensive income	(16,638)	(27,063)	-	-

(i) This is mainly attributable to the exposure on USD loans (partially reimbursed during the year) and to increased USD liabilities in connection with investment activities.

(ii) This is mainly attributable to the exposure on EUR loans at year end.

The above sensitivity analysis of the inherent foreign exchange risk shows the translation exposure at the end of the year; however the cash flow exposure during the year is continuously monitored and managed by OMV Petrom Group.

### Interest rate risk management

To facilitate management of interest rate risk, OMV Petrom Group's liabilities are analyzed in terms of fixed and variable rate borrowings, currencies and maturities.

The sensitivity analyses below have been determined based on the exposure to interest rates for borrowings at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 1% increase or decrease represents management's assessment of the reasonably possible change in interest rates (with all other variables held constant).

### Analysis for change in interest rate risk

#### Variable rate borrowings:

	Balance as at		Effect of 1% change in interest rate	
	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014
Short term borrowings	181.12	263.15	1.81	2.63
Long term borrowings	1,262.51	1,604.91	12.63	16.05

## 35. RISK MANAGEMENT (continued)

In 2014, the internal risk analysis resulted in no need for hedging the interest rate risk, hence no financial instruments were used for interest rate hedging.

### **Counterparty Credit Risk management**

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to OMV Petrom Group. The main counterparty credit risks are assessed, monitored and managed at OMV Petrom Group level using predetermined limits for specific countries, banks and business partners. On the basis of creditworthiness, 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 all counterparties depending on their liquidity class, parts of their credit limits is secured via liquid contractual securities such as bank guarantee letters, credit insurance and other similar instruments. The credit limit monitoring procedures are governed by strict guidelines.

OMV Petrom Group does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics. OMV Petrom Group defines counterparties as having similar characteristics if they are related entities.

### **Liquidity risk management**

For the purpose of assessing liquidity risk, budgeted operating and financial cash inflows and outflows throughout OMV Petrom Group 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. To ensure that OMV Petrom Group remains solvent at all the times and retains the necessary financial flexibility, liquidity reserves in form of committed credit lines are maintained. The maturity profile of the Group financial liabilities is presented in Note 16.

## 36. SUBSEQUENT EVENTS

There are no significant events subsequent to the reporting date.

These financial statements, presented from page 82 to page 161, comprising the consolidated statement of financial position, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements, were approved on March 24, 2015.



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Andreas Matje,  
Chief Financial Officer



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E.B. Member,  
Exploration & Production



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Director Finance Department



Eduard Petrescu,  
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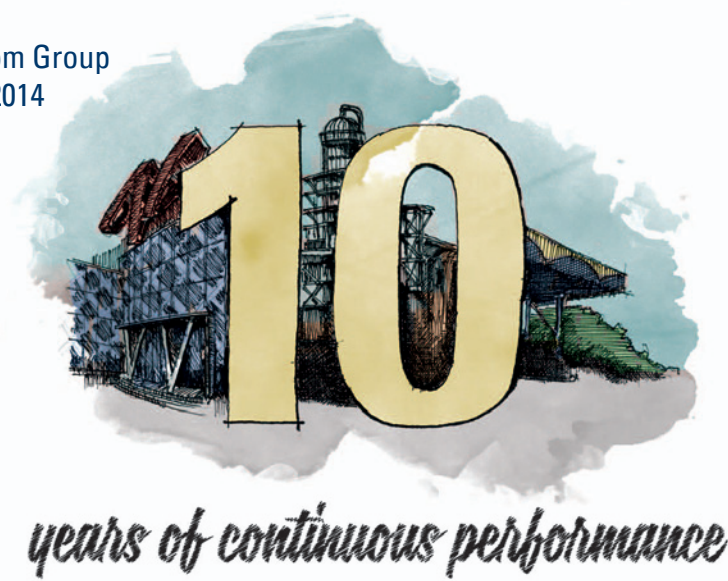
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OMV Petrom Group  
in figures 2014



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