

2012

Annual Report



PETROM

Member of OMV Group

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Petrom Group in figures 2012

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

Petrom Group – at a glance

Operational results

	2010	2011	2012
Total hydrocarbon production (mn boe)	67.08	67.77	66.87
Refinery capacity utilization rate (%) ¹	49	79	73
Total refined product sales (mn t)	5.47	5.23	5.00
Number of filling stations	801	793	798
Number of employees at the end of period	24,662	22,912	21,650

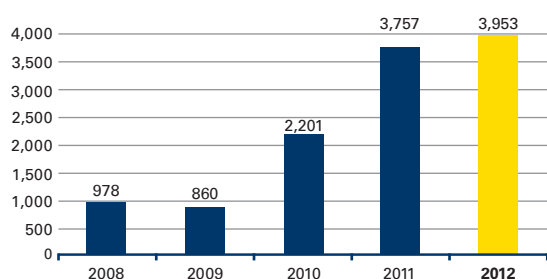
¹ Arpechim refinery was in economic shut-down for nearly nine months of 2010. Starting with 2011, the Arpechim refinery is no longer included in the calculation.

Financial results

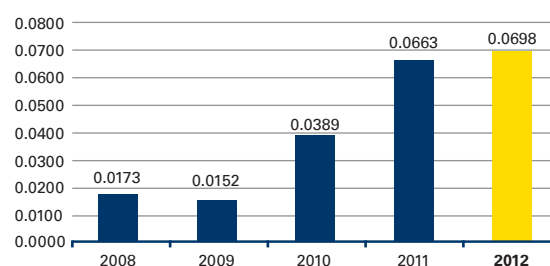
	2010	2011	2012
Sales (RON mn)	18,616	22,614	26,258
EBIT (RON mn)	2,986	4,936	5,662
Net income attributable to stockholders (RON mn)	2,201	3,757	3,953
Clean CCS EBIT (RON mn) ²	3,325	5,475	5,855
Clean CCS net income attributable to stockholders (RON mn) ²	2,457	4,206	4,307
Cash flow from operating activities (RON mn)	4,630	6,442	7,185
Capital expenditure (RON mn)	4,863	4,803	4,930
EPS (RON)	0.0389	0.0663	0.0698
ROACE (%)	10.7	17.3	16.5

² Clean CCS figures exclude special items and inventory holding effects (current cost of supply – CCS effects) resulting from R&M.

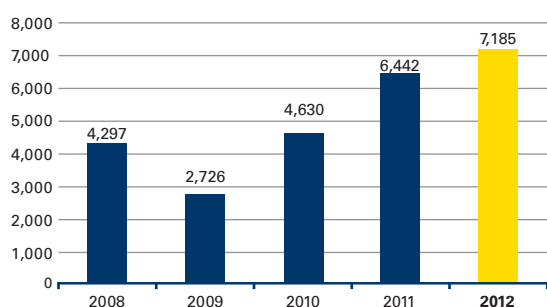
Net income attributable to stockholders (RON mn)



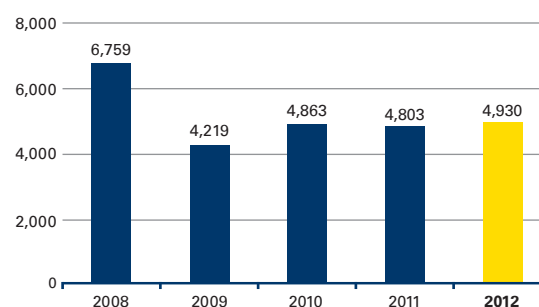
Earnings per share (RON)



Cash flow from operating activities (RON mn)

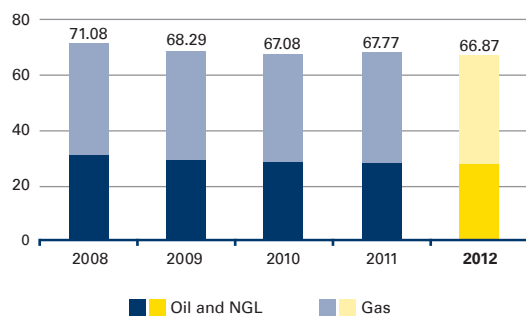


Capital expenditure (RON mn)

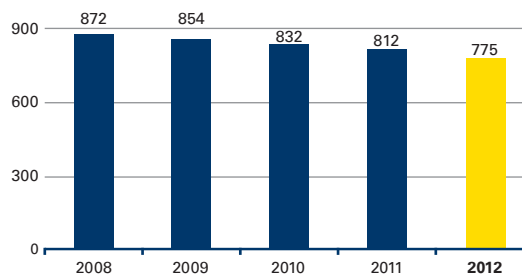


Exploration and Production

Production (mn boe)

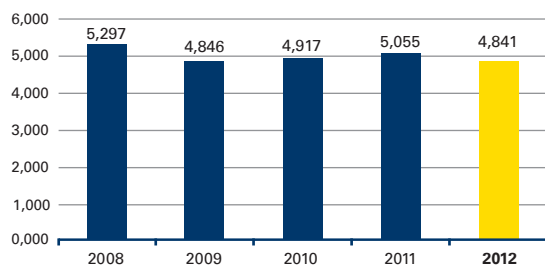


Proved reserves (mn boe)

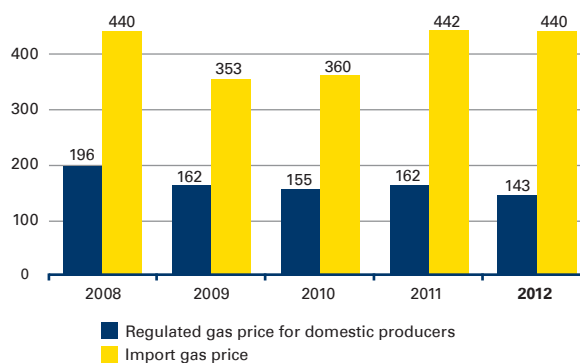


Gas and Power

Gas sales (mn cbm)

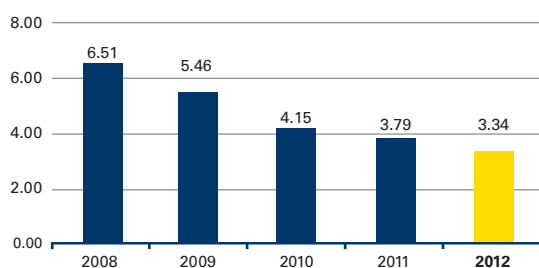


Gas prices (USD/1,000 cbm)

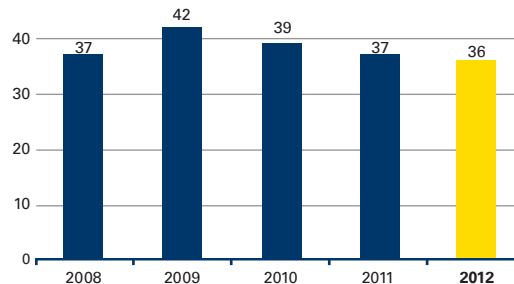


Refining and Marketing

Refining input (mn t)



Romanian fuel market share (%)



A photograph of an industrial facility at night. Two tall, white smokestacks with black bands and illuminated platforms are the central focus. In the foreground, there are large, green, horizontal storage tanks. The facility is lit with various lights, including yellow safety lights on walkways and white lights on the tanks and structures. The sky is a deep blue.

Company

Strategy 2021

In 2012, we reviewed our business strategy to position ourselves for long-term growth, in the context of complex regional and international developments. Our Strategy 2021 reconfirms our previous strategic directions, matches the OMV Group Strategy and addresses the needs of the Romanian energy sector.

Our vision is to remain the leading regional, integrated oil and gas company with sustainable performance needed to support potential upstream growth in the neighboring Black Sea region. To this end, our efforts will continue to focus on maximizing the current E&P portfolio value and positioning for growth, on enhancing the value of equity gas and on optimizing the integrated equity oil.

Over the following pages, we report on key projects and initiatives across all divisions, directed towards delivering sustainable performance for growth.

Highlights 2012

January

- ▶ On **January 1**, Gerald Kappes began his appointment as interim member of the Petrom Supervisory Board, following Werner Auli's waiver of the mandate.
- ▶ On **January 9**, Petrom announced having started exploration drilling on Domino-1, the first deepwater exploration well in the Romanian sector of the Black Sea, together with ExxonMobil Exploration and Production Romania Limited (EMEPRIL).
- ▶ On **January 10**, Petrom announced that the Romanian Competition Council imposed a fine of RON 366,530,965 on Petrom and RON 137,288,031 on OMV Petrom Marketing SRL as a result of the antitrust investigation regarding the withdrawal of the retail product Eco Premium (unleaded gasoline pre-mixed with lead substitute) from the Romanian fuels market.
- ▶ On **January 17**, Petrom announced final tests at the Brazi power plant had been interrupted due to external technical factors.

February

- ▶ On **February 3**, Petrom announced having encountered natural gas in Domino-1. On February 22, Petrom confirmed a potentially significant gas discovery in Domino-1: the exploration well encountered 70.7 meters of net gas pay, resulting in a preliminary estimate for the accumulation ranging from 1.5 to 3 trillion cubic feet (42 to 84 billion cubic meters).

March

- ▶ On **March 16**, OMV Bulgaria OOD, a 99.9% subsidiary of OMV Petrom S.A., was notified of an alleged breach of antitrust regulations by the Bulgarian Commission for Protection of Competition (CPC). According to its subsequent decision, CPC terminated the proceedings because no further grounds existed for their continuation.
- ▶ On **March 23**, Petrom announced the appointment of Hans-Peter Floren as interim member of the Supervisory Board, following Gerald Kappes' waiver of the mandate.

April

- ▶ On **April 27** the Ordinary General Meeting of Shareholders took place. For details please refer to page 18, section General Meeting of Shareholders.

May



June

- ▶ On **June 19**, Petrom announced its strategy update for 2021.
- ▶ On **June 27**, Petrom announced the finalization of the upgrade of the crude vacuum distillation unit in Petrobrazi refinery, which enables it to process the entire domestic crude production of Petrom, while increasing middle distillates yield and reducing energy consumption.
- ▶ On **June 29**, Petrom announced its decision to sell the 99.99% stake in the subsidiary Petrom LPG SA to Crimbo Gas International. The transaction was finalized on January 7, 2013.

July



August

- On **August 1**, Petrom began commercial operations at the Brazi power plant.



September

- On **September 1**, Cristian Secoșan began his appointment as member of the Petrom Executive Board, responsible for Gas and Power (including Chemicals), following Hilmar Kroat-Reder's waiver of his mandate.

October



November

- On **November 27**, Petrom announced the appointment of Andreas Peter Matje starting January 1, 2013 as member of the Executive Board and Chief Financial Officer of Petrom, following Daniel Turnheim's waiver of his mandate.
- On **November 27**, Petrom inaugurated its third greenfield fuel terminal at Ișalnița.

December

- On **December 5**, Petrom announced having started, together with EMEPRL, the largest 3D seismic study in the Black Sea, on approximately 6,000 km² in the deepwater area of the Neptun block.
- On **December 17**, Petrom announced the start of the first 3D seismic campaign in the shallow water sector of Neptun block, conducted on an area of 1,600 km².
- On **December 21**, Petrom announced the signing of a 15-year agreement with Expert Petroleum for production enhancement services on 13 small mature fields (producing around 2.4 kboe/d at that moment), some of them exploited for more than 40 years, situated in the Western part of Romania, nearby Timișoara.

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 supervises the management of its group companies in accordance with the law, the company's Articles of Association, the internal rules and guidelines as well as the resolutions of the Supervisory Board and of the General Meeting of Shareholders.

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



Mariana Gheorghe (1956) – Chief Executive Officer and President of the Executive Board, responsible for: Corporate Affairs and Compliance; Communications and Sustainability; Legal; Strategy, 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 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 Peter Matje (1964) – Chief Financial Officer, responsible for: Corporate Finance; Corporate Controlling; Internal Audit; Global Solutions

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



Johann Pleininger (1962) – Responsible for Exploration and Production

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. His positions at OMV have ranged from field operator to shift foreman and then to production supervisor, Facility & Cost engineer, project manager and Head of the Investments Department. He was then appointed manager within the Project Management and Investments Department. He has been working in the oil and gas industry since 1977. He joined Petrom in 2005 and was appointed as Executive Board member in charge with Exploration and Production division in June 2007. Since January 1, 2008, Johann Pleininger had headed the entire activity of Exploration and Production, including E&P International. Following the integration of the E&P Services business division into the E&P business division, Johann Pleininger also took over the responsibilities of the former Executive Board member responsible for E&P Services, Siegfried Gugu, starting April 17, 2011.



Neil Anthony Morgan (1959) – Responsible for Refining and Marketing

Neil Anthony Morgan graduated in Chemical Engineering from the University of Salford (Manchester, UK). His experience in the Refining and Petrochemicals business spans over 20 years. Before joining Petrom, he worked four years for Petronas Penapisan (Malaysia), where he held the position of Project Director, Refinery Expansion Project. Prior to Petronas, he worked for 12 years for Engen Petroleum (Durban, South Africa). After joining the company in 1992 as a Process Control Specialist, he held several positions during his tenure there, from Chief Engineer Process Control and Information Technology to Technical Services Manager and Operations Manager. During 1985-1990, he was Production Manager, Operations Manager and Chief Process Engineer in Sentrachem Ltd (Johannesburg, South Africa). He joined Petrom in 2008 and was assigned responsibility for Refining and Petrochemicals. Further to the consolidation of Petrom Group's marketing activities in OMV Petrom Marketing S.R.L., under the management of Rainer Schlang, the latter's responsibilities as former Executive Board member responsible for Marketing were taken over by Neil Anthony Morgan, starting April 17, 2011.



Cristian Secoșan (1967) – Responsible for Gas and Power (including Chemicals)

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 Petrom he held the position of the General Manager of Siemens in Romania. He joined Petrom in September 2012 as member of the Executive Board, responsible for Gas and Power (including Chemicals).

Changes in the Executive Board structure in the past year

Andreas Peter Matje took over the responsibilities of **Daniel Turnheim**, who was a member of Petrom's Executive Board and Chief Financial Officer between January 2011 and December 2012.

Cristian Secoșan took over the responsibilities of **Hilmar Kroat-Reder**, who was a member of Petrom's Executive Board responsible for Gas and Power (including Chemicals) between January 2011 and August 2012.

Statement of the Chief Executive Officer

Solid financial results in 2012

Petrom 2021 Strategy: "Sustainable performance for growth"

Weak domestic economic recovery

Dear shareholders,

2012 was another year of strong operational and financial performance for Petrom as a result of preceding years of high capital investments in our core business, our focus on operational excellence and also supportive crude price environment.

In June, we have reconfirmed Petrom's strategic directions for 2021 in line with the previous strategy for 2015, ensuring continuity in the company's development as integral part of the OMV Group's strategy "Profitable Growth". To this end, with the support of our employees, we continued to deliver on Petrom's strategy of sustainable performance needed to support potential upstream growth in the neighboring Black Sea region.

In line with our strategic initiatives, we achieved strong results due to overall production stabilization, operational performance and portfolio optimization through partnerships. Moreover, the Brazi power plant was brought on-stream in August, which allows us to enhance the value of equity gas, while the Petrobrazi refinery progressed with the modernization program. Most notably, we also delivered on our mid-term goals and advanced with the Neptun block exploration in the deepwaters of the Black Sea, with remarkable success.

Business environment

At a global level, economic growth failed to meet expectations last year and reached 3.2% (3.5% in 2011), as mature economies still faced headwinds while emerging markets did not pick up the pace as expected. The euro area GDP was also significantly lower than expected, rising by only 0.7%, which is lower compared to the 1.6% increase in 2011.

Romania benefited of a relative stability at domestic macroeconomic level, nevertheless with almost flat economic growth, as agricultural industries suffered following a severe summer drought. Industrial production was weak due to falling external demand while both government and household consumption remained low. Labor market conditions continued to ease

slightly, with the unemployment rate falling to 6.5% at the end of 2012 (2011: 7.0%).

Financial results and operational performance

In spite of the weak support from economic growth, we managed to deliver a very good set of operational and financial results, mostly helped by a favorable crude price and FX environment and also efficiency initiatives. The average price for Urals, our reference crude price, was broadly flat compared with 2011, at USD 110.8/bbl (2011: USD 109.6/bbl). At Group level, sales increased 16% compared with 2011, due to the contribution from the Power segment and the higher products prices triggered by favorable FX rates.

EBIT adjusted for special items and inventory holding effects (clean CCS EBIT) increased 7% over the previous year to RON 5.9 bn, driven by improved operating performance and a favorable crude price environment. Clean CCS net income attributable to stockholders stood at RON 4.3 bn, 2% higher than in 2011. Reported net income attributable to stockholders, reflecting exceptional, non-recurring items and inventory holding effects, reached RON 4.0 bn, up by 5% compared with 2011 and our earnings per share (EPS) came in at RON 0.0698. In 2012, cash from operations advanced 12% to RON 7.2 bn, also helped by working capital reduction.

In terms of capital expenditures, out of the RON 4.9 bn total investments made in 2012 (2011: RON 4.8 bn), some 76% were directed to E&P, while R&M and G&P accounted for 18% and 4%, respectively.

Our year-end gearing ratio decreased to 7.3% from 9.3% in 2011, positively influenced mostly by the net debt decrease, while ROACE stood at 16.5% in 2012 from 17.3% in 2011.

Based on the strong 2012 results and financial position, the executive management and Supervisory Board will recommend at our General Meeting of Shareholders on April 22, 2013 a dividend of RON 0.028 per share for 2012, corresponding to a payout ratio of 40%.

Throughout the year, we remained committed to Petrom's goal of sustainable performance for

growth, and focused our efforts on enhancing value of equity hydrocarbons. We pursued exploration opportunities, started commercial operations at the Brazi power plant and achieved incremental improvements of our refinery yield structure.

In **Exploration and Production**, we broadly stabilized domestic hydrocarbon production volumes at 171 kboe/d on average, as the negative effects of the severe winter conditions in the first months were compensated by the positive trend in the last two quarters of the year. The natural decline was mostly offset through field redevelopment, workover activities, drilling and new technologies. Through operational excellence initiatives, we progressed the development of the Totea field and finalized the second Early Production Facility on site, reaching an average production of 5 kboe/d in 2012.

At Group level, we also managed to broadly stabilize production to 183 kboe/d (186 kboe/d in 2011), helped by higher volumes in Kazakhstan. The three-year average reserves replacement rate in Romania stood at 61%, lower than in 2011 (71%), as the previous years' revisions of mature fields reached their limits. Moreover, prevailing gas market conditions prevented us from pursuing additional projects, which could have contributed to a higher rate. At Group level, the three-year average reserve replacement rate dropped to 61% from 70% in 2011.

Production costs in Romania expressed in USD/boe decreased by 6%, as USD strengthened against RON. When expressed in RON terms, in absolute value, they increased by 5%, as higher personnel expenses and costs of materials were only partially offset by the positive effects from our initiatives to control the cost position. At Group level, production costs in USD/boe decreased by 5% against 2011, driven by a favorable FX rate.

In 2012, our focus on exploration activities increased significantly, and we registered the highest exploration expenditures (RON 530 mn) since privatization. At the end of February we finished the drilling operations at Domino-1, using state-of-the-art industry technology with preliminary estimates indicating a potentially

significant gas discovery. At the end of the year, we started the largest 3D seismic studies in the Black Sea, covering almost the entire acreage of Neptun Block (both shallow and deep waters), estimated to be finalized by mid-2013. Data collected in the two seismic campaigns will be used to further assess the commercial and technical feasibility of the Domino gas discovery and to determine targets for future exploration drilling, estimated for end 2013.

In July 2012, the consortium consisting of Petrom together with ExxonMobil, Shell and Nadra Ukrayny won the tender for the Skifska block in Ukraine, and negotiations for a Production Sharing Agreement (PSA) are ongoing.

In October 2012, together with ExxonMobil Exploration and Production Romania Limited we signed a Transfer Agreement with Sterling Resources Ltd and Petro Ventures Europe B.V. for the purchase of an 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia Block in the Romanian Black Sea, which is adjacent to Neptun Block. The Transfer Agreement is not yet effective and is subject to several conditions which are in the process of being fulfilled, including approvals from relevant authorities.

In **Gas and Power**, we maintained a strong position in the Romanian gas market. Nevertheless, our consolidated gas sales volumes decreased by 4% to 4.8 bcm compared to 2011, still in line with market trends. 2012 was the first year with both our power assets in operations, with a net positive contribution to EBIT. The Brazi power plant started commercial operations on August 1, while the wind power park Dorobantu was in operations for the full year. The Brazi power plant covered approximately 6% of Romania's electricity production since its start of operations and, from September 2012 onwards, the plant has been supplied with equity gas only.

In **Refining and Marketing**, we registered a second year with positive Clean CCS EBIT since privatization, due to good operational performance, improved yield structure and energy efficiency measures. We further

Conducting the largest 3D seismic program to assess the Black Sea potential

Brazi power plant started commercial operations in August 2012

Crude vacuum distillation unit was upgraded

progressed with the modernization program of the Petrobrazi refinery and, following a six-week planned shutdown, we upgraded the crude vacuum distillation unit which enables the processing of Petrom's entire domestic crude production while increasing the middle distillates yield and reducing energy consumption.

Last year, our marketing sales volumes decreased by 6% compared with 2011, broadly in line with market demand in our operating region. In terms of commercial sales, volumes dropped 13%, a negative trend reflected in all products, while in retail, volumes decreased 2%, mostly due to harsh winter conditions in the first part of 2012 and weak demand triggered by the high crude oil price environment.

Sustainability

Sustainability represents the foundation of all projects and activities at Petrom. This starts with performance and goes through growth and diversification principles, financial discipline, corporate governance and business practices, up to employees' development, community and other stakeholders' involvement. At Petrom, our top priority is to strive for best practice HSSE standards including zero-fatalities and to continue reducing the lost-time injury rate (LTIR). Proactive behavior helped us create a safe work environment for our employees and contractors which is further reflected in the LTIR. Unfortunately, in 2012 Petrom had two fatalities, one of its own employees and one contractor, although we permanently focus on implementing rigorous safety practices. The LTIR for employees in 2012 was 0.41 injuries per million hours worked. This is lower compared with the 2011 level of 0.47 and compares positively with the European oil and gas industry benchmark. But our efforts go well beyond that.

Our employees' development continued and in 2012 we counted more than 460,000 training hours in both technical and managerial programs. We implemented talent management initiatives and further enhanced our business ethics standards and human rights observance. As a major employer and key player in Romania's economy, we are an integral part of

the communities where we operate. 2012 also marked our sixth year of social and community involvement. Since 2006, we have had an extensive engagement and involvement with our stakeholders, reaching up to a million people through our community projects. We remain committed to our strategic direction to enable sustainable performance for growth. In doing so, we strive to develop a sustainability culture for efficient use of natural resources, with high safety and environmental standards. We also place further emphasis on developing a performance-based organizational culture and a skill pool to achieve business growth and operational excellence. This allows us to continue the good progress we made in 2012 and underpins our endeavour towards shared value creation for our stakeholders for common long-term growth.

Outlook and objectives for 2013

In terms of market environment, we expect the Brent price to be above USD 100/bbl while the Brent-Urals spread stays relatively tight. In local gas and electricity markets, we see stable demand, reflecting rather weak economic growth foreseen in 2013 and prospective energy efficiency measures. In terms of prices, the gas market is set to gradually increase regulated domestic gas prices for both households and non-households, provisioned through official timetables endorsed by the Government in January this year. Electricity prices are expected to be under pressure due to supply dynamics, with additional capacity coming on stream from renewables.

The previous years' robust financial and operational results and the healthy cash flow position at the end of 2012 are good prerequisites for continuing our focus on operational excellence, stabilizing production volumes and capitalizing on growth opportunities via exploration works and exploration license acquisitions. In line with our strategy, we will continue our significant investment efforts with CAPEX plans for 2013 being above EUR 1 bn. Moreover, one of our top priorities is the discussion with authorities to define a long-term, stable and reasonable fiscal and regulatory framework, required for the high,

LTIR below European benchmark

long-term investments needed by the oil and gas industry.

Our successes in 2012 strengthened our reputation as a sustainable business and are due to the skills, experience and sheer passion of our people. On behalf of the Executive Board I thank them unreservedly. I also wish to express our appreciation for the support of our customers, suppliers, other partners and shareholders as we continue to build a sustainable business for the long-term.

Whatever challenges 2013 will bring, one thing is clear: the spirit and values of Petrom and our commitment to a sustainable performance and growth will remain constant and help us achieve our strategic objectives.



Mariana Gheorghe

**Commitment
to sustainable
performance**

Our strategic directions and objectives

Petrom – integrated oil and gas company

Petrom in 2012

Petrom is the largest oil and gas group in Southeastern Europe, with activities in the business segments of Exploration and Production, Gas and Power as well as Refining and Marketing. The Group consolidated its position in the oil and gas market in Southeastern Europe following a comprehensive modernization and efficiency increase process backed by investments accounting for more than EUR 8.8 bn over the past eight years. Petrom is part of the OMV Group, which is also an integrated, international oil and gas player. OMV Aktiengesellschaft, the mother-company of the OMV Group, holds a 51.01% share in Petrom and is one of Austria's largest listed industrial companies.

In E&P, Petrom is the largest hydrocarbon producer in Southeastern Europe. The proved and probable oil and gas reserves in Petrom Group's portfolio at the end of 2012 amounted to approximately 1,091 mn boe and hydrocarbon production averaged 183 kboe/d throughout the year.

In G&P, Petrom maintains a strong position in the Romanian gas market and leveraged its value chain by having entered the power generation industry. In 2012, Petrom sold approximately 4.8 bcm of gas and had a total net electrical output of 1.58 TWh from the Brazi plant, which was on stream starting August 2012, and 0.09 TWh from the Dorobantu wind park.

In R&M, Petrom processed 3,146 kt of crude oil at the Petrobrazi refinery and had a wide geographical market stretching over Romania, Bulgaria, Serbia and the Republic of Moldova with approximately 800 filling stations. The company maintains a leading position in the Romanian market, having a total market share of ~36%.

With Group sales of RON 26.3 bn and a workforce of 21,650 employees, Petrom has proven strong execution capabilities to deliver on its strategic objectives and focuses on key enablers to achieve its long-term targets.

Our strategy: „Sustainable performance for growth“

In June 2012, the Supervisory Board approved Petrom's strategic directions for 2021. Petrom remains committed to delivering sustainable performance and focusing on potential upstream growth opportunities. Petrom aims to remain the leading regional, integrated oil and gas company with sustainable performance needed to support potential upstream growth in the neighboring Black Sea region. The company will continue to invest in a competitive, investment-friendly regulatory and fiscal environment to sustain performance and position for growth in upstream.

Our strategic directions aim to maximize the portfolio value and capture growth opportunities in upstream while optimizing midstream and downstream operations. In doing so, we will experience and aim to properly address both organic and external challenges posed by the operating environment across our entire value chain. Top challenges include our onshore portfolio of mature fields with declining production, market demand, gas and power market regulations, pressure on fuel and refining margins and the uncertain nature of the fiscal and regulatory regime.

Maximize portfolio value and position for growth

Exploration and Production continues to be the company's backbone and is positioned to capture future growth potential. In the short-term, upstream activities are set to continue the efforts towards operational excellence, stabilizing production and optimizing the portfolio through partnerships, while mid and long-term value will be built on increasing oil and gas recovery and exploring additional opportunities, including the neighbouring Black Sea.

Petrom will direct approximately 80% of future capital investments towards its upstream activities and aims at increasing its share in total assets in E&P from 70%, currently, to 80-85% in 2021. The implementation of the upstream

strategy will ensure the sustainability of the E&P portfolio and will enhance the value delivery potential.

Enhance the value of equity gas

Gas and Power aims to enhance the integrated value of Petrom's equity gas by strengthening gas sales and optimizing across commodities in order to leverage fair market conditions. The conversion of gas into electricity through Brazi power plant extends the value chain and ensures an additional important marketing platform for gas. It allows Petrom to optimize between different sales channels: gas can either be sold as such or it can be fed into the Brazi gas-fired power plant for power generation.

Optimize integrated equity oil

Petrom's potential in value delivery in Refining and Marketing is based on optimization of integrated equity oil. The international downstream business faces pressures on fuel and refining margins mainly due to overcapacity. The Petrobrazi refinery is currently being upgraded and improved to maximize Petrom's integration value. The modernization process will be finalized by 2014. Going forward,

the segment will be focused on reducing costs, increasing efficiency and improving operations through an optimized R&M portfolio.

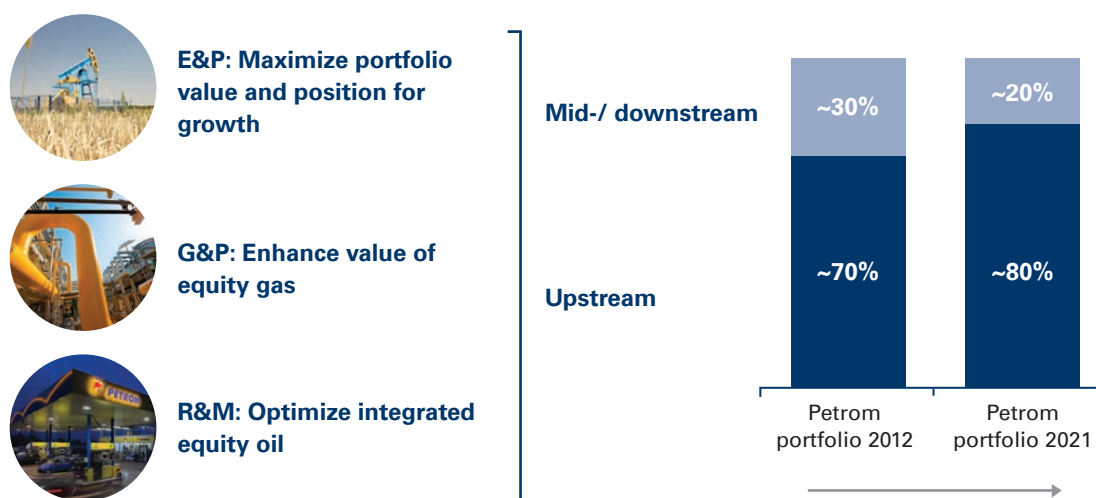
Successful strategy implementation

To successfully implement its strategy in the coming years, Petrom will continue to invest at a similar pace as in the past to support the company's future growth (annual average over the past eight years around EUR 1.1 bn). Considering the large exposure of Petrom's portfolio to volatile oil prices, an investment-friendly environment with predictable, fair and transparent fiscal and regulatory regimes is needed to achieve our strategic objectives and to realize the envisaged investments.

Performance growth requires focus on people and sustainability. To support this path, Petrom develops a performance-based organization culture and skill pool to achieve business growth and operational excellence. In order to develop a resourcefulness culture, the company uses natural resources efficiently, applying high safety and environmental standards, and shares value with stakeholders for common long-term growth.

Significant investment program to continue in the next years

Petrom total assets 2021



Exploration and Production

Our Exploration and Production business explores for and extracts oil and natural gas in Romania and in the Caspian region, specifically Kazakhstan. In Romania, Petrom accounts for almost the entire crude oil production and for approximately half of the gas production. Petrom Group oil and gas production amounted to approximately 183 kboe/d in 2012, of which 171 kboe/d was produced in Romania with an oil/gas split of roughly 45/55%. Proven oil and gas reserves in Petrom Group's portfolio stood at 775 mn boe at year-end, of which 750 mn was in Romania. As part of Petrom's exploration focus, deep water exploration successfully started in the Romanian Black Sea with a discovered gas accumulation with a potential size of 42 to 84 bn cbm.

We aim to remain the leading regional, integrated oil and gas company

Our strategy: "Maximize current portfolio value and position for growth"

The Exploration and Production focus over the short-term will be on stabilizing conventional production to largely offset natural decline, and on achieving operational excellence. For this purpose, the company will: i) continue field redevelopment projects, ii) explore and develop near field opportunities, iii) apply state of the art technologies and iv) optimize the E&P portfolio through partnerships.

To enhance its medium-term value, E&P will continue with: i) activities to increase ultimate oil and gas recovery, ii) exploration, appraisal and development of the Neptun gas discovery in the Black Sea, if commercial viability is confirmed and iii) the exploration of deeper and frontier hydrocarbons.

E&P will strive to position itself for long-term growth by exploring the neighboring Black Sea region and unconventional opportunities.

Our achievements in 2012 towards fulfilling our strategic directions

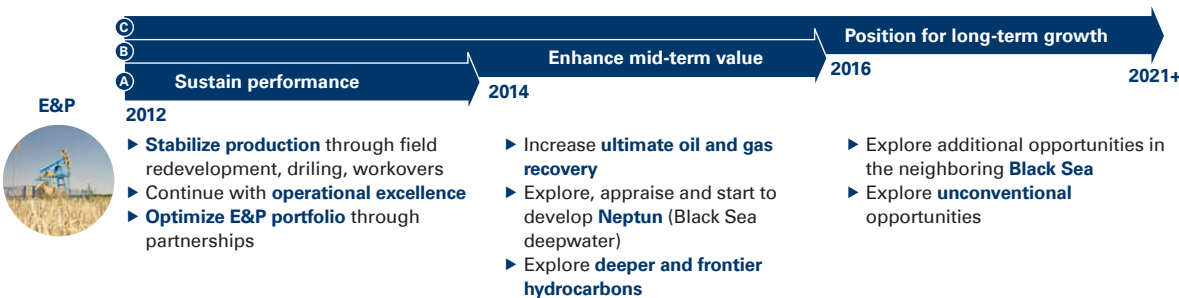
- ▶ Petrom Group production successfully stabilized at approximately 183 kboe/day, with an average annual decline rate of 0.8% in Romania since 2010
- ▶ Further progress in maturation process for re-development of key fields
- ▶ Continued to optimize gas production systems and to modernize surface facilities and equipment in selected major fields

- ▶ Group production costs in USD/boe decreased by 5% vs. 2011 and by 6% in Romania
- ▶ Signed 15-year agreement with Expert Petroleum for production enhancement services on 13 small mature fields situated in the Western part of Romania, targeting a significant increase of cumulative oil and gas production above estimated natural decline
- ▶ Domino-1 well, first deepwater exploration well drilling realized in joint venture with ExxonMobil Exploration and Production Romania Limited, resulting in a preliminary estimated gas potential ranging from 42 to 84 bn cbm
- ▶ Initiated the largest 3D seismic program in the Romanian sector of the Black Sea, covering 6,000 km² in the deepwaters and an additional 1,600 km² in shallow waters of the Neptun block
- ▶ Steps to secure additional exploration acreage in the Black Sea deep water areas adjacent to Neptun block

We sustain our performance through production stabilization and operational excellence

Our key initiatives

- ▶ Stabilize production through field redevelopment, drilling, high number of workovers and new technologies
- ▶ Prioritize investment on high impact fields
- ▶ Optimize asset portfolio through partnership
- ▶ Finalize six up to eight field redevelopment projects until 2015
- ▶ Deep Offshore Black Sea – explore and appraise further prospects and start developing Domino if commercially viable



Gas and Power

Petrom has a strong sustainable position in the Romanian gas market, covering all gas market segments with a focus on industrial and distribution companies. With the start of commercial operations at the 860 MW Brazi gas-fired power plant in August 2012, Petrom expanded the gas value chain by converting gas into electricity.

Our strategy: "Enhance the value of equity gas"

Gas and Power aims at generating additional value by expanding the integrated business chain into the power market. In the G&P activity, Petrom will seek to ensure a sustainable operation of the Brazi power plant in the short term. To further enhance the value of equity gas, Petrom will focus on strengthening its gas sales and leverage fair market conditions. In the medium to long term, we will assess infrastructure investments around the Nabucco gas pipeline project. Also, we will explore the development of a potential gas hub.

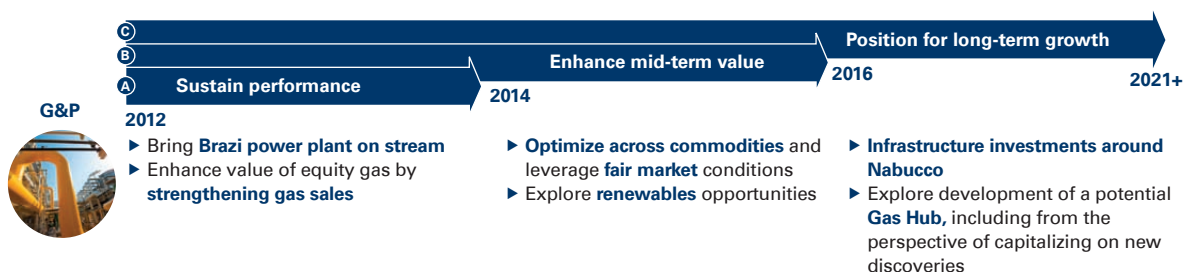
Our achievements in 2012 towards fulfilling our strategic directions

- Consolidated gas market share (28% in the free market) and increased gas business profitability
- Started commercial operations at the Brazi power plant in August 2012 with plant availability during August-December at 89%
- Developed a customer base in the power business
- Dorobantu wind park focused on maximizing availability (92% achieved in 2012), while optimizing operational costs
- Modernized small metering stations

Our key initiatives

- Implement gas price liberalization in the sales strategy
- Maintain the leading position on the free gas market
- Realize synergies by bundling electricity sales with natural gas sales to existing customer base
- Enhance value of equity gas by further optimizing operations of the gas-fired power plant Brazi and consolidating position in the market
- Maximize the operational performance of Dorobantu wind park

We expanded the value chain of equity gas



Refining and Marketing

Petrom is the number one downstream operator in Romania, with a total market share of 36%, operating 546 filling stations and is also the leading supplier of aviation fuel services. Through our affiliates, we also operate 252 stations in the neighboring countries of Bulgaria, Serbia and the Republic of Moldova. Along the value chain, we run Petrobrazî as an upstream integrated refinery that exclusively processes equity crude to maximize its integration value.

We adapt our refining products to market demand

Our strategy: “Optimize integrated equity oil”

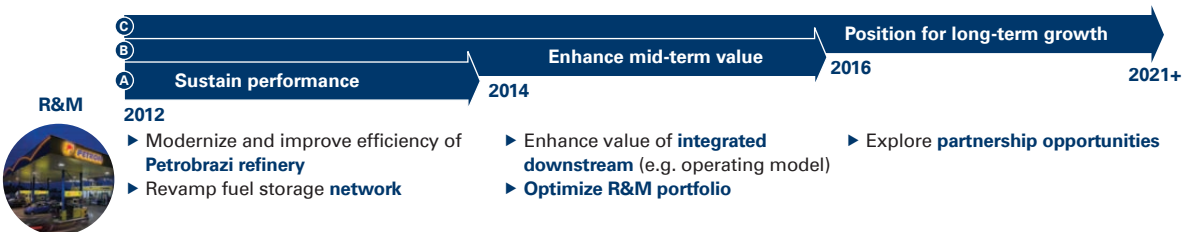
Leveraging its integrated business model, Petrom will continue with the modernization of its upstream integrated Petrobrazî refinery, which will be finalized by 2014, aimed to improve our operations, reduce costs and increase efficiency. Additionally, we further enhance our supply network with revamped storage facilities to fully support the retail network. Petrom will undertake a continuous business review and portfolio measures (partnerships and divestments of non-core/non-economical units) based on market conditions and network performance.

Our key initiatives

- ▶ Further improvement of HSSE awareness and performance
- ▶ Continue Petrobrazî refinery modernization program, with coker unit upgrade and installing a new gas desulfurization unit
- ▶ Continue energy efficiency improvements and reduce CO₂ emissions
- ▶ Further optimize retail filling station network to increase profitability
- ▶ Progress with terminals’ optimization strategy by revamping Bacau storage unit

Our achievements in 2012 towards fulfilling our strategic directions

- ▶ Consolidated business position in a depressed market environment
- ▶ Successful commissioning of the crude distillation unit modernization in Petrobrazî refinery
- ▶ Centralization of administrative marketing activities in the region into a single functional organization run from Bucharest
- ▶ Divestment of non-core LPG bottling business in Romania
- ▶ Commissioning and start of operations at new Işalniţa terminal



Members of the Supervisory Board

The Supervisory Board represents the interests of the company and of its shareholders and is responsible for the overall management of the company. At the date of the report, the Supervisory Board of Petrom consists of nine members, as follows:

Gerhard Roiss (1952) – President

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

David C. Davies (1955) – Deputy-President

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

Manfred Leitner (1960)

Member of the OMV Executive Board, responsible for Refining and Marketing. 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.

Jacobus Gerardus Huijskes (1965)

Member of the OMV Executive Board, responsible for Exploration and Production. Studied mechanical engineering at Delft University of Technology in the Netherlands and started to work at OMV in 2010. First elected at the GMS held on August 3, 2010.

Hans-Peter Floren (1961)

Member of the OMV Executive Board, responsible for Gas and Power. He succeeded **Gerald Kappes**, who was interim member of the Petrom Supervisory Board during January-March 2012, after replacing **Werner Auli** (former member of the Petrom Supervisory Board between 2006 and 2011). Studied mechanical engineering and economics at the University of Essen, Germany. He began his career with OMV in 2012. First elected at the GMS on April 27, 2012.

Constantin Dascălu (1973)

Member of the Petrom Supervisory Board appointed following the Ministry of Economy's proposal. Personal Counselor to the Minister of Economy, Trade and Business Environment. Graduated from the Babes-Bolyai University of Cluj-Napoca, Faculty of Economic Sciences and from the Bogdan Vodă University of Cluj-Napoca, Management Faculty. First elected at the GMS on April 26, 2011.

Gheorghe Ionescu (1953)

Member of the Petrom Supervisory Board appointed following the Ministry of Economy's proposal. Graduated from the Polytechnic Institute of Pitești, Department of Mechanical Engineering, and from the Academy of Economic Studies. He holds a master degree in financial and economic administration granted by the Conservatoire National d'Art et Metieres of Paris. First elected at the GMS on April 28, 2009.

Joseph Bernard Mark Mobius (1936)

Executive Chairman, Templeton Asset Management Ltd. appointed to the Petrom Supervisory Board following the Property Fund'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 on April 29, 2010.

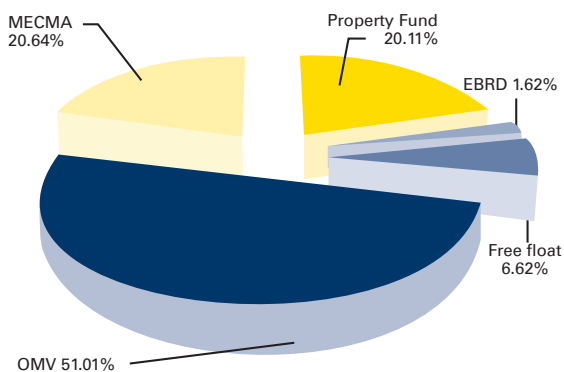
Riccardo Puliti (1962)

Managing Director in charge of the energy and natural resources sectors at the EBRD; appointed to the Petrom Supervisory Board following the EBRD's proposal. 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 on April 28, 2009.

Petrom shares

Shareholder structure

At the date of the report, OMV Petrom S.A. has the following shareholder structure: 51.01% - OMV Aktiengesellschaft, 20.64% - the Ministry of Economy, Trade and Business Environment (MECMA), 20.11% - the Property Fund, a fund created by the Romanian state in order to compensate the persons who suffered from the nationalization of their assets during the communist regime (the fund manages a portfolio of shares with different stakes in Romanian and foreign companies and was listed on the Bucharest Stock Exchange in January 2011), and 1.62% - the European Bank for Reconstruction and Development (EBRD). The remaining share of 6.62% is free float, traded at the first tier of the Bucharest Stock Exchange (BSE). At the end of 2012, around 500 institutional investors from both Romania and abroad held approximately 5.2% out of the 6.6% free float shares, with the remainder (1.4%) held by more than 463,000 private individuals.



Shares

In 2012, the local stock market experienced a consolidation period, with an upward trend in the first five months of the year, followed by a small correction and a rebound in the second half of 2012, with main indices performing better year-on-year, taking their cue from international markets.

In terms of trading, Petrom's share price advanced in 2012, rebounding from the previous year's weak performance. In early January, the stock registered its year low of RON 0.2900 and then steadily increased to year high of RON 0.4327/ share, reached in late December.

Overall, Petrom's share price gained 47.6% on

a full year basis, outperforming the BET index (ten most liquid blue chip stocks listed on BSE), which advanced 18.7% and the BET-C (BET Composite) index, which increased 6.3% over the same period. Vienna Stock Exchange's ROTX index that comprises the 14 most liquid blue chip stocks traded at the BSE, was up 29.1% in 2012 while the BET-NG sector index (stocks in the energy and utilities sectors) was only slightly up over the year (+2.6%).

Petrom's market capitalization at the end of 2012 stood at RON 24.2 bn, accounting for 24.8% of total market capitalization of all companies listed at the BSE.

Petrom share symbols

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

**Petrom shares
outperformed the
market index**

**3-year average
payout ratio of
44%**

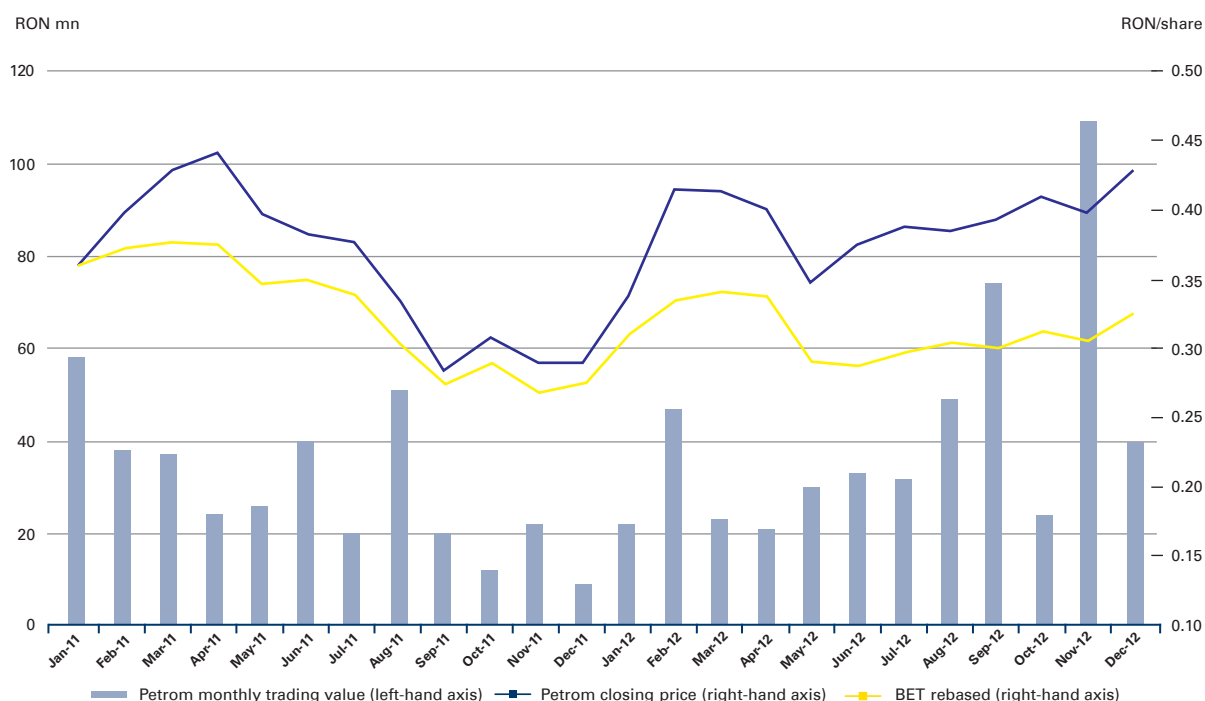
Petrom shares at a glance

	2010	2011	2012
Number of shares	56,644,108,335	56,644,108,335	56,644,108,335
Market capitalization (RON mn) ¹	18,976	16,427	24,249
Market capitalization (EUR mn) ¹	4,429	3,803	5,475
Year's high (RON)	0.3660	0.4500	0.4327
Year's low (RON)	0.2520	0.2750	0.2900
Year end (RON)	0.3350	0.2900	0.4281
EPS (RON/share)	0.0389	0.0663	0.0698
Dividend per share (RON)	0.0177	0.031	0.028 ²
Dividend yield ¹	5.2%	10.7%	6.5% ²
Payout ratio	46%	47%	40% ²

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

² Proposed dividend, subject to GMS approval

Evolution of Petrom share and BET



General Meeting of Shareholders

On April 27, 2012, the Ordinary (OGMS) General Meeting of Shareholders was held. The OGMS approved OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2012 and the distribution of a gross dividend of RON

0.031/share for the financial year 2011, at the total amount of RON 1,756 mn, corresponding to a 47% payout ratio. The OGMS also approved the appointment of Mr Hans-Peter Floren (member of the OMV Executive Board) as the new member of Petrom's Supervisory Board for the remaining

term of Mr Werner Auli's mandate (i.e. until 28 April, 2013). The OGMS also reappointed Ernst & Young Assurance Service S.R.L. as financial auditor for 2012.

Investor Relations activities

In 2012, senior management and the Investor Relations team held meetings and conference calls with numerous local and foreign analysts and institutional investors. The company also attended analyst and investor conferences, organized in Romania and abroad (London, Prague). At the meetings, analysts and investors had the opportunity to address questions directly to the company's representatives, including the CEO and/or CFO and the IR representatives, and discuss the company's reported results and strategic directions. A total of around 60 one-to-one or group meetings and presentations were held throughout 2012, including more than 100 investors and analysts.

Starting from 2010, Petrom reports consolidated financial statements prepared according to International Financial Reporting Standards (IFRS) to the capital markets on a quarterly basis. This provides for a high degree of transparency and facilitates comparability with our international

peers. In line with Romanian legal requirements applicable for listed companies, starting 2012 Petrom also prepares separate individual financial statements in accordance with IFRS.

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

Dividends

On March 21, 2013, the Supervisory Board endorsed the management's proposal to distribute dividends of RON 0.028 per share, resulting in a payout ratio of 40%. The dividend proposal is subject to further approval by the General Meeting of Shareholders, on April 22, 2013.

**2012 dividend
yield of 6.5%**

Own shares

At year-end 2012, OMV Petrom S.A. held a total of 204,776 own shares, representing 0.0003% of issued share capital.

In the year under review, Petrom did not buy back or cancel any of its own shares.

Financial calendar 2013

Financial events	Date
Presentation of the results for January-December and Q4 2012 ¹	February 21, 2013
Publication of the Annual Report 2012	April 22, 2013
General Meeting of Shareholders	April 22, 2013
Presentation of the results for January-March 2013	May 14, 2013
Presentation of the results for January-June and Q2 2013	August 13, 2013
Presentation of the results for January-September and Q3 2013	November 7, 2013

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

Contact at Investor Relations

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Mailing service

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Business environment

Global economy growth lowered pace

World

The global economy continued to stabilise in 2012, but growth slowed down to 3.2% growth from 3.9% in 2011. The pace of economic recovery remained fragile and uneven across economic regions. Emerging economies grew by 5.1% in 2012 while both the US and Japan recorded positive growth of 2.3% and 1.7% respectively. In contrast, the EU economy entered into a mild recession, falling by 0.3%. A more coordinated and strengthened EU policy response to the euro crisis significantly lowered the risks related to a potential euro zone break-up. This, together with the implementation of structural reforms across several euro zone countries reduced market spreads, diminishing pressures on sovereign borrowing costs. Consumer price inflation in advanced economies stood at 2.0% in 2012 as demand remained weak and excess supply capacity stayed ample. The goods and services world trade volume grew at a slower pace than it did in 2011, rising by only 2.8%, thus reinforcing the view that recovery will be sluggish. Global non-fuel commodity prices fell by 9.8% in 2012, after growing by 7.8% a year before.

Brent oil price was broadly flat in 2012

In 2012, total **global oil demand** rose by 1% to 89.8 mn bbl/d compared to 2011. Although oil demand in OECD countries continued to fall in 2012, dropping by 0.4 mn bbl/d or 0.9%, demand in non-OECD countries was strong enough to compensate for that loss. Oil demand in Asia and China was particularly robust, raising total non-OECD demand by 1.5 mn bbl/d, or 3.5% in 2012. **Global oil supply** staged a forceful increase in 2012 going up by 2.5 mn bbl/d compared to 2011, or 2.8%, to 90.9 mn bbl/d. Total OPEC oil supply alone rose by 1.9 mn bbl/d compared to 2011, with the sharp rebound in Libyan supply accounting for a large part of this increase. Meanwhile, OECD oil supply also rose by 4.8% to 19.8 mn bbl/d. The increase was partly driven by higher crude oil output in the US, where drilling companies started to benefit from enhanced efficiency gains. In 2012, the average Brent price stood at USD 111.67/bbl, only 0.4% higher compared to its 2011 level. Brent crude oil prices traded in the range of USD 92-126 per barrel in 2012, displaying a

more elevated volatility during the first three quarters of the year, when the euro zone break-up risk was still heightened. The trading range narrowed significantly towards the end of the year to USD 102-107 per barrel, bringing the Brent oil price close to trading levels seen a year ago. In 2012, the average Urals price was USD 110.76/bbl, 1% higher compared to 2011.

Romania

The Romanian economy displayed a lackluster performance in 2012, with initial estimates showing GDP growing by 0.3% compared to 2011. The economy slowed down markedly in the second half of the year as external demand waned and the effects of political gridlock, which saw two government changes in 2012 prior to the December Parliamentary elections, impeded economic recovery prospects. The absorption of EU funds, the main source of envisaged growth, was plagued by the interruption of several operational programmes in 2012 and thus remained exceptionally weak. The performance of the agriculture sector was particularly feeble, with output in the sector falling by a third compared to the previous year. The industry sector output growth was virtually flat versus 2011 as diminishing demand in the EU impacted negatively on domestic production. Exports, one of the main engines of economic recovery, were also affected by unfavorable EU conditions, falling at an annual rate of 0.5% in EUR-denominated terms. Foreign direct investment continued to trend downwards reaching almost EUR 1.6 bn in 2012, a sixth of its 2008 value. Although households' purchasing power reversed its negative trend from 2011, domestic private consumption growth remained subdued as the high level of household indebtedness and a reduced rate of job creation continued to weigh down on demand. Official provisional data appear to show that labor market conditions eased slightly, with end-year unemployment rate standing at 6.7%, down compared to end-2011. However the economy failed to add jobs on a consistent basis, as at the end of December the total number of registered employees in the economy was still by some 10% less than its pre-crisis level. In spite of difficult economic conditions,

macroeconomic stability marginally strengthened in 2012. For the first time in more than two decades the effects of political business cycle onto the economy, triggered by December's Parliamentary elections, were weak. Budgetary constraints laid out in both the IMF Agreement and EU's Fiscal Compact restrained government spending. This led to a further consolidation of government's fiscal balance which recorded a deficit of 2.5% of GDP in 2012.

Annual **consumer price inflation (CPI)** stood at 5.0% at the end of 2012, higher than initial forecasts. The rise in inflation was partially due to the increase in agricultural produce prices. The pass-through effects of the RON depreciation against the EUR and USD were mostly triggered by the heightened level of

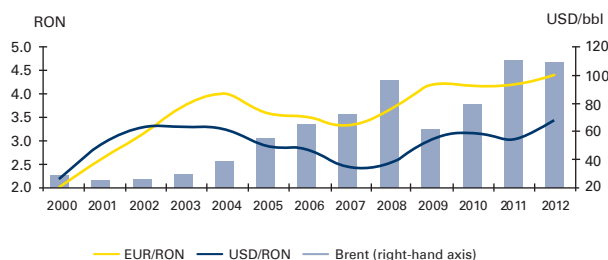
political risk. However, producer price inflation fell to 4.9% at the end of 2012, its lowest level in two years. The National Bank of Romania (NBR) continued its prudent approach to monetary policy cutting its benchmark interest rate by a cumulative 75 basis points since the beginning of the year to 5.25% at the end of December 2012.

In 2012, the RON fell against both the EUR and the USD by 5.1% and 13.8% respectively. Towards the end of 2012 the RON started to reverse its depreciating trend as political risk eased.

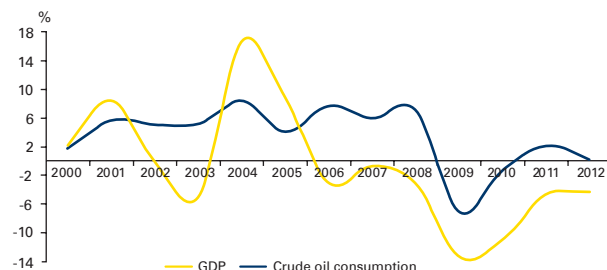
Romanian **energy supply** fell in 2012 by 2.2% to 34.0 mn toe as the pace of economic activity weakened. Overall, energy imports also fell by 1.2% with domestic demand for both oil and natural gas dwindling.

Political risk led to RON depreciation

Crude price (Brent) and FX rates, annual averages



Romania, GDP and crude oil consumption, annual change



Outlook for 2013

According to the European Commission, Romania's economy is forecast to grow by 1.5% in 2013 on the back of stronger private consumption and increased EU funds

absorption. External demand will continue to play an important role in the revival of the economy. However, domestic economic policies will play a pivotal role in kick-starting the economy.

2013 GDP expected to grow by 1.5%



Business segments



Exploration and Production (E&P)

First hydrocarbons discovery in the deep water area of the Black Sea

2012 was a year of broadly stable production in E&P and stepped up exploration efforts and opportunities. Deep water exploration successfully started and Domino-1, the first deep water well drilled in Romanian Black Sea waters, revealed a gas accumulation with a potential size of 42 to 84 bn cbm. Proven oil and gas reserves in Petrom Group's portfolio stood at approximately 775 mn boe at year-end while Group production was around 183 kboe/d over the year. Domestic production decline successfully minimized at only 1.6% as production optimization initiatives counterbalanced the harsh winter conditions in early 2012 and production decline at key fields. Production in Kazakhstan increased by 2.8% in 2012 due to the ramp up of production from the Komsomolskoe field.

E&P at a glance

	2010	2011	2012
Segment sales (RON mn) ¹	9,534	11,743	12,992
EBIT (RON mn) ²	3,012	5,236	5,467
Capital expenditures (RON mn) ³	2,774	3,254	3,753
Total Group production (mn boe)	67.08	67.77	66.87
thereof in Romania	63.46	63.41	62.39
Proved reserves as of December 31 (mn boe)	832	812	775
thereof in Romania	805	786	750

¹ Include inter-segment sales

² Excluding intersegmental profit elimination.

³ Capital expenditures also include increases of Petrom share participations in other companies.

Clean E&P EBIT increased by 6% compared to 2011 to RON 5,754 mn, mainly driven by favorable FX effects (stronger USD against RON) and higher oil prices (the Group average realized oil price increased by 1% to USD 94.00/bbl). These factors more than offset higher depreciation, production costs and royalties. Additionally, in 2012, E&P result was negatively influenced by harsh weather conditions during the first two months of 2012 and by write-off of obsolete stocks.

2012 reported EBIT amounted to RON 5,467 mn, an increase of 4% compared to 2011. In 2012, reported EBIT reflects net special charges of RON (287) mn, mostly related to a legal case in Kazakhstan for uncollected receivables, a restructuring provision related to personnel and a net special charge in relation to a community project.

In 2012, Petrom Group's hydrocarbon production amounted to 66.87 mn boe (thereof 62.39 mn boe in Romania), 1.3% lower compared to 2011 with 2.8% higher production in Kazakhstan and a domestic production decline minimized at 1.6%. On average, daily oil and gas production

was 182.7 kboe/day (thereof 170.5 kboe/day in Romania). In 2012, Group production costs decreased by 5% to USD 15.37/boe (production costs in Romania decreased by 6% to USD 14.91/boe) due to favorable FX effects (USD appreciated by 14% against RON).

In Romania, total production costs in RON terms, in absolute values, were higher by 5% compared to 2011 mainly due to higher personnel costs following collective labor agreement negotiations.

Reserve replacement rate (RRR)

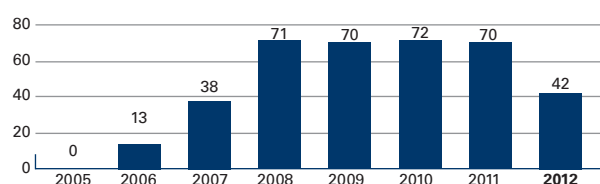
As of December 31, 2012, total proved oil and gas reserves in Petrom Group's portfolio amounted to 775 mn boe (Romania: 750 mn boe), while proved and probable oil and gas reserves amounted to 1,091 mn boe (Romania: 1,039 mn boe). The Group's three-year average reserve replacement rate stood at 61% in 2012 (2011: 70%), while in Romania it also stood at 61% (2011: 71%). For the single year 2012, the Group's rate was 44% (2011: 70%), while the reserve replacement rate in Romania was 42% (2011 rate stood at 70%, mainly as a result of

Hydrocarbon production successfully stabilized

reservoir studies performed).

A reserves audit was performed by De Golyer & Mac Naughton for the 2011 reported figures. The report was finalized mid-2012 and the auditor's estimates are in material agreement with Petrom's 2011 reserves assessment.

Single year RRR (Romania)



In recent history, Petrom was able to keep its reserve replacement rate around the 70% level mainly thanks to continuous revisions of reserves pertaining to mature fields, as a result of reservoir studies performed, involving drilling program results combined with diversification of recovery mechanisms. Nevertheless, the potential to add additional reserves via

revisions organically, in a confined geographical landscape with mature fields, reached its limits in 2012.

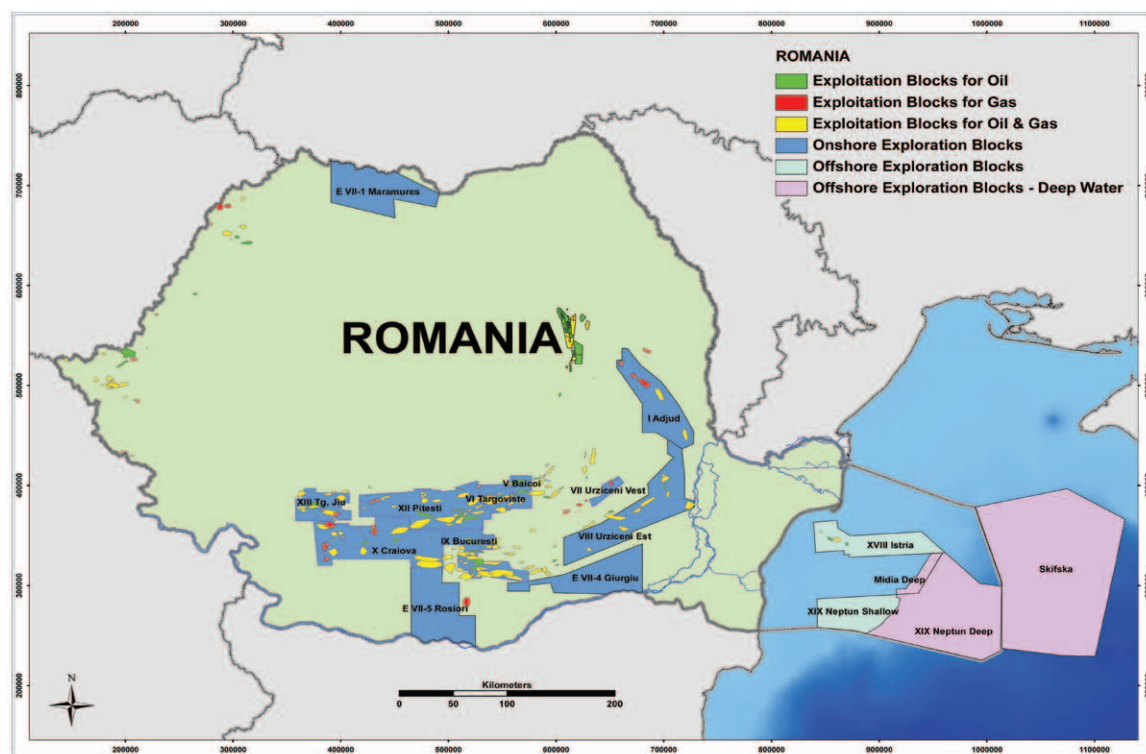
The reverse of the 2012 downward trend depends on the implementation of ongoing redevelopment projects, with a long cycle, aimed at increasing the recovery factor at our key fields and exploration initiatives both onshore and offshore. In the last 2 years, we have increased our 3D seismic acquisition program and we expect to see its impact from 2014 onwards. Moreover, further opportunities may arise in implementing additional gas projects, currently postponed due to prevailing gas market conditions.

Additional 3D seismic acquisition impact to be seen after 2014

Operational highlights 2012 Romania

In Romania, Petrom holds exploration licenses for twelve onshore and two offshore blocks, with a total area of 42,760 km² (of which 12,321 km² offshore) and operates 238 commercial oil and gas fields at the end of 2012.

Petrom's exploration, development and production concessions in Romania



* Skifska Block (ExxonMobil 40%, Shell 35%, OMV Petrom 15%, Nadra Ukrayny 10%): Exploration block awarded in Q3/12, PSA is undergoing negotiations; Midia Block: Petrom and ExxonMobil signed Transfer Agreement with Sterling Resources and Petro Ventures for 85%; 15% held by Gas Plus International

Romania's first deepwater well indicates presence of hydrocarbons

A combined volume of 170.5 kboe/d was produced in 2012 in Romania (2011: 173.7 kboe/d).

Exploration

Exploration efforts intensified in 2012 with a focus on offshore initiatives and additional licence awards opportunities in the areas adjacent to the Neptun block.

In the first quarter of 2012, Domino-1, the first deep water exploration well offshore Romania, was successfully drilled. The well was located in the Neptun Block, 170 kilometers offshore at a water depth of about 930 meters. Drilling operations at Domino-1 started in December 2011 and on February 22, 2012 a potentially significant gas discovery was confirmed. The exploration well encountered 70.7 meters of net gas pay, resulting in a preliminary estimate for the accumulation ranging from 1.5 to 3 trillion cf (42 to 84 bn cbm). Domino-1 was drilled using state-of-the-art industry technology and had a total depth of more than 3,000 meters below sea level.

The evaluation of the Domino-1 well results and new seismic acquisition are key to determine the next steps. Following the discovery, a 3D seismic program of approximately 6,000 km² was planned and started in December 2012, in the deepwater sector of the Neptun Block. Further evaluation and additional appraisal work is planned for the near future to indicate if the deep offshore gas discovery Domino-1 is commercially recoverable. However, should further work confirm the technical and commercial feasibility of deep water gas production from the Neptun block, further investment during both the exploration and development phases could reach several billion USD with the potential for first production towards the end of the decade at the earliest. An additional 3D seismic program of 1,600 km² has been achieved in the shallow water sector of the Neptun block.

Following the Domino-1 exploration success, additional acreage in the neighboring area of the Neptun block was pursued.

In August 2012, following a bidding round organized by the Ukrainian Government, the

consortium in which Petrom partners with ExxonMobil (project operator), Shell and Nadra Ukrayny won the tender for the Skifska block in the deep waters of the Ukrainian Black Sea, adjacent to Neptun Block. Within the consortium, Petrom has a 15% participating interest. The Production Sharing Agreement was undergoing negotiations by the end of 2012.

In October 2012, Petrom and ExxonMobil Exploration and Production Romania Limited (EMEPRL) signed a Transfer Agreement for the purchase of an 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia Block ("Midia Deep") in the Romanian Black Sea, also adjacent to the Neptun Block. The Transfer Agreement signed with Sterling Resources Ltd. and Petro Ventures Europe B.V. is subject to several conditions which are in the process of being fulfilled, including approvals from relevant authorities before becoming effective. At the time when the transfer becomes effective, Petrom's participating interest will be 42.5%. In early 2013, an option agreement was signed by Petrom and EMEPRL with State majority-owned company Romgaz, the other large gas producer in Romania. The agreement grants Romgaz the option to purchase 10% of the participating interest in the Midia Deep operations. Romgaz's option to enter is triggered by the Transfer Agreement becoming effective and an announcement of a commercial discovery.

Onshore, Petrom concluded exploration works focused mainly on seismic acquisitions, summing up 1,196 km of 2D seismic data and 915 km² of 3D seismic data. Other exploration works started in 2012 and ongoing at year-end are expected to be finalized in the first quarter of 2013. The interpretation of the seismic data acquired throughout 2012 is expected to provide the best locations for the exploration drilling, which needs to be done in 2013 and 2014. During 2012, we successfully drilled one exploration well in the Giurgiu license while another two wells were ongoing at year end. The experimental production of the Totea deep well proved the significant size and production potential of the new field and we expect the appraisal drilling to continue in 2013, although

in very challenging deep, high pressure and high temperature formations.

Production

In 2012, Petrom produced in Romania 3.98 mn t of crude oil, including condensate, and 5.16 bcm of natural gas, which is the equivalent of 62.4 mn boe total oil and gas. The daily average equivalent production reached 171 kboe/d, compared to 174 kboe/d in 2011. After the steep decrease at the beginning of the year, production has been stabilized starting with the third quarter, helped by production optimization initiatives including workovers, drilling of new wells and field redevelopment activities. In the last quarter, production was positively impacted by the start of the second Totea Deep well.

In 2012, crude oil average production was 78.3 kboe/d, 2.5% lower compared to the level recorded in 2011, as the drilling and workover program could not fully compensate the effects of harsh winter conditions at the beginning of the year and natural decline.

The domestic gas production was 92.2 kboe/d, 1.4% lower than last year due to the decline of key fields (Mamu, Bulbuceni, Radinesti). The decrease could not be offset by higher production of the Totea field, the performed workover jobs and the performance of the new wells.

Key projects in 2012

Petrom is constantly investing in new technologies and secondary recovery methods to redevelop mature fields in Romania in order to improve the oil and gas recovery rates and stabilize production levels. The projects pursued mainly focus on field redevelopment using technologies such as on water, steam and polymer injection, but can also encompass modernizing operations and performing additional drillings and workovers.

Throughout the year, the maturation process for re-development of key fields made significant progress.

At the end of 2012, six field redevelopment projects have been developed closer to execution (Videle, Suplacu and Oprisenesti – oil, Lebada East, Bulbuceni, Burcioaia – gas). Thereof, two key projects had already

passed Final Investment Decision and entered implementation phase, namely Suplacu and Oprisenesti. These are among Petrom's most important oil fields located in the Northwest and Southeastern part of Romania, respectively. The Suplacu field redevelopment is a cyclic steam injection project using Horizontal Alternative Steam Drive with in situ combustion. The Oprisenesti field redevelopment envisaged the drilling of 30 wells between 2009-2012, using water injection and high pressure injection stations. The investments requirement for the projects under development phase amounts to approximately EUR 400 mn over 2013-2015. Other projects are in appraisal phase (Tazlau, Phoenix, Independenta and Balaria-Blejesti – oil fields), with investments requirements estimated at around EUR 100 mn. These are expected to progress in the next years and reach implementation phase between 2014 and 2016. The cumulative recoverable resources from the above mentioned field redevelopment projects are estimated at around 150 mn boe.

In addition, new opportunities have been identified by setting up additional field redevelopment projects and continue to optimize the gas production system and modernize surface facilities and equipment in the selected major fields. The outcome of the implementation of a newly developed concept called the "Multidisciplinary Asset Review" was a promising offshore opportunity at the Istria oil field. The aim is to develop an offshore rig campaign (drilling sequence) to realize workover, sidetrack, infill well and exploration opportunities as soon as practically possible. The optimisation of artificial lift installations has been another focus of Petrom, leading to operational efficiency improvements.

Water injection projects stepped up throughout the year, with an 8% increase. The cumulative oil production from projects using water injection and thermal recovery methods (steam injection and in situ combustion) accounted for 25% of total domestic oil production in 2012.

Throughout 2012, we pursued the appraisal drilling of the Totea Deep development, to confirm the most important onshore gas discovery in Romania in the past six years. The

**2012 EOR/IOR
production
accounts for
25% in total oil
production**

Partnerships for production enhancement on 18 fields

exploration well 4539 Totea Deep was put in production in October 2011, and an appraisal well started experimental production in the second half of 2012. A second Early Production Facility (EPF2) installation was finalized by the end of November 2012, which allowed the start of production while still working on the field development plan and permanent facilities construction. The production of Totea Deep development averaged 5 kboe/d in 2012.

Some 118 new development and exploration wells were drilled, more than 12,400 well interventions were performed and 1,600 workover jobs were carried out throughout 2012. In 2012, a cost saving program was rolled-out, focusing on timely execution of measures with significant savings potential of energy costs. By the end of the year, the project target was reached and production costs could be reduced by more than RON 200 mn.

Production enhancement contracts

To optimize its portfolio, Petrom entered partnerships with reputed international companies for production enhancement on 18 smaller, mature fields: Turnu fields, in western Romania, with PetroSantander and Ticleni area, in Southwest Romania, with Petrofac. Total production of the two projects increased by 5% compared with the 2011 level, to approximately 7 kboe/d. Ticleni area contributed with 4 kboe/d and Turnu area with 3 kboe/d to total production in 2012. In July 2012, PetroSantander achieved the contractual production guarantee requiring a 50% production increase for a continuous 12 months over the oil baseline.

Petrofac started an ambitious drilling campaign which began to yield good production results. A further outcome of the drilling campaign is that Petrofac substantially exceeded their contractual investment commitment already.

At the end of 2012, Petrom entered a third partnership, signing a 15-year agreement with Expert Petroleum for production enhancement services on 13 small mature fields (currently producing around 2.4 kboe/d), some of them exploited for more than 40 years, situated in the Western part of Romania, near Timisoara.

Third partnership for production enhancement services

Expert Petroleum is a Romanian company with international expertise in the oil and gas industry. The current production of the fields accounts for approximately 1% of the daily production of Petrom in Romania, with production costs substantially higher compared to the average production costs of the company. The new contract follows the model of the previous production enhancement contracts. Expert Petroleum will take over and finance the operations and, together with Petrom, commits to their future development in order to maximize production while improving efficiency. Petrom remains the sole titleholder of the concession contracts and the owner of the hydrocarbon production, the existing assets as well as of the rights and obligations as defined by the Petroleum Act. Also, Petrom will supervise the operations and will remunerate Expert Petroleum based on a services fee, which will vary depending on the production level delivered.

Capital expenditures

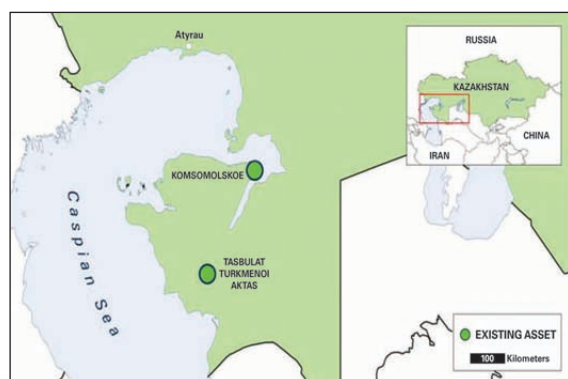
The Group's E&P capital expenditures increased by 15% compared to 2011, to RON 3,753 mn. The investments focused on Neptun Deep and Totea Deep projects, drilling development wells, field redevelopment initiatives, workover activities and sub-surface operations, as well as surface facilities. Petrom Group's exploration expenditures increased by RON 94 mn to RON 530 mn, thereof RON 328 mn were expensed and RON 202 mn were capitalized.

International E&P operations

In **Kazakhstan**, Petrom currently holds development and production licenses for the fields Tasbulat, Aktas, Turkmenoi (TOC fields) and Komsomolskoe (KomMunai field). In 2012, average oil and gas production in Kazakhstan increased by 2.5%, reaching 12.2 kboe/d. Throughout 2012, we continued to develop the **Komsomolskoe** field, focusing on artificial lift measures and start-up of the water injection program that will generate reservoir pressure support for long-term production. The artificial lift program has been completed and 13 electrical submersible pumps were installed. Average production in the Komsomolskoe field

amounted to 6.9 kboe/d in 2012, 11.3% higher than the level recorded in 2011.

Location of Petrom fields in Kazakhstan



At the **TOC fields** (Tasbulat, Turkmenoi, Aktas), four additional producing wells were drilled, supporting production in 2012. Average production at the TOC fields amounted to 5.4 kboe/d in 2012, 6.9% lower than in 2011 mainly due to external technical factors which led to temporary disruptions in the second half of the year.

Production in 2012

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	mn cbm	mn boe	mn boe
Romania	3.98	28.66	5,158	33.73	62.39
Kazakhstan	0.49	3.83	112	0.65	4.48
Petrom Group	4.47	32.49	5,270	34.38	66.87

Group's portfolio proved reserves as of December 31, 2012

	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	53	383	1,985	368	750
Kazakhstan	3	21	21	3	24
Petrom Group	56	404	2,005	371	775

Romania accounts for 97% of Petrom's total proved reserves

Gas and Power (G&P)

In the gas business, Petrom managed to maintain a strong position in the Romanian market covering all gas market segments, with approximately 28% market share on the free gas market during 2012. In line with our strategic directions, we commenced commercial operations at the Brazi power plant in August, which delivered a total net electrical output of 1.58 TWh in 2012, serving both free and regulated markets. With the commissioning of the Brazi power plant, Petrom expanded the gas value chain by converting gas into electricity and thus contributing to the security of the Romanian energy system.

G&P at a glance

	2010	2011	2012
Segment sales (RON mn)	3,065	3,627	4,143
EBIT (RON mn)	164	149	360
Capital expenditure (RON mn)	1,211	515	221
Consolidated gas sales (mn cbm) ¹	4,917	5,055	4,841
Consolidated gas sales (TWh) ¹	53.0	54.2	52.2
Total net electrical output (TWh) ²	-	0.31	1.68

¹ Consolidated gas sales include internal transfers to other segments.

² It includes net electrical output generated by the power plants during commissioning phase. The Dorobantu wind park commenced commercial operations on October 1, 2011 and the Brazi power plant – on August 1, 2012

Improved operating result

EBIT generated by the G&P business in 2012 (RON 360 mn) more than doubled compared to 2011 (RON 149 mn), driven by increased performance on gas sales, the contribution of the power business (Dorobantu wind park which started commercial operations in October 2011; and Brazi power plant, which commenced operations in August 2012), as well as the optimization of cost management. G&P investments in 2012 (RON 221 mn) focused mainly on the Brazi power plant.

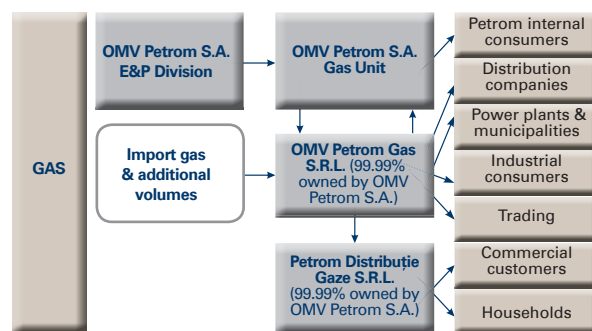
Legislative and regulatory highlights

With regards to the gas and electricity markets, Romania is required to implement the Third Energy Package in its legislation, which foresees the gradual liberalization of energy markets. In this context, a new electricity and gas law was issued in 2012, which foresees the liberalization deadlines. For gas, the deadlines for gradually phasing out regulated prices are end-2014 for the non-household sector (with the possibility of extension until end-2015) and end-2018 for households. For electricity, the deadlines for gradually phasing out regulated quantities are end-2013 for non-household consumers and end-2017 for households.

The ANRE regulations setting up two different „gas baskets“ (a pre-set mixture of domestic and import gas), for households, on the one hand, and non-households on the other, continued in 2012. The average import quota for households was 8%, while the import quota for non-households averaged 34% in 2012. Starting September 2012, the Brazi power plant has been supplied exclusively with domestic gas (this applies until end-2014).

Gas

Gas business model of Petrom Group



*Internal consumers refer to Petrom Group businesses

Romanian gas consumption decreased by 4% compared to the previous year, from 14.2 bcm in 2011 to 13.6 bcm in 2012, due to overall lower market demand.

Petrom managed to maintain a strong position in the Romanian gas market covering all gas market segments, with approximately 28% market share on the free gas market during 2012. Petrom's consolidated gas sales volumes decreased in line with Romanian gas consumption by 4% to 4.8 bcm in 2012 as compared to 5.1 bcm in 2011, which reflects the Group's customer profile – mainly large customers supplying mostly domestic gas from Petrom.

In 2012, the domestic gas price recognized by ANRE was RON 495/1,000 cbm (or the equivalent RON 45.71/MWh) unchanged since February

2008. Petrom managed to negotiate better commercial terms for its domestic gas sales in 2012.

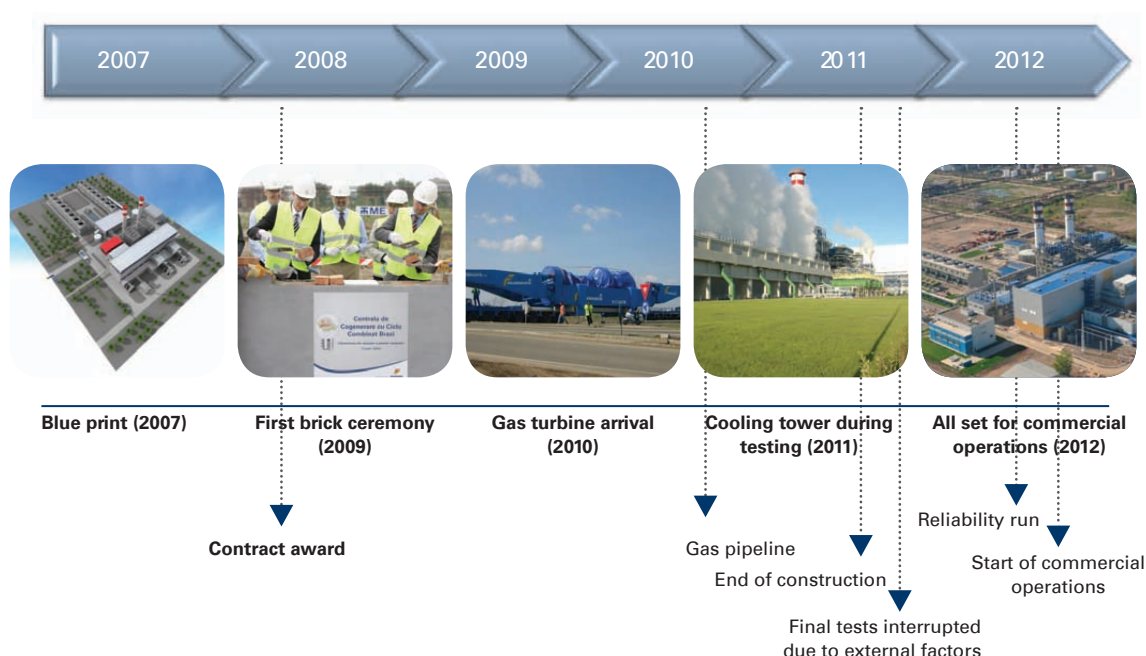
A total volume of 618 mn cbm of natural gas was injected into storage by Petrom in 2012, compared to 704 mn cbm in 2011. The total volume of natural gas in storage owned by Petrom amounted to 398 mn cbm at the end of 2012 compared to 406 mn cbm at the end of 2011.

In 2012, the G&P division continued the modernization of the gas metering stations taken over from E&P in 2011 (CAPEX 2012: RON 12 mn). 90 out of the total 110 measurement and quality control stations were modernized by Petrom during the past few years. This will ensure the accurate measurement of gas quality and quantity, while enabling us to operate the stations safely and remotely.

Power

Brazi power plant – from design to operations

Brazi power plant started commercial operations in August 2012



After successfully completing the construction of the 860 MW Brazi power plant in 2011, final tests were interrupted due to external technical factors in December 2011. As a consequence, cleaning

operations and technical improvement on some of the power plant's ancillary equipment, the gas supply pipeline and the gas metering station were performed in the first part of 2012 and tests

Petrom is one of the most important electricity producers in Romania

were resumed in June. Even before the start of commercial operations, the Brazi power plant ran at maximum capacity in order to support the production-consumption balance during the period of extended drought, thus contributing to the stability of the national energy system.

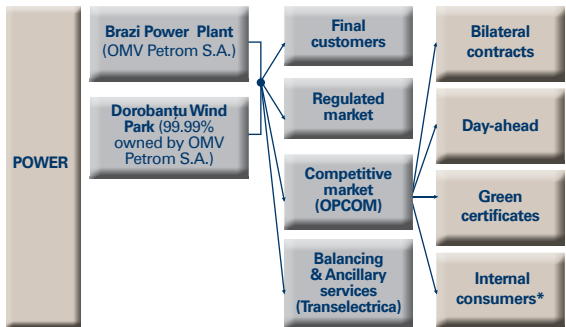
The Brazi power plant started commercial operation on August 1, 2012. Since then, the plant has delivered electricity on a commercial basis to the national grid, depending on the power market and observing the regulatory environment in Romania. If operated at maximum capacity, the power plant could cover 8 to 9% of the electricity market, making Petrom one of the most important electricity producers in Romania. The Brazi power plant has been supplied exclusively with domestic gas since September 2012.

approximately 6% of Romania's electricity production over the same period.

In 2012, the Dorobantu wind park (45 MW) continued its commercial operation, with net electrical output of 0.09TWh (2011: 0.04TWh, including commissioning phase), for which Petrom received 182,784 green certificates (2011: 33,050 green certificates).

Estimated Romanian gross electricity production decreased by 5% in 2012 versus 2011, to 59TWh, while estimated net consumption increased by 0.2%, to 53TWh. According to the export-import balance, Romania was a net importer of electricity in 2012. According to preliminary data published by OPCOM, electricity prices on the Romanian day ahead market averaged RON 217/MWh for base load and RON 275/MWh for peak load in 2012.

Power business model of Petrom Group



* Internal consumers refer to Petrom Group businesses which acquire electricity from OPCOM

The electricity generated by the Brazi plant is sold on platforms managed by OPCOM S.A. – the electricity market operator – and on the regulated market, as well as to final clients, while providing also balancing services. In 2012, the total net electrical output of the plant was 1.58TWh (including the commissioning phase), negatively influenced by the extended repair works performed by the national grid operator in its switchyard as well as some scheduled preventative maintenance works performed inside the plant. The Brazi plant started deliveries to the regulated market in October 2012 and delivered 0.34TWh to this market during October-December. Since its start of commercial operations in August 2012, Brazi covered

Doljchim

Petrom continued the dismantling and decontamination activities at Doljchim in compliance with European environmental and safety standards, to prepare the site for future alternative use. In this respect, several development alternatives were considered and will be evaluated for future development. In 2012, we set up a non-profit organization - CERC (Community Resource Center), a multi stakeholder forum aimed at managing local community initiatives and to ensure sustainable development of the region.

Refining and Marketing (R&M)

The Refining and Marketing business benefited from incremental improvements of the refinery yield structure. However, the high international price environment and subdued demand burdened the results. As part of the Petrobrazî refinery modernization program, the crude vacuum distillation unit was upgraded during the six-week-long planned shutdown in May-June 2012, enabling Petrom to process its entire domestic crude production. This prevented the refining business from benefiting from the high gasoline prices in mid-2012. In marketing, commercial volumes dropped and retail margins were under pressure for most of the year, due to the high crude oil prices and a depressed economic environment in the region. The Group marketing business implemented a program by which it centralized its administrative activities in order to reduce costs and better face the challenging environment.

Petrobrazî refinery modernization has progressed

R&M at a glance

	2010	2011	2012
Segment sales (RON mn)	15,176	18,957	21,750
EBIT (RON mn)	106	(187)	138
Clean CCS EBIT ¹	(104)	152	31
Capital expenditure (RON mn) ²	758	980	899
Total refined product sales (kt) ³	5,472	5,234	5,004
thereof Marketing sales volumes (kt) ⁴	4,157	4,066	3,829
thereof: Gasoline	1,036	949	879
Diesel	2,264	2,293	2,258
Kerosene/Jet fuel	214	222	186
HFO	98	196	132
Number of filling stations	801	793	798

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

² Investments also include increases of Petrom share participations in other companies.

³ Include all products sold by Petrom Group.

⁴ As of 2010, the figure excludes export sales which are included in total refined product sales.

Clean CCS EBIT in R&M decreased to RON 31 mn compared to RON 152 mn in 2011, mainly due to the weak economic environment which negatively affected the marketing result. The high crude price environment coupled with a stronger USD compared to RON further burdened the refining result. 2012 was the second year after privatization with a positive clean CCS EBIT, which reflects the incremental increases in the yield structure and improvements of energy efficiency, as a result of the ongoing modernization program. Clean CCS EBIT is stated after eliminating CCS effects of RON 169 mn and net special

charges of RON (63) mn mainly related to impairment of marketing assets in the Republic of Moldova. **Reported EBIT** came in at RON 138 mn, in contrast to a negative RON (187) mn in 2011. The 2011 EBIT was negatively impacted by significantly higher net special charges reflecting the RON 504 mn fine imposed by the Competition Council, provisioned in Q4/11.

In 2012, the **indicator refining margin** ⁱ improved to USD (1.39)/ bbl, from USD (2.40)/ bbl in 2011 as, overall higher middle distillates and gasoline cracks compensated for higher costs of crude consumption. Nevertheless, the

Second year after privatization with a positive clean CCS EBIT

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

Crude vacuum distillation unit went through modernization

six-week long planned shutdown of Petrobrazî prevented the refining business from benefiting from the mid-year high gasoline prices.

The Petrobrazî refinery utilization rate decreased by six percentage points to 73% in 2012 (2011: 79%), reflecting the six-week-long planned refinery shutdown during May-June 2012. After a gradual restart of the refinery in the third quarter, the utilization picked up steadily in the last quarter of the

year, when it averaged at 93%, supported by the improvements performed during the turnaround. After the modernization of the crude vacuum distillation unit, Petrobrazî refinery capacity stands at 4.2 mn t/y (previously 4.5 mn t/y), allowing it to process 100% of Petrom's Romanian crude production while improving energy efficiency and product yields. Accordingly, the utilization rate also reflected the nameplate capacity adjustment to 4.2 mn t/y from July onwards.

Crude oil processed (kt) ¹

	2010	2011	2012
Arpechim ²	749	-	-
Petrobrazî ³	3,153	3,567	3,146
Total	3,902	3,567	3,146

¹ Including condensate.

² Permanent closure approved by the Supervisory Board in March 2011.

³ Nominal capacity of 4.5 mn t/y until Q2/12. Starting Q3/12 it was streamlined to 4.2 mn t/y.

Production (kt)

	2010	2011	2012
Gasoline	1,183	1,105	946
Diesel	1,178	1,184	1,035
Kerosene/Jet fuel	204	195	144
HFO	473	394	350
LPG total	220	205	162
Bitumen	42	0	0
Petroleum coke	177	216	196

Sales

The harsh weather conditions at the beginning of the year and the challenging price environment burdened the marketing business in 2012. Petrom Group's total marketing sales amounted to 3,829 kt in 2012, 6% lower compared to 2011, due to persisting unfavorable market conditions. Group **retail sales** decreased by 2% compared to the previous year, reaching 3,117 mn liters. Retail sales in the domestic market reached 2,405 mn liters in 2012, also 2% lower compared to last year due to continued pressure on purchasing

power, in line with the total retail market.

Group **commercial sales** amounted to 1,344 kt, 13% lower against 2011, with lower volumes in all products. In Romania, commercial sales stood at 857 kt, 12% below the previous year's level (2011: 969 kt) while the local market decreased by 7%. Total Romanian market share was in line with 2011, at 36% mainly as a result of business optimization and product portfolio revision. Overall market share in the operating region was broadly at the same level as last year, reaching 26%.

Retail margins fell to a lower level compared to the previous year as a result of the high price environment. The pressure on margins came mainly in the first eight months of the year and gradually reduced in the last quarter as international product prices for gasoline and diesel dropped in comparison to previous quarters of 2012.

In 2012, total **non-oil business (NOB)** turnover improved by 5% compared to last year mainly due to the implementation of a new logistic system. Since 2011, one international supplier of logistics services has been catering to the NOB segment in Bulgaria and Serbia, and the same concept was rolled out in Romania in 2012 as well.

Operational highlights 2012

Refining

In 2012, the main challenges were to successfully commission the modernized crude vacuum distillation unit in the Petrobrazî refinery, following the six-week-long shutdown and to further improve the operational performance of the refinery.

The upgraded unit allows for product mix improvement enabling a better response to market demand: Romanian refineries produce excess gasoline compared to the demand, whereas for diesel, around 30% comes from imports.

The main goal of the unit modernization was the technical adjustment in order to process the entire domestic crude production and will lead to an increase of the middle distillates yield in the product mix and improved the energy efficiency. The modernization project of the crude vacuum distillation unit was initiated in 2009 and the commissioning was done in the first half of 2012. Petrobrazî refinery resumed operations in late June. In parallel with the commissioning of the unit, several modernization and maintenance projects were performed.

The 2012 investments for the Petrobrazî modernization program amounted to approximately EUR 90 mn, part of the EUR 600 mn investment plan throughout 2010-2014 (of which approximately EUR 450 mn was already invested by end of 2012). Further milestones in the Petrobrazî modernization were passed with

the commissioning of the Coker unit upgrade (performed in January 2013). The next steps envisage the new Gas Desulfurization unit, scheduled for 2013 and the Vacuum Gas Oil conversion project in 2014.

During the year, the Petrobrazî refinery obtained its renewed ISO recertification in terms of quality, environment, energy and occupational health and safety management, which reconfirmed the products quality of the refinery. The closure of the Arpechim refinery, including the employees' restructuring process, progressed with ongoing measures in order to enable further utilization of selected assets (mainly logistic facilities) as a terminal within the R&M downstream operations. With regards to the remaining assets, the preparation for the permanent closure as approved by the Supervisory Board in March 2011 continues.

Supply and Logistics

In November, Petrom inaugurated at Işalniţa its third greenfield fuel terminal. The project is part of a far-reaching investment program, including the construction of three new terminals (Jilava, Brazi, Işalniţa) and the modernization of other three. With a capacity of 11,000 m³, the terminal at Işalniţa, located in Dolj county, could ensure the supply for most of the Southern region of Romania. The investment value for the construction of the fuel terminal at Işalniţa amounted to approximately EUR 26 mn.

All three newly built terminals, Jilava, Brazi and Işalniţa, are fully automated and comply with the Romanian and European norms and standards. They have a total storage capacity of 46,000 m³ (Jilava: 27,000 m³, Brazi: 8,000 m³, Işalniţa: 11,000 m³).

Due to the high standards used for its construction and equipment, the three terminals at Jilava, Brazi and Işalniţa are among the most modern and safest fuel terminals in Europe.

Marketing

In marketing, the main focus in 2012 was to maintain the market share in the retail business in a difficult economic environment while increasing efficiency through integration within downstream activities.

To consolidate its market position in Romania,

**Continue the
fuel terminals
capacity upgrade**

Marketing sales reflected the poor economic recovery

the marketing business unit further pursued its two brand strategy - the international premium brand, OMV, and the Romanian brand, Petrom, positioned as economy brand. Focus was put 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) within OMV filling stations functioning under the Service Corner concept. Furthermore, a significant number of Petrom filling stations were further revamped with a new refreshed look.

Marketing continued to optimize its operations in a challenging market environment, with focus on its business-to-business activities, and centralization of the management structure and processes within the Petrom Group. To bolster commercial sales, tailor-made concepts have been optimized for the agriculture and construction sectors, as well as for the transports business (road and sea). The multi-channel approach (using different channels to reach our commercial customer target groups) has also been optimized for the diesel and aviation business in Romania, strengthening sustainable profitability.

The weak economic environment in the region throughout 2012 and the pressure on customer purchasing power led to slightly lower average fuel sales per filling station. In Romania, it decreased by 1% compared to the previous year, standing at 4.4 mn liters per station (2011: 4.5 mn liters per station), while at Group level, the average throughput per station decreased by 2% to 3.9 mn liters in 2012 (2011: 4.0 mn liters per station).

Marketing activity consolidation

In 2012, Petrom implemented a cross border program, centralizing the administrative

marketing activities into a functional organization managed from Bucharest. A single structure with a centralized management team was created, with common services and common support functions, aimed at optimizing the marketing activities in the region, bringing efficiency to the use of resources and helping to better promote Group's products across a region that comprises countries with similar business activities. This supports the improvement of the cost position, as well as for further synergies at Group level, while allowing for faster response to the highly competitive market in the region.

Affiliated companies

In 2012, Petrom entered into a selling contract of its 99.99% stake held in Petrom LPG SA to Crimbo Gas International. The sale of Petrom LPG, a non-core business with high complexity, managing a high number of small clients was in line with Petrom's strategy to focus on the company's core operations in order to increase efficiency. Following this transaction, Petrom exited the bottling and distribution market while it continued to produce LPG and sell gas cylinders and auto gas through its filling stations. Petrom continues to supply LPG from its refinery to the company subject to the transaction while the latter supplies cylinders and auto gas to OMV Petrom Marketing SRL. The transaction was signed in June 2012 and completed in January 2013.

In the **Republic of Moldova**, Petrom pursued further optimization of its filling stations portfolio. In **Bulgaria**, the upgrade of OMV sites to the newly developed shop concept (VIVA Smart) was completed. In **Serbia**, similarly to Bulgaria, the sales volumes showed a decrease, reflecting the depressed economic environment.

Number of filling stations per country

	2010	2011	2012
Romania	546	545	546
Republic of Moldova	102	94	98
Bulgaria	94	93	93
Serbia	59	61	61
Total	801	793	798

Prices

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

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

Investments

In **Refining**, a major part of the Petrobrazî

modernization program was completed in 2012 (modernization of the crude and vacuum distillation unit), as well as the commissioning of the third greenfield fuel terminal at Işalniţa. In addition to the modernization projects, investments in environmental, legal compliance and energy efficiency projects were made.

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

The EUR 600 mn investment program from Refining will be finalized in 2014



Sustainability



Sustainability

Over the years, Petrom has developed a true culture of responsibility towards the environment and the society in which we operate. When the company joined the OMV Group in 2004, management took the decision to formalize efforts in this area.

Petrom's key sustainability principles were incorporated and assimilated gradually into the business strategy and its organization.

Resourcefulness involves our commitment and efforts

In 2012, the company reaffirmed a common commitment to sustainability under the shared concept of „Resourcefulness“.

Our sustainability concept: Resourcefulness

Resourcefulness is our way of achieving profitable growth in a sustainable and responsible manner. This helps us to create long term win-win situations for society, the environment and Petrom as we aim to secure energy supplies for the present and the future. As the largest oil and gas producer in South Eastern Europe, Petrom faces major challenges. With global demand for energy growing at a steady pace, resources are increasingly scarce. Furthermore, concerns regarding energy affordability and climate change are of growing importance.

Responsible behavior, careful management of resources and investment in innovation are the underlying principles that guide our conduct. This is why 'being careful with our resources' is one of our basic business principles.

Launched in 2011, the Group's Resourcefulness concept builds on our commitment and efforts to put sustainability right at the heart of our business. It is our approach for implementing initiatives in the areas of environmental management, new energies, education and development, health, safety, diversity, business ethics, human rights, stakeholder engagement and community engagement under a single, overarching strategy.

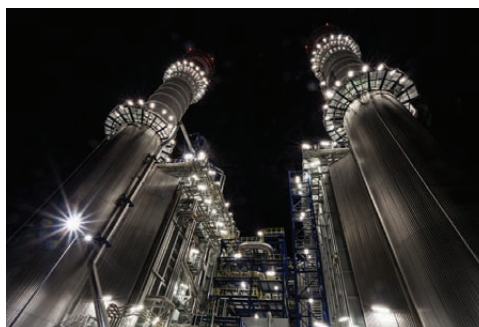
The year 2012 marks a change in gear for Petrom as we take Resourcefulness to the next level, concentrating on tangible commitments in three focus areas: "Eco-Efficiency", "Eco-Innovation" and "Skills to Succeed".



Eco-Efficiency

We have a special responsibility because we work with finite natural resources. We do this as efficiently and safely as possible and commit to the best environmental practices and processes. As it is the cleanest fossil fuel, we will focus even more on gas as the most important raw material for generating electricity. A particular focus of our Eco-Efficiency efforts is on carbon and water management.

We have a number of projects underway that address the impacts of Petrom activities. For example, we invested approximately EUR 530 mn in our Brazi power plant. This 860 MW plant is one of the largest combined cycle power plants in Eastern Europe and can supply up to 8-9% of Romania's electricity demand – enough to meet the electricity needs of Bucharest. The plant uses state-of-the-art technology that is twice as efficient as the sector average, and also contributes to emission reductions.



Another example of Eco-Efficiency can be seen in our investment of EUR 6 mn at a waste water treatment plant which resulted in improved quality of discharged waste water as well as a reduced amount of sludge waste. This project was finalized in 2012 and encompassed an increase in efficiency during the mechanical stage, optimization of the de-nitrification stage, modernization of the dosing unit for chemical substances, and utilities monitoring.

Eco-Innovation

Eco-Innovation has the potential to provide valuable alternatives to traditional fossil fuels, while also reducing CO₂ emissions. At Petrom, we are playing our part and support the Eco-Innovation commitment of the OMV Group, notably in handling and transporting gas. Within the Group, Petrom is exploring new and better ways of using our energy expertise to innovate in areas such as alternative energy, with a particular focus on second generation biofuels, in order to underpin company's sustainable development. Innovation and expertise is shared throughout the entire OMV Group to provide valuable alternatives to traditional fossil fuels and mobility solutions.



Skills to Succeed

We foster and promote the skills that people need to be successful. This applies not only to our workforce of around 21,600, but also to our stakeholders. We primarily focus on investing in the economic development of the communities in which we operate through vocational training, local workforce support and local supplier development. In the communities

where we operate, we support education linked to energy and entrepreneurship.

One of our highlights of 2012 was helping to organize a job fair in Pitesti, which brought together around 400 of our former employees with 40 subcontractors looking to expand their workforces.

In addition, a training center dedicated to Petrom employees will start operating by the end of 2013. The new center will deliver high quality training for the continuous development of our employees, with a clear focus on programs that meet the specific needs of our oil and gas workforce. These programs will take full account of the latest innovations, while also looking to incorporate future developments to ensure that our people are familiar with international best practice.

New training center for employees expected end of 2013

Reporting on our material issues

We have identified six key topics outlined below, that materially influence our performance. We measure the effects of our actions, which in turn enables us to make the best decisions for Petrom and our stakeholders in the future.

Some selected KPIs are reported on page 45. More detailed KPI information can be found in our standalone Sustainability Report.

1. Environmental and energy management

We responsibly address issues involving environmental impacts along our entire value chain. Our goal is to use natural resources efficiently and to minimize waste, emissions and discharges.

We aim to continuously reduce our CO₂ emissions and water withdrawal through Eco-Efficiency measures and careful environmental management.

With respect to CO₂ emissions, in Exploration and Production we continued to make good progress, including:

- An investment of EUR 8 mn during 2012 on Gas to Power (G2P) and Combined Heat and Power / Cogeneration (CHP) projects to reduce our own energy consumption as well as GHG emissions. This work resulted

Lower CO₂ emissions and water withdrawals

in a CO₂ emissions reduction of 24,000 t CO₂ equivalent in 2012. Starting with 2014, we expect the program to generate a total reduction of around 170,000 t CO₂ equivalent/year compared to 2009.

- The initiation of a wells automation program to ensure that pumps run only when necessary. This program, which saw a 2012 investment of approximately EUR 7 mn, optimizes production and saves energy at the same time for 1,526 wells.

We continued to implement optimization and energy efficiency projects to reduce CO₂ emissions also in Petrobrás refinery, as the next three examples: the switch to gas fuel for the turbines used for electricity production; the reduction of steam losses by re-engineering a pipe and the revamp of the atmospheric and vacuum distillation plant.

In our day to day operations we also aim to reduce the amounts of withdrawn water by an efficient usage. Therefore, in 2012 we increased the efficiency of the heating and cooling systems and optimized the water supply systems.

A broad range of mutually supportive activities were also implemented in 2012 to reduce and prevent the environmental impact of oil spills, including:

- The Spill Risk Map project is developing a tool to provide detailed information regarding the risk of pollution from pipelines in Petrom E&P. A pilot was run in one of E&P's assets and the Risk Map will be rolled out throughout 2013.
- In conjunction with other environmental initiatives on pipelines, we are close to completing a Risk Based Inspection (RBI) study under our new Pipeline Integrity program. Dedicated teams in each asset will ensure effective implementation of ongoing inspection works, with repair and replacement carried out on a risk-based prioritization basis.
- A Spill Preparedness and Response program was also implemented during 2012 with the aim of identifying measures to increase our

ability to prevent and respond effectively to oil spills. This started with 10 spill drills conducted onshore in all E&P assets and will continue in 2013 with the implementation of an action plan and strategic program containing technical, organizational and skills development measures.

2. Health, safety and security

Health, safety and security management are of the highest priority for Petrom. They are basic requirements for business success and fundamental to our Resourcefulness concept. They are also key elements in our risk management strategy and essential to our ability to maintain our license to operate. One of our main concerns is therefore to ensure our employees' physical wellbeing and safety. In the workplace we focus on process reliability, workplace safety and health promotion as well as road safety. We believe accidents can be prevented through hazard analyses, risk management and safety training, among other initiatives.

Unfortunately 2012 was overshadowed by two fatalities: one Petrom employee and one contractor tragically died as a consequence of work-related accidents. The accidents were investigated; we identified the root causes and set up a mitigation plan in order to avoid similar cases in the future.

We are putting a number of programs in place, including crisis management, to ensure that all employees understand and act according to our Health, Safety and Security (HSS) standards. By recording and investigating incidents and near misses, we can ensure we learn from previous experience and prevent recurrences.

- During 2012, we continued the roll out of our "Stepping, Lifting, Handling and Working at Heights" campaign. The main objective is to increase our employees' awareness of and responsibility for HSS in the environment in which they operate. Over 9,000 E&P and R&M employees and contractors received this practical and theoretical training, compared to 7,000 in 2011.
- In line with the concern for the health

of our employees, during 2012 we have offered, besides the legally required medical examinations, three different screening programs (for cardiovascular, liver and respiratory diseases) with a participation of over 17,000 employees.

- In 2012, Petrom achieved a lost time injury (LTIR) rate of 0.41 injuries per million hours worked, compared to 0.47 in 2011. Contractors' LTIR increased to 0.55 injuries per million hours worked compared to 0.39 in 2011.

3. Human rights

Human rights are a core element of our Resourcefulness concept. We adopted the provisions of the UN Global Compact (UNGC) and included them in our human rights policy and Code of Conduct.

In order to implement our human rights matrix, we work together with an independent expert to conduct internal checks to assess our human rights compliance. We have demonstrated that we have taken additional measures in order to closely align to EU legislation in these matters. The recommendations help us on our journey towards full compliance with European Directives.

In addition, all our suppliers are required to commit to our Code of Conduct. For some of them, including security contractors, checks were conducted by independent auditors to ensure compliance with our Human Rights policy.

4. Diversity and human resources

Petrom employs people of around 43 different nationalities. The issues of diversity, equal opportunity, and the chance to build a career are common themes that run across all our operating locations.

We continuously strive to attract talented people and we give them the tools and skills they need to perform to their full potential. Petrom is acknowledged as an employer of choice and we are committed to remaining so.

Our human resources planning strategy includes regular global employee surveys (Human Capital Management - HCM), which help us

monitor our progress and identify areas where we can improve. This year, 38 workshops were conducted to follow up HCM actions and measures identified in 2011 – 32 workshops were dedicated to the business units, with the remainder for mixed groups such as expatriates and for those with less than five years' service within Petrom. A total of 821 employees participated in the survey, including Executive Board members and senior management.

In terms of diversity, we envisage that by the end of 2013 at least 30% of employees in the Group development programs and potential pools will be female. By the end of 2012 the proportion of women in Petrom Group as a whole was 23%.

We greatly value the personal commitment of our employees in implementing the Resourcefulness concept. Top management leads by example, by being involved in Resourcefulness projects and by inspiring our people to pursue responsible and sustainable business behavior. In the spirit of Resourcefulness, employees are encouraged to assume responsibility towards stakeholders, the environment and society, and to anchor this thinking in their individual agreements on goals and objectives.

5. Business ethics and governance

Trust and integrity form the basis for all our corporate activities. We expect our employees to have an ethical and responsible attitude, and to be committed to honesty, transparency and integrity in all their business dealings.



We aim to increase the diversity of our employees

Code of Business Ethics governs our conduct

Our governance procedures are centered on a Code of Business Ethics which includes clear rules on conflicts of interest, gifts and hospitality as well as the assessment of third parties. A compliance system and the relevant processes help to ensure adherence to our regulations. Behaving fairly towards our stakeholders substantially enhances our good reputation as an employer and business partner. Petrom adopted the OMV Group's Code of Conduct thus adhering to the UNGC principles. Together with the Business Ethics Code, the UNGC is a guideline for actions, for both employees and suppliers. In addition to training courses, we develop annual compliance communication programs. From 2012 onwards, these programs include compliance dedicated professional events ("Compliance Days") which emphasize our approach to compliance, underline the benefits for business of compliant conduct and encourage employees' compliant behavior.

6. Stakeholder engagement and community management

We cannot operate in isolation, and depend on the support and co-operation of a wide range of stakeholders. Stakeholder engagement is a key part of our work. We want to understand our stakeholders' views and interests so that we are in an even better position to meet both our sustainability objectives and future challenges. Only then can we continuously improve our activities.

We increased our involvement in the communities where we operate

We have therefore initiated and maintained regular dialog with all our stakeholders, creating meaningful long-term relationships. For example, since 2009 we have organized an annual stakeholder dialog forum that brings together Petrom executives with representatives of Ministries, the European Bank for Reconstruction and Development, non-governmental organizations, and academia.

Based on dialog and engagement with stakeholders as well as documents prepared through stakeholder forums – such as the book "Energy Industry, A Growth Driver for

Romania" - we have helped our business and also Romanian authorities in the energy area meet EU requirements regarding legislation and the implementation of the energy and gas markets liberalization process.

As a major employer and key player in Romania's economy, we are an integral part of the communities where we operate. Every year, through volunteering and investments, we support a wide range of projects that benefit local communities under the umbrella



of our 'Andrei's Country' social platform. The overall goal of Petrom, through its dedicated Community Relations and Social Affairs Department is to improve relations with these communities so that we can operate effectively and build a sustainable business.

In 2012 we celebrated our sixth year of social and community involvement, and have so far allocated a total budget of over EUR 30 mn for initiatives to support initiatives in areas such as innovation, education and leadership.

	2010	2011	2012
Lost-time injury rate (LTIR) per million hours worked for own employees	0.64	0.47	0.41
Lost-time injury rate (LTIR) per million hours worked for contractors	0.32	0.39	0.55
Total recordable injury rate (TRIR) per million hours worked for own employees	0.92	0.74	0.78
Total recordable injury rate (TRIR) per million hours worked for contractors	0.89	0.52	0.51

For more detailed information about Petrom's sustainability performance, a dedicated report will be made available on the company's website www.petrom.com.



A photograph of an industrial facility, likely a water treatment plant, featuring a series of white pipes and valves. The valves have prominent red handwheels. The equipment is mounted on a blue metal frame. The background shows a clear blue sky and some distant industrial structures.

Report of the governing bodies

Report of the Supervisory Board

Transparency and accountability towards shareholders

Core activities

OMV Petrom S.A. (hereinafter also referred to as "Petrom" or the "company") is an integrated oil and gas company, operating mainly in Romania, but also through its subsidiaries in Kazakhstan (exploration and production activity) and in the neighboring countries of Bulgaria, Republic of Moldova and Serbia (marketing activity). OMV Petrom S.A. is also the parent company of all companies consolidated within Petrom Group. A detailed structure of the consolidated companies in Petrom Group at December 31, 2012 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 shareholders is a practice 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 2012.

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

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

- ▶ visiting our corporate website, www.petrom.com, which is continuously updated;
- ▶ contacting the company directly – shareholders and equity analysts can address their requests to our Investor Relations department;
- ▶ asking questions at the General Meetings of Shareholders.

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 protection of shareholders' rights, improving the overall performance of the company, offering better access to capital and risk mitigation.

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

In accordance with the aforementioned principles, the company is managed in an atmosphere of openness, based on honest discussions between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. Members of the aforementioned corporate bodies have always paid due attention to their duty of care and loyalty. Hence, the Executive Board and the Supervisory Board have passed their resolutions as required for the welfare of the company, primarily in consideration of the interests of shareholders and employees.

Governance structures

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

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

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

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

Supervisory Board members

In accordance with the company's Articles of Association, the Supervisory Board of the

company comprises nine members.

Until March 23, 2012 the Supervisory Board consisted of the following members: Gerhard Roiss (President of the Supervisory Board), David Charles Davies (Deputy President of the Supervisory Board), Jacobus Gerardus Huijskes, Manfred Leitner, Gerald Kappes, Gheorghe Ionescu, Constantin Dascălu, Joseph Bernard Mark Mobius and Riccardo Puliti.

Starting March 23, 2012, Hans-Peter Floren was appointed as interim member of the Petrom Supervisory Board, until the company's Ordinary General Meeting of Shareholders of April 27, 2012. He succeeded Gerald Kappes, who was interim member of the Petrom Supervisory Board starting January 1, 2012, when he replaced Werner Auli (former member of the Petrom Supervisory Board between 2006 and 2011).

Hans Peter Floren was appointed as member of the Supervisory Board by the Ordinary General Meeting of Shareholders held on April 27, 2012. The Supervisory Board would once again like to thank Gerald Kappes for his constructive work and commitment towards the company during his mandate.

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

Executive Board members

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

Until September 1, 2012, the Executive Board of the company consisted of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Daniel Turnheim (Executive Board member and Chief Financial Officer), Johann Pleininger (Executive Board member in charge of Exploration and Production), Neil Anthony Morgan (Executive Board member in charge of Refining and Marketing), Hilmar Kroat-Reder (Executive Board member in charge of Gas, Power and Chemicals).

Following Hilmar Kroat-Reder's waiver of his mandate, Cristian Nicolae Secoșan was appointed as Executive Board member in charge of Gas, Power and Chemicals as of September 1, 2012. Likewise, following Daniel Turnheim's waiver of his mandate, Andreas Matje was appointed as Executive Board member and Chief Financial

Officer as of January 1, 2013.

The Supervisory Board would once again like to thank Hilmar Kroat-Reder and Daniel Turnheim for their commitment to the company during their mandates and their significant contribution to the company's achievements.

Supervisory Board activity during 2012

In 2012, 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 the management of Petrom and monitored its work, and we were involved in the company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

During the year under review, the Supervisory Board met six times in person. Moreover, for specific and particularly urgent plans and projects arising between the actual meetings, the Supervisory Board submitted its approval in writing on four occasions. All members of the Supervisory Board attended more than half of the meetings of the Supervisory Board in 2012. The average participation rate was over 90%.

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

At our meetings, the Executive Board duly provided detailed information, both verbally and in writing, on issues of fundamental importance for the company, including its financial position, business strategy, planned investments and risk management. We discussed all transactions significant for Petrom in the plenary meetings, based on the reports of the Executive Board. The high frequency of both plenary and committee meetings facilitated an intensive dialog between the Executive Board and the Supervisory Board. In addition, the President of the Executive Board constantly informed the Supervisory Board of current developments in the company's business, significant transactions and upcoming decisions.

SB members' average participation rate to the meetings exceeded 90%

At the beginning of the year, on **January 19**, we approved **via a circular motion**, a secondary professional engagement for Hilmar Kroat-Reder as Board member for OMV Group entities in Turkey. In **February, via a circular motion**, we approved an investment project in Tazlau, which aims to implement a water injection solution which requires less energy and therefore should reduce CO₂ emissions.

March 23 Supervisory Board meeting

During the Supervisory Board meeting of March 23, we thoroughly discussed the 2011 annual consolidated financial statements as well as the respective management reports. The 2011 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 said 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 Group. Based on the results achieved in 2011 and the good gearing ratio, another topic on which we focused during the meeting was the distribution of dividends, where we approved the management proposal to distribute the amount of RON 1,755.96 mn as dividends.

On March 23, we took notice of Gerald Kappes's waiver of his mandate as interim member of the Supervisory Board and in full compliance with applicable regulations, voted in Hans-Peter Floren as interim member of the Supervisory Board until the next GMS.

April 20 Supervisory Board meeting

During the meeting of April 20, we were informed by the Executive Board on the measures envisaged by the Government of Romania in order to deal with item 17 from the Letter of Intent issued by Romania under the Stand-by Precautionary Agreement with IMF, World Bank, European Commission. Within the aforementioned Letter, in respect to the gas market, the Romanian Government was undertaking to draw up by the end of April 2012 a package covering fiscal measures, royalties and regulations to govern the oil and gas sector.

April 27 Supervisory Board meeting

At our regular meeting of April 27, we received reports and were consulted by the Executive Board on market and business developments that had occurred since the previous meeting. We also discussed in preparation of the GMS which followed the meeting during the same day.

June 15 Supervisory Board meeting

During the meeting of June 15 which took place outside of Bucharest and was combined with a 2-day seminar to give the Supervisory Board sufficient time to discuss matters, the Supervisory Board focused its attention on, discussed and approved the Petrom Strategy Update 2021. At this meeting we approved the sale of OMV Petrom S.A.'s 99.99% share in S.C. Petrom LPG S.A. and, hence, Petrom's exit from the gas cylinders bottling and distribution business.

July 12 Supervisory Board (via circulation)

On July 12, via a circular motion, the Supervisory Board took notice of Hilmar Kroat-Reder's waiver of his mandate as member of the Executive Board as of September 1, 2012 and voted in Cristian Nicolae Secoșan as member of the Executive Board for the remainder of Hilmar Kroat-Reder's mandate.

September 28 Supervisory Board meeting

At its meeting on September 28, the Supervisory Board reviewed the reports received from the Executive Board with regard to the day-to-day activities of the company.

November 27 Supervisory Board meeting

At the regular meeting of November 27, the Supervisory Board took notice of Daniel Turnheim's waiver of his mandate as member of the Executive Board starting January 1, 2013 and voted in Andreas Matje as Executive Board member for the remainder of Daniel Turnheim's mandate. During the same plenary meeting, we were consulted by the Executive Board on market and business developments that occurred since the previous meeting and were informed of the endeavours to enter a production enhancement contract for Timis area.

**Dividends
distribution rate
in 2012 amounted
to 47%**

Towards the end of **December, via a circular motion**, we approved the budget for 2013.

The Audit Committee

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

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

In 2012, the Audit Committee met three times. On these occasions, the committee reviewed and prepared the adoption of the annual accounts and the proposal for the allocation of profit. In addition, the Audit Committee supervised Petrom's risk management arrangements and its financial performance and monitored the reports delivered by its internal auditors and reviewed their plans for 2013. It further 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. (Ernst & Young) was Petrom Group's independent auditor in 2012. A motion for the reappointment of Ernst & Young as Petrom Group's auditor will be submitted to the next Ordinary General Meeting of Shareholders.

Annual financial statements

Ernst & Young audited the 2012 financial statements, reviewed the conformity of the annual report with the financial statements and issued unqualified audit opinions.

The financial statements and audit reports were presented for Supervisory Board 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 Committee reported to the Supervisory Board on its examination and recommended the

approval of the annual consolidated financial statements, including the management reports. Based on our own examination of the consolidated financial statements and the management report, we concurred with the results of the audit. The final results of our examination did not lead to any objections. Hence, the consolidated financial statements were approved in the Supervisory Board meeting of March 21, 2013 in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 22, 2013.

Financial reporting in compliance with international standards

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

Separate individual financial statements for the year ended December 31, 2012 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 EU, starting with the year ended December 31, 2012.

Dividend

The Supervisory Board has accepted the Executive Board's proposal to the General Meeting of Shareholders to pay a dividend of RON 0.028 per share, corresponding to a payout ratio of 40% of the net profit recorded in 2012. The proposal is subject to the approval of the forthcoming General Meeting of Shareholders on April 22, 2013.

Corporate Governance

The Supervisory Board also approved the Directors' Report which includes the Corporate Governance Report. Petrom adheres to and complies with the vast majority of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange. The Corporate Governance Code's requirements are broader than the legal requirements for listed companies. Effective since 2010, the "Comply or Explain" Statement is included in the Corporate Governance chapter of the Annual Report.

Ernst & Young audited the 2012 financial statements

Petrom has adhered to the BSE Corporate Governance Code since 2010

**Increased
operational
and financial
performance in
2012**

We thank shareholders for their confidence in Petrom. The company continued its successful path of development in 2012 through difficulties caused by the external 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 2012 and achieved very good 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 21, 2013



Gerhard Roiss
President of the Supervisory Board

Directors' report

Petrom Group financials (RON mn)

	2011	2012	Δ (%)
Sales revenues	22,614	26,258	16
Earnings before interest and taxes (EBIT)	4,936	5,662	15
Net income	3,759	3,946	5
Net income attributable to stockholders	3,757	3,953	5
Cash flow from operations	6,442	7,185	12
Capital expenditures	4,803	4,930	3
Employees at the end of period	22,912	21,650	(6)

Capitalizing on previous years' large investments in our core business and helped by relative stability at macroeconomic level in Romania, 2012 was another year of strong financial results and outstanding operational performance for our company. This was also the result of effective cost and operational management and supportive crude price environment. Moreover, throughout the year, we achieved several important milestones and had very successful results. The operating result (EBIT) increased by 15% to RON 5,662 mn compared to the 2011 level, with positive contribution across all business segments. Net special charges totaled RON (362) mn mainly related to a legal case in Kazakhstan for uncollected receivables, personnel restructuring and impairment of marketing assets in the Republic of Moldova.

The net financial result of RON (836) mn, which was significantly lower than the RON (327) mn registered in 2011, reflected the special charges of RON (209) mn for alleged late payment interest following the receipt of the preliminary result of the fiscal review for the years 2009 and 2010. The negative effects of receivables discounting as well as FX exposure related to the EUR bank loans also burdened on the financial result. The Group effective corporate tax rate was 18%, in line with 2011, while net income attributable to stockholders was 5% higher versus 2011. The return on average capital employed (ROACE)ⁱⁱ slightly decreased to 16.5%, from 17.3% in 2011, due to the large, long-term investment program. Positively, the gearing ratio improved to 7.3% from 9.3% in 2011, influenced by lower interest-bearing debt.

In 2012, we remained the largest investor in the energy sector in Romania with capital expenditures of RON 4,930 mn, slightly higher than in 2011, mostly dedicated to our E&P projects.

Going forward, in order to ensure production stability, in Romania we will progress several field redevelopment projects, focusing on drilling, workovers and advanced technologies aimed at increasing hydrocarbon recovery. Following data interpretation from the 3D seismic studies initiated in December 2012 on the deepwater sector of the Neptun block, further exploration is anticipated for end-2013. As regards Skifska (Ukraine) and Midia (Romania) blocks, we plan to progress with our discussions with the local authorities.

In G&P, we aim to maintain our leading position in the free gas market and enhance the value of equity gas by further optimizing the Brazi power plant operations. In R&M, the modernization program of Petrobrazi refinery progress is planned to further progress in 2013, with the commissioning of the Coker unit upgrade and the new Gas Desulfurization unit. Stringent cost management and business optimization are envisaged for all business segments.

Dividend

The strong 2012 results and healthy financial position enable us to invest in the company's future sustainable growth and also to propose to the forthcoming General Meeting of Shareholders of April 22, 2013, the payment of a

We focus our short-term efforts on stabilizing hydrocarbon production

ⁱⁱ For definitions of these ratios please refer to pages 87-88, section "Abbreviations and definitions"

Proposed dividend per share of RON 0.028, with a total value of RON 1,586 mn

dividend of RON 0.028 per share, corresponding to a payout ratio of 40% of the net profit.

In **E&P**, for the second year since privatization, we broadly stabilized our hydrocarbon production volumes. In Romania we successfully minimized the natural decline of our mature hydrocarbon fields at only 1.6% through several production optimization initiatives including workover activities and drilling of new wells and higher production from the Totea deep gas field. Production in Kazakhstan increased by 2.8% thanks to increased volumes from the Komsomolskoe field.

2012 is the first year with successful exploration results in deepwater offshore. In February, we confirmed the first gas discovery in the deepwater sector of Neptun block, explored in joint venture with ExxonMobil Exploration and Production Romania Limited, who acts as operator. Our focus on exploring the potential of the Neptun block and its neighbouring areas in Romania reflected into record high exploration expenditures of RON 530 mn, 21% higher than in 2011. Following the discovery, a 3D seismic program of 6,000 km² started at the end of the year. Further evaluation and additional appraisal work are required to indicate if the deep offshore gas discovery Domino-1 is commercially recoverable. An additional 3D seismic study of 1,600 km² has been finalized in the shallow water sector of Neptun block in the last part of 2012

Onshore, we pursued the appraisal drilling of the Totea Deep development, to confirm the most important onshore gas discovery in Romania in the past six years. An appraisal well started experimental production in the second half of 2012 while a second Early Production Facility (EPF2) installation was finalized by the end of November 2012, which allows the operator to start production while still working on the field development plan and permanent facilities construction. The production of Totea Deep averaged 5 kboe/d in 2012.

In **G&P**, we maintained a strong position in the Romanian gas market, covering all gas market segments, and accounting for 28% of the free

gas market in 2012. In the power sector, we delivered a total net electrical output of 1.68TWh, mostly from the Brazi combined-cycle gas-fired power plant contribution, which was brought on stream in August. With the commissioning of the Brazi power plant, Petrom expanded the equity gas value chain by converting gas into electricity and thus contributing to the security of the Romanian energy system.

In **R&M**, 2012 was the second year after privatization with positive Clean CCS EBIT result, nevertheless lower than the 2011 level, reflecting the poor marketing result. The indicator refining margin improved as higher gasoline and middle distillates cracks were only partially offset by the higher own consumption costs due to slightly higher crude prices. We continued the modernization program of the Petrobrazi refinery, and commissioned the modernization of the crude vacuum distillation unit in June, after a six-week shutdown, which led to incremental improvements of our refinery yield structure and lower refinery energy consumption. The utilization rate stood at 73%, reflecting the planned shutdown, slightly lower than the 79% in 2011. Last year, we also finalized the construction of a new state-of-the-art terminal at Işalnița.

In Marketing, total sales volumes decreased by 6% compared with 2011, broadly in line with the market demand in our operating region which experienced a weak economic environment. The previous years' rebranding of PetromV filling stations in Romania into OMV or Petrom also contributed to network optimization.

Corporate Governance

In order to consolidate market and stakeholder confidence, we pursue transparency in our management and internal control structures. To meet the expectations placed in Petrom in terms of good corporate governance, we strive to comply with the principles set out in the Code of Corporate Governance (hereinafter referred to as "the CGC" or "the code") issued by the Bucharest Stock Exchange. The code applies to the issuers listed on the Bucharest Stock Exchange and the enclosure of the "Comply or

Totea Deep production reached 5 kboe/d

Explain" Statement to the provisions set forth by the CGC became effective starting in 2010. The Corporate Governance Code's requirements are broader than the legal requirements for listed companies. A detailed report on Corporate Governance together with the "Comply or Explain" Statement is enclosed in our report.

The current version of the CGC is available on the website of the Bucharest Stock Exchange www.bvb.ro, under the item Companies/ Corporate Governance. The website also includes an English translation of the Code of Corporate Governance and the Corporate Governance Code Guidelines.

Earnings before interest and taxes (EBIT)

EBIT (RON mn)

	2011	2012	Δ (%)
Exploration and Production ¹	5,236	5,467	4
Gas and Power	149	360	142
Refining and Marketing	(187)	138	n.m.
Corporate and Other	(79)	(117)	48
Consolidation: elimination of intercompany profits	(183)	(185)	1
Petrom Group reported EBIT	4,936	5,662	15

Group reported EBIT advanced 15% versus 2011

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

In **E&P, EBIT** increased by 4% compared to 2011, to RON 5,467 mn, on the back of favorable FX effects (stronger USD against RON) and higher oil prices, which more than offset the increased operating and exploration expenses. The impact of hedging on the EBIT amounted to RON (394) mn, broadly flat compared to 2011. EBIT included special items totaling RON (287) mn, mainly related to a legal case in Kazakhstan for uncollected receivables, restructuring charges and also in relation to a community project.

Total Group hydrocarbon production decreased by 1.3% compared to 2011 to 183 kboe/day or 66.9 mn boe. **Total oil, gas and NGL production in Romania** totaled 62.4 mn boe, 1.6% lower compared to the previous year. Crude oil production was 28.7 mn bbl, 2.2% lower than in 2011, as the new wells drilled and the workover programs could not fully offset the effects of harsh winter conditions at the beginning of the year and also natural decline.

Gas production reached 33.7 mn boe, 1.1% lower compared to 2011. **Oil and gas production in Kazakhstan** increased by 2.8% to 4.5 mn boe, mainly due to increased production at

the Komsomolskoe fields. In 2012, **Group sales volumes** decreased by 1.3% compared to 2011.

In **G&P, EBIT** more than doubled to RON 360 mn, compared to 2011, driven by the better terms for domestic gas sales, positive contribution from the power segment as well as cost optimization. In **the gas business**, sales volumes decreased by 4% compared to 2011, still in line with the overall market trend. Since its start of commercial operations in August 2012, Brazi covered approximately 6% of Romania's electricity production over the same period and, together with the Dorobantu wind park had a marginal positive contribution to EBIT. Since September 2012, Brazi power plant has been supplied only with equity gas.

In **R&M, EBIT** considerably improved to RON 138 mn against RON (187) mn in 2011, as the latter was strongly affected by net special charges of RON (651) mn, mainly in relation with the provision set up for the fine received from the Competition Council. The **indicator refining margin** improved to USD (1.39)/bbl,

**Indicator refining
margin improved**

from USD (2.40)/bbl in 2011, supported by the higher gasoline and middle distillates cracks, which were only partially offset by the slightly higher costs of crude. During 2012, the **utilization rate** of Petrobrazi refinery stood at 73%, down from 79% in 2011, due to a six

weeks shutdown needed to commission the modernized crude vacuum distillation unit.

EBIT in the **Corporate and Other** (Co&O) segment amounted to RON (117) mn, 48% lower than in 2011, when it stood at RON (79) mn.

Financial highlights

Notes to the income statement

Summarized income statement (RON mn)

	2011	2012	Δ (%)
Sales revenues	22,614	26,258	16
Direct selling expenses	(564)	(696)	23
Production costs of sales	(14,321)	(17,306)	21
Other operating income	433	187	(57)
Selling and administrative expenses	(1,398)	(1,415)	1
Exploration expenses	(420)	(328)	(22)
Other operating expenses	(1,407)	(1,038)	(26)
Earnings before interest and taxes (EBIT)	4,936	5,662	15
Net financial result	(327)	(836)	155
Taxes on income	(850)	(880)	4
Net income	3,759	3,946	5
Less net income / (loss) attributable to non-controlling interests	2	(7)	n.m.
Net income attributable to stockholders of the parent	3,757	3,953	5

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

Compared to 2011, **consolidated sales revenues** increased by 16% to RON 26,258 mn, mainly driven by increased oil and product prices together with higher crude sales and higher electricity sales in 2012. After the elimination of intra-group transactions of RON 12,072 mn, the contribution of the **E&P** segment to consolidated sales revenues was RON 920 mn or about 3% of the Group's total sales revenues (2011: RON 571 mn). After elimination of intra-group sales, the **G&P** segment's contribution was RON 3,696 mn or approximately 15% of total sales (2011: RON 3,191 mn). Sales to external customers in the **R&M** segment amounted to RON 21,587 mn or 82% of total consolidated sales (2011: RON 18,795 mn).

In line with IFRS 8 "Operating segments", sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania represents the Group's most important **geographical market** with sales of RON 20,534 mn or 78% of the Group's total sales (2011: RON 17,411 mn). Sales in the rest of Central

and Eastern Europe were RON 4,485 mn or 17% of Group sales revenues (2011: RON 4,291 mn) and sales revenues in the rest of the world (Kazakhstan) increased to RON 1,239 mn, representing 5% of total sales revenues (2011: RON 911 mn).

Direct selling expenses, mainly consisting of third-party freight-out expenses, increased by 23% to RON 696 mn mostly related to activities in Kazakhstan. **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by 21% to RON 17,306 mn, mainly due to higher expenses for the acquisition of products from third parties in relation to the scheduled Petrobrazî refinery shut-down in 2012. **Other operating income** went down by 57%, and the result in 2011 included the reassessment of retirement provision following the change in parameters (in 2012 the reassessment of retirement provision resulted in an operating expense) and significantly higher incomes from carbon certificates. **Selling expenses** of RON 1,173 mn slightly increased by 1% compared to last year, while **administrative expenses** increased by 2% to RON 242 mn.

Exploration costs decreased by 22% to RON 328 mn, mainly due to lower provisions for unsuccessful wells in Romania in 2012; in

Consolidated sales revenues up 16% versus 2011

addition, 2011 also included impairments of exploration assets in Kazakhstan.

Other operating expenses decreased 26% to a value of RON 1,038 mn in 2012 resulting from the fact that significant provisions in relation with Competition Council anti-trust investigation and the Arpechim refinery closure were booked in 2011.

The net financial result shows a loss of RON 836 mn and decreased significantly in comparison with the previous year (2011: loss of RON 327 mn) influenced by the special charges for alleged late payment interest following the receipt of the preliminary results of the fiscal review of the years 2009 and 2010

for Petrom, higher discount of receivables and lower FX gains related to USD loans given by Petrom to its Kazakh subsidiaries as well as negative FX effect related to the EUR bank loans.

Taxes on income amounting to RON 880 mn in 2012 slightly increased compared to 2011. **Current expenses with taxes on income** went up by RON 54 mn to RON 964 mn, mainly driven by higher profits. In 2012, **deferred tax income** of RON 84 mn (2011: RON 60 mn) was recognized. The Group's effective tax rate remained stable at 18% (2011: 18%) as 2012 was burdened by the expense for the fiscal review, while 2011 included the non tax-deductible fine imposed by the Romanian Competition Council.

Capital expenditure

Capital expenditure ¹ (RON mn)

	2011	2012	Δ (%)
Exploration and Production	3,254	3,753	15
Gas and Power	515	221	(57)
Refining and Marketing	980	899	(8)
Corporate and Others	54	57	6
Total capital expenditure	4,803	4,930	3
+/- Other adjustments	438	145	(67)
Additions according to statement of non-current assets (intangible and tangible assets)	5,241	5,075	(3)
+/- Non-cash changes	24	55	129
Cash outflow due to investments in intangible and tangible assets	5,265	5,130	(3)
+ Cash outflow due to investments in securities, loans and other financial assets	-	-	-
Investments as shown in the cash flow statement	5,265	5,130	(3)

¹ 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

CAPEX amounted to RON 4.9 bn in 2012

Capital expenditure increased to RON 4,930 mn (2011: RON 4,803 mn), due to higher investments in E&P, partly offset by lower CAPEX in G&P and R&M.

Investments in **E&P**, at RON 3,753 mn (2011: RON 3,254 mn), represented 76% of the total figure for 2012 and were predominantly spent

on drilling development wells, workover activities and sub-surface operations, field redevelopment projects, as well as investments related to Neptun Deep Water and Totea Deep projects. Approximately 4% of investments were realized in **G&P** at the amount of RON 221 mn (2011: RON 515 mn), the majority of this amount related to the Brazi power plant,

which started commercial operations in August 2012. Capital expenditure in the **R&M** segment of RON 899 mn (2011: RON 980 mn) accounted for 18% of 2012 Group total investments. In Refining, investments were mainly related to the Petrobrazil modernization program (especially for the modernization of the crude vacuum distillation unit and of the Coker installation). Additional funds were directed to legal and environmental compliance. Corporate & Other (**Co&O**) segment investments amounted to RON 57 mn (2011: RON 54 mn), mainly referring to investments related to IT projects.

The reconciliation of total capital expenditure

to additions according to the statement of non-current assets (intangible and tangible) mainly relates to additions which by definition are not considered capital expenditure, such as capitalizations resulting from the reassessment of decommissioning and loans associated interest, fees and forex capitalized. The difference between the additions shown in the statement of non-current assets and the investments reported in the cash flow statement partly arise from investments that did not affect cash flows during the period (including financial leasing and reassessment of decommissioning provisions) and from change of liabilities arising from investments.

Balance sheet

Summarized balance sheet (RON mn)

	2011	%	2012	%
Assets				
Non-current assets	31,022	85	32,777	86
Intangible assets and property, plant and equipment	27,455	75	29,479	77
Investments in associated companies	41	0	39	0
Other non-current assets	2,718	7	2,393	6
Deferred tax assets	807	2	866	2
Current assets	5,467	15	5,368	14
Inventories	2,349	6	2,251	6
Trade receivables	1,826	5	1,968	5
Other current assets	1,292	4	1,149	3
Equity and liabilities				
Equity	21,077	58	23,405	61
Non-current liabilities	9,287	25	8,646	23
Pensions and similar obligations	195	1	241	1
Interest-bearing debts	2,173	6	1,717	5
Decommissioning and restoration obligations	5,898	16	5,866	15
Provisions and other liabilities	1,009	3	813	2
Deferred tax liabilities	12	0	8	0
Current liabilities	6,125	17	6,094	16
Trade payables	2,983	8	2,880	8
Interest-bearing debts	464	1	525	1
Provisions and other liabilities	2,678	7	2,689	7
Total assets/ equity and liabilities	36,488	100	38,145	100

**Total asstes of
RON 38 bn in
2012**

Gearing ratio decreased to 7.3% at year-end

Total assets increased slightly by RON 1,657 mn to RON 38,145 mn. The increase in **intangible assets and property, plant and equipment** by RON 2,024 mn is the main driver of the net increase of non-current assets by RON 1,755 mn up to RON 32,777 mn. Additions to intangible assets and property, plant and equipment (RON 5,075 mn) exceeded the total of depreciation, amortization and impairments, as well as disposals by RON 2,085 mn. The ratio of intangible assets and property, plant and equipment to total assets amounted to 77% (2011: 75%).

The decrease of **other non-current assets** was driven mainly by the reassessment of the receivable from the Romanian State following updates of cost and timing assumptions, which was only partly offset by the increase effect from the unwinding of the related provisions. The slight decrease in **current assets** of RON 99 mn is related to the decrease in inventories by RON 98 mn and to the decrease in other assets by RON 143 mn, partially compensated by an increase in **trade receivables** by RON 142 mn. The decrease in **other current assets** was mainly due to decrease of cash and cash equivalents following dividend payments and bank loan reimbursements, while the increase in **trade receivables** was influenced by higher sales in R&M and higher receivables from Kazakhstan crude exports at the end of December 2012 compared to 2011.

The increase in **equity** by RON 2,328 mn resulting from higher net income generated during the year, partially offset by the higher distribution of dividends for the financial year 2011 improved the equity ratio to 61% (2011: 58%).

The decrease in **long-term borrowings** by RON 456 mn is mainly related to reimbursements of loans from the EBRD (European Bank for Reconstruction and Development) of RON 416 mn and from the EIB (European Investment Bank) of RON 28 mn. The increase due to FX rates was almost offset by the reclassification of the short-term parts to current interest-bearing debts. This reclassification led also to the net increase of short-term **interest-bearing debts** by RON 61 mn.

Trade payables are lower mainly due to the finalization of investments projects in 2012, while **provisions and other liabilities** show a slight increase of RON 11 mn in 2012.

Gearing ratio

Reimbursements of long-term borrowings – partly compensated by a decrease in cash and cash equivalents – led to a decrease of Petrom Group's **net debt** ⁱⁱⁱ to RON 1,711 mn, compared to RON 1,955 mn at the end of 2011. Consequently, as of December 31, 2012, the **gearing ratio** ^{iv} further decreased to 7.3%, from 9.3% in December 2011.

Cash flow

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

Cash flow from operating activities increased by RON 744 mn or 12% compared to 2011, reaching RON 7,185 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 3,406 mn for 2012 (2011: RON 3,229 mn). While depreciation, amortization and write-ups added RON 2,852 mn (2011: RON 2,830 mn), net movement in provisions (including decommissioning and restoration obligations and other provisions for risks and charges) contributed a decrease of RON 227 mn (2011: increase by RON 200 mn) to the cash flow. The disposal of non-current assets and other non-cash adjustments led to an increase of RON 781 mn (2011: increase of RON 199 mn).

In 2012, net working capital, interest and taxes generated a cash outflow of RON 1,046 mn (2011: cash outflow of RON 1,396 mn). Receivables increased by RON 162 mn (2011: increase by RON 432 mn) and liabilities increased by RON 194 mn (2011: decrease by RON 53 mn). Net interest and tax on profit paid generated a cash outflow of RON 1,053 mn (2011: cash outflow of RON 944 mn).

Cash outflows for investments in non-current assets of RON 5,130 mn (2011: RON 5,265 mn) were slightly offset by proceeds from the sale of non-current assets of RON 64 mn (2011: RON

ⁱⁱⁱ Net debt is calculated as interest bearing debts including financial lease liability less cash and cash equivalents.

^{iv} Gearing ratio is calculated as net debt/(equity) x 100.

113 mn) and cash inflows related to the sale of subsidiaries of RON 10 mn (2011: RON 59 mn).

Net cash outflow from investment activities totaled RON 5,055 mn (2011: RON 5,092 mn).

Cash outflows for the net decrease of short-term

and long-term borrowings amounted to RON 478 mn (2011: outflow RON 1,199 mn). Cash

outflows for dividend payments amounted to RON 1,741 mn in 2012 (2011: RON 993 mn). **Net cash outflow from financing activities** amounted to RON 2,220 mn (2011: outflow RON 2,193 mn).

**Dividend
payments
increased by 75%**

Risk management and internal control

Risk management

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

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

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

Integrated risk management system

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 ISO 31000 and comprises a dedicated risk organization working under a robust internal regulation framework with quantitative information technology infrastructure as well as assuring that the process is embedded into the day-to-day operational business and delivers against its intended purpose.

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

Risk Management Objectives

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

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

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

Integrated risk management system

cash flow potential impact.

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

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

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

In 2012, in order to protect the Group's cash flow, Petrom entered into oil price swaps, locking in a Brent price of USD 101/bbl for a volume of 30,000 bbl/d, accounting for approximately one-third of its crude oil production. The hedge operation was efficient in securing a floor price of 101 USD/bbl for 30% of Petrom's crude oil production resulting from a negative cashflow on the derivative instrument offset by a corresponding positive cash flow on the sales side.

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

From an **operational risk** perspective, Petrom is an integrated company with a wide asset

base, most of these assets being hydrocarbon production and processing plants. A special focus is awarded to process safety risks where Petrom's policy is "prevent incidents, ensure safe operations." The high potential single event risks associated with the operational activity (e.g. blow outs, explosions, earthquakes etc.) are consistently identified and for each of them incident scenarios are developed and assessed. Where required, treatment plans are developed for each specific location. Besides emergency, crisis and disaster recovery plans, Petrom's policy with regard to insurable risks is to cover them via insurance instruments. These risks are closely analyzed, quantified, monitored by the risk organization and are managed via detailed internal procedures.

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

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

Petrom is inherently exposed to **interest rate risk** due to its financing activities. The volatility of EURIBOR may trigger less or additional cash flow resources necessary to finance the

**Improvement of
risk management
skills**

interest payments associated with Petrom's debt. The interest rate risks are closely analyzed, quantified and monitored.

Results

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. The awareness and understanding of the company's risk profile as well as risk management skills in the company have improved substantially along the years. In 2012, in March and October, the consolidated risk profile was reported and approved by Petrom's Executive Board in accordance with the company's risk appetite. The Audit Committee was presented with the company's risk report in March and October 2012 and took notice of the information.

Through its risk management process, Petrom secures its liquidity and long-term

sustainability, and decreases the uncertainty over its strategic objectives and financial targets.

**Description of internal control
main characteristics**

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

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

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

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

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

Comprehensive set of standards, prerequisite for a proper internal control

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

The Corporate Affairs and Compliance Department is responsible for BMS coordination. This department provides support to the various Petrom entities in view of achieving regulatory requirements, coordinates the elaboration of corporate regulations and provides a quality check. The Directive "Regulation Management" sets out the classification, definition and standardized structure of corporate regulations (directives, standards, procedures, instructions, recommendations etc.) as well as their elaboration, approval, communication, monitoring and reporting process. Internal Audit assesses the effectiveness and efficiency of the organization's policies, procedures and systems which are in place to ensure: proper identification and management of risks, reliability and integrity of information, compliance with laws and regulations, safeguarding of assets, economical and efficient use of resources and accomplishment of established objectives and goals.

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

Established group-wide standards for the preparation of annual and interim financial statements

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.

**High quality
financial
reporting process
in place**

Information required as per Regulation no. 1/2006 issued by the National Securities Commission

1. The relationship between management and employees as well as any conflict elements which characterize this relationship

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

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

During 2012, Petrom continued to receive some claims relating to these matters. Following the assessment of the potential liabilities with respect to ongoing cases, the provision booked to cover the risk in line with prudence principles did not require any increase until the date of this report. Petrom has taken all possible actions and committed all necessary resources to defend itself against these lawsuits, and also to prevent a further increase in litigation. Furthermore, employee information was substantially increased in order to raise awareness of the topic. These clarifying discussions with claimants resulted in withdrawals of pending lawsuits as well as many intentions to pay back amounts.

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

The company received notifications regarding the restitution of the assets confiscated by

the Romanian State between March 6, 1945 and December 22, 1989, which falls under the incidence of Law no. 10/2001; this law provides the modalities, the terms and the legal framework for the restitution of these assets. The summarized status and the resolutions to these notifications as of December 31, 2012 are the following – 1,126 notifications were transmitted to Petrom, out of which:

- ▶ 16 buildings were restored;
- ▶ 1,082 notifications were rejected due to the failure to comply with the requirement of Law no.10/2001;
- ▶ 27 notifications were redirected towards other entities;
- ▶ 1 notification (file) is currently under analysis.

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

3. Any agreements, understanding or family connection between the company's administrators and another person who is responsible for appointing the respective person in the position of administrator

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

Provision booked in 2008 for litigations on CLA was not increased

quorum and majority. Therefore, there are no such agreements and understandings to be disclosed herein.

4. The participation of the Supervisory Board members in the share capital of the company

Petrom does not have knowledge of any member of the Supervisory Board holding shares issued by the company during the year under review.

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

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

6. The participation of the executive management members in the share capital of the company

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

7. Potential litigations and administrative procedures in which the company's administrators and the members of the Executive Board were involved over the last five years

To the best of our knowledge, at the time of drafting this report, in 2012 there were no litigations or administrative procedures against any members of the Executive or Supervisory Board of the company directly linked with their activity in the company having a significant impact upon the price of the company shares or the capacity to hold the position of members of such corporate bodies. However, members of the Executive Board are involved in some court cases or preliminary procedures which do not fall under the aforementioned categories.

**No litigations
against EB or SB
members**

Subsequent events

R&M portfolio optimization

Option agreement signed with Romgaz regarding Midia block

Changes in the Executive Board

Starting January 1, 2013, Andreas Peter Matje was appointed as member of the Executive Board and Chief Financial Officer of Petrom, following Daniel Turnheim's waiver of his mandate.

Exit from the gas cylinders bottling and distribution business

On January 7, 2013 OMV Petrom finalized the sale of the interest percentage of its 99.99% interest in Petrom LPG subsidiary to Crimbo Gas International. The sale of this participation is in line with Petrom Group's strategy to focus on the core activities of the Group.

Option agreement for Romgaz to participate in operations in the offshore Midia Block

On February 13, 2013, ExxonMobil Exploration and Production Romania Limited („EMEPRL“) and OMV Petrom S.A. announced the signing of an agreement with Romgaz S.A. („Romgaz“) to grant Romgaz the option to participate in petroleum operations in the deeper water portion of the Midia Block in the Black Sea offshore Romania. EMEPRL and OMV Petrom S.A. signed in October 2012 a Transfer Agreement with Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of an 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia Block. Romgaz's option to enter is triggered by the Transfer Agreement becoming effective and an announcement of a commercial discovery. EMEPRL will be the operator of the petroleum operations in the deeper water portion of the Midia Block.

Petrom and Repsol will jointly explore deep onshore in Romania

On February 22, 2013, Petrom signed a farm-out agreement with Repsol by which the latter acquires a 49% working interest for the area deeper than 2,500 – 3,000 m of the onshore exploration blocks Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII, located south of the Southern and Eastern Carpathians. This partnership is in line with our strategy to unlock the deep onshore exploration potential in Romania and targets investments estimated at approximately EUR 50 mn in the next two years.

Changes in the Executive Board

On March 21, Petrom announced the appointment of Gabriel Selischi as member of the Executive Board in charge with Exploration and Production activity starting with September 1, 2013. This follows Johann Pleininger's waiver of mandate as member of the Executive Board as he will assume the new position of Senior Vice President for the Central Eastern Europe Region (CEE) in OMV's E&P division. Gabriel Selischi joined Petrom E&P team in 2006, serving as Head of Strategy, Project & Engineering and more recently as Director of Domestic Asset Business Unit. Prior to joining Petrom, Selischi served as Senior Manager at Schlumberger Paris and as Principal at Bossard Gemini Consulting company in Paris and Johannesburg.

Outlook for 2013

Crude price to remain above USD 100/bbl

We expect the average Brent oil price for 2013 to be above USD 100/bbl and the Brent-Urals spread to stay relatively tight.

Domestic economic policies need to focus on stimulating growth

According to the European Commission, Romania's economy is forecast to grow by 1.5% in 2013 on the back of stronger private consumption and increased EU funds absorption. External demand will continue to play an important role in the revival of the economy. However, domestic economic policies will play a pivotal role kick-starting the economy.

New fiscal and regulatory measures

In the local gas market, we anticipate a stable demand, albeit not without challenges. The effects of weak economic growth are expected to be counterbalanced by industry's efficiency improvement measures, in the context of gas price liberalization. In terms of gas prices, the Government enforced a roadmap for the gradual increase of regulated domestic gas prices during 2013-2014, in line with the provisions of the new electricity and gas law and the seventh review by the IMF and the European Commission of Romania's economic program. The first increase applies to the non-household sector starting in February 2013. According to law, the deadline for full gas market liberalization envisaged for the non-household sector is end of 2014, with the possibility of extension until 2015, while a deadline of end-2018 is anticipated for the household sector. Starting February 2013, the Government also introduced a package of fiscal measures that impacts oil and gas producers, imposing a 60% tax on additional revenues resulting from domestic gas price liberalization net of corresponding royalties and upstream investments (the latter capped at 30% of the additional revenues) and a 0.5% tax on extraction of crude.

While the package of fiscal measures is pending approval in Parliament and secondary legislation for its implementation still needs to be adopted, **we do not expect a substantial impact on 2013 financials** from gas price liberalization and the implementation of the new fiscal and regulatory

measures. This is mainly due to the fact that the Petrom 2012 results already reflected better commercial terms for domestic gas sales, above the officially introduced baseline of RON 495/1,000 cbm for the regulated domestic gas price. The two measures are enforced until the end of 2014, which coincides with the expiry of the current oil and gas taxation regime. In 2013, we will engage in discussions with the Romanian authorities to define a long term, stable and investment-friendly taxation and regulatory framework.

In the power market, prices are expected to be under pressure due to supply dynamics, with additional capacity coming on stream from renewables, as well as lingering demand, which reflects weak economic growth and prospective energy efficiency measures.

Sizeable investments

In order to support the company's sustainable development and growth potential, we continue our significant investment efforts while maintaining a sound financial position, with CAPEX plans for 2013 being over EUR 1 bn.

E&P to further stabilize production volumes and unlock potential

In 2013, we will focus on growth opportunities in E&P and implementing performance improvement initiatives throughout the organization. We will continue to sustain our investment efforts to stabilize production through field redevelopment, drilling and workovers, operational excellence initiatives and portfolio optimization through partnerships. We plan to drill more than 110 wells, out of which two will be appraisal wells in the Totea field. We also aim to bring five field re-development projects to the implementation phase in order to sustain our efforts of increasing ultimate oil and gas recovery.

The workover activities in Petrom will be maintained at a high level of around 1,600 jobs with a important contribution in 2013.

Both offshore exploration – deep or shallow water – as well as onshore exploration, account for an important share in our business.

After the success recorded with the first deep water well drilled in Romanian waters

New fiscal and regulatory measures in 2013

Five field redevelopment projects to reach implementation phase in 2013

Black Sea seismic data interpretation in 2013

in the first quarter last year, in 2013 we will focus on additional seismic surveys and data interpretation, while further exploration is anticipated to start at the end of the year. Together with ExxonMobil Exploration and Production Romania Limited, we will pursue the biggest 3D seismic acquisition program ever performed in the Black Sea which started at the end of 2012.

Additional seismic interpretation works will focus on the shallow water area of Neptun and Istria blocks in order to generate candidates for the next offshore exploration drilling activity. In the Ukraine, the Production Sharing Agreement is currently under negotiations. In Kazakhstan, we will continue to implement the water injection scheme in field Komsomolskoe in order to secure reservoir pressure support for the long-term production. ATOC field re-development plan was approved in September 2012 and will be carried out during 2013 in order to sustain production levels.

G&P to capture synergies from the sale of natural gas and electricity to enhance value of equity gas

In the gas business, our priorities for 2013 will be to maintain the leading position in the free gas market whilst adapting our sales strategy to the expected liberalization under the new energy law. A first increase of the domestic gas price for non-households was enforced starting February 1, 2013 (from RON 45.71/MWh to RON 49.00/MWh). The prices for non-households are set to gradually increase to RON 68.30/MWh during 2013, while the prices for households are set to reach RON 49.80/MWh, with a first increase scheduled for July 1, 2013 (RON 48.50/MWh).

G&P aims to improve equity gas value chain

In the power business, we aim to enhance the value of equity gas by further optimizing the operations of the Brazi power plant and consolidating our position in the power market, as well as maximizing the operational performance of the Dorobantu wind park. An important focus will be on capturing the synergies from bundling electricity sales with natural gas sales to existing customer base.

R&M to pursue operational optimization and the Petrobrazî modernization

In **R&M**, margins and volumes are expected to be further challenged by high price levels for international crude and oil products and the marginal economic recovery in our operating region. We will continue the optimization and strict cost management of our business segment, expecting another year under a challenging market environment. In the Petrobrazî modernization further milestones were passed, with the commissioning of the Coker unit upgrade performed in January 2013 while next steps envisage the new Gas Desulfurization unit, scheduled for 2013, the Vacuum Gas Oil conversion project in 2014 and other environment and energy efficiency projects. We intend to run Petrobrazî at an optimized utilization rate in order to cope with the market demand and crude supply, maintaining a good energy efficiency and tight cost management. No major shutdowns are expected during the year.

The modernization program of revamping and optimizing the fuel terminal network will continue, and we target to finalize and commence operations at Bacau terminal by year-end.

Corporate Governance Report

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

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

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

In April 2007, a two-tier system of governance was implemented in the company. Since then, Petrom's governance is 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 published in the Official Gazette of Romania, part IV and 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 National Securities Commission in accordance with capital markets regulations. The convening notice will also be made available on the company's website, within the General Meeting of the Shareholders section, together with any explanatory document related to items included on the GMS agenda. The annual financial statements are made available starting with the date of the convening notice of the Ordinary GMS convened to resolve upon them.

General Meeting of the Shareholders organization

The GMS is usually chaired by the President of the Supervisory Board, who may designate another person to chair the assembly. The chairman of the GMS designates two or more technical secretaries to verify the fulfillment of the formalities required by law for carrying out the GMS and for drafting the minutes thereof. The minutes, signed by the President and by the secretaries, shall ascertain the fulfilment of the formalities relating to the convening notice, the date and place of the GMS, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the GMS.

The resolutions of the GMS shall be drafted pursuant to the minutes and shall be signed by the President of the Supervisory Board or by another person appointed by the President. In observance of capital market regulations, the resolutions of the GMS will be disseminated to the Bucharest Stock Exchange and the National

General Meeting of Shareholders

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

OGMS 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;

EGMS main duties

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 (SB)

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 2009 and runs until 2013. 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 2012, the membership of the Supervisory Board comprised the following individuals: Gerhard Roiss, David Davies, Jacobus Gerardus Huijskes, Manfred Leitner, Hans Peter Floren, Riccardo Puliti, Constantin Dascalu, Gheorghe Ionescu and Joseph Bernard Mark Mobius.

Until March 23, 2012, Gerald Kappes was interim member of the Petrom Supervisory Board starting January 1, 2012, when he replaced Werner Auli (former member of the Petrom Supervisory Board between 2006 and 2011).

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 procedures and the approach to conflicts of interest and own account dealings are governed by relevant internal regulations.

As required by Company Law, none of the Supervisory Board members holds an executive position in the company. During the 2012 financial year, the Supervisory Board met six times in person and submitted its approval in writing on four occasions (more details are presented within the report of the Supervisory Board).

Special Committees

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

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

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

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

In addition, the Audit Committee prepares the proposal of the independent financial auditor to the Supervisory Board, which is to be elected by the Ordinary GMS.

Moreover, this committee supervises the company's risk management 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.

During the 2012 financial year, the Audit Committee members were: David C. Davies, Manfred Leitner, Gheorghe Ionescu and Riccardo Puliti.

During the 2012 financial year, the Audit Committee met three times (more details presented under the corresponding section within the report of the Supervisory Board).

Audit Committee is composed of four members with appropriate expertise

Executive Board (EB)

The Executive Board is appointed and/or revoked by the Supervisory Board. The number of members shall be determined by the Supervisory Board, provided that such number is not lower than three and not higher than seven. One Executive Board member is appointed as the President of the Executive Board (also named Chief Executive Officer of the company). The Executive Board's current mandate started in 2011 and runs until 2015. The meetings of the Executive Board are held regularly (usually every week) and whenever necessary for the operative management of the company's daily business.

Executive Board members

At December 31, 2012 the Executive Board had five members. Until September 1, 2012, the Executive Board of the company consisted of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Daniel Turnheim (Executive Board member and Chief Financial Officer), Johann Pleininger (Executive Board member in charge of Exploration & Production), Neil Anthony Morgan (Executive Board member in charge of Refining & Marketing), Hilmar Kroat-Reder (Executive Board member in charge of Gas, Power and Chemicals).

Following Hilmar Kroat-Reder's waiver of

Changes in the Executive Board

his mandate, Cristian Nicolae Secoșan was appointed as Executive Board member in charge of Gas, Power and Chemicals as of September 1, 2012.

Likewise, following Daniel Turnheim's waiver of his mandate, Andreas Matje was appointed as Executive Board member and Chief Financial Officer as of January 1, 2013.

Starting January 1, 2013, the Executive Board of the company consists of the following members: Mariana Gheorghe (President of the Executive Board and Chief Executive Officer), Andreas Matje (Executive Board member and Chief Financial Officer), Johann Pleininger (Executive Board member in charge of Exploration & Production), Neil Anthony Morgan (Executive Board member in charge of Refining & Marketing), Cristian Nicolae Secoșan (Executive Board member in charge of Gas, Power and Chemicals). During 2012, the members of the Executive Board of the company did not hold other positions as members of the corporate bodies of companies outside Petrom Group.

EB 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 annually submit for the approval of the General Meeting of Shareholders, within four months since the end of the fiscal year, the report regarding the business activity of the company, the financial statements for the previous year, as well as the business activity and budget projects of the company for the current year;
- ▶ 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 National Securities Commission (Romanian: Comisia Națională a Valorilor Mobiliare) any and all trading/business performed for their own account involving (i) shares or other securities issued by the company and admitted for trading on regulated markets; and/or (ii) derivative financial instruments using securities issued by the company and/or (iii) any other instruments relating thereto.

The members of the Executive Board have the duty to disclose immediately to the Supervisory

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

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

In 2012, 62 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;
- ▶ resolving on share capital increase, decrease, mergers and/or spin-offs.

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

One share, one vote, one dividend

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

GMS calling

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

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

GMS attendance

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

The shareholders duly registered in the shareholders' register may vote by

Shareholders' rights in relation with GMS convening process and agenda

Adherence to the BSE Corporate Governance Code in the last three years

correspondence, prior to the GMS, by using the voting bulletin for the votes by correspondence made available by the company at the headquarters and/ or on the company's website.

Taking shareholders' questions

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

Women's advancement

The company supports gender diversity and promotion of women in management

positions. While there are no female members of the Supervisory Board of the company, the President of the Executive Board is Mariana Gheorghe.

By the end of 2012, around 30% of the first line directors Executive Board were women whilst the percentage of women in middle management was around 35%. Given the strong technical bias of our operations, the proportion of women in the Group as a whole by year end was 23%, in line with that of the OMV Group, which Petrom is part of.

Bucharest Stock Exchange Corporate Governance Code

The company adheres to the Corporate Governance Code issued by the Bucharest Stock Exchange starting from the 2010 financial year. The details about the compliance with the principles and recommendations stipulated under the Corporate Governance Code issued by the Bucharest Stock Exchange are presented in the "Comply or Explain" Statement, which is a part of this Annual Report.

**Statement “Comply or Explain”
BSE Corporate Governance Code**

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

**Statement based
on two-tier
management
system**

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P19		Is the issuer managed in a two tier system?	✓		As of April 2007, Petrom is managed in a two-tier system by an Executive Board, which manages the daily operations under the supervision and control of the Supervisory Board, appointed by the shareholders.
P1	R1	Has the Issuer drawn up a Statute/Corporate Governance Regulation which describes the main aspects of the corporate governance principles?	✓		The corporate governance principles are described in the Issuer’s Articles of Association, the Corporate Governance Statute, the internal rules of the Supervisory Board and the Executive Board, as well as in other internal regulations.
		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. Likewise the Articles of Association are posted on the website of the Issuer, mentioning the date when last updated.
	R2	In the Statute/Corporate Governance Regulation, are there defined corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board?	✓		The corporate governance structures, positions, competences and responsibilities of the Supervisory Board and of the Executive Board are defined in the Articles of Association of the Issuer. They are also laid out in the Corporate Governance Statute.
	R3	Has the Annual Report of the Issuer a chapter referring to corporate governance, which describes all the relevant events related to corporate governance registered in the previous financial year?	✓		Petrom’s 2012 Annual Report has a chapter describing all the relevant events related to the corporate governance issues in the 2012 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 Issuer's corporate governance structures?	✓		Petrom's website has a special section where details about corporate governance bodies along with the short version of the CV of the members of these bodies are posted.
		b) the updated Articles of Association?	✓		The last version of Petrom's Articles of Association is posted on its website, under the Corporate Governance section.
		c) the internal regulation governing the functioning/ its essential aspects for each special commission/ specialized committee?		✓	The rules governing the functioning of each special commission/committee are bundled in the Corporate Governance Statute which is posted on the website of the Issuer.
		d) the "Comply or Explain" Statement?	✓		"Comply or Explain" Statements are posted on Petrom's website.
		e) the list of the Supervisory Board members specifying which members are independent, of the Executive Board and of the special commissions/ committees?	✓		The members of the Supervisory Board, the Executive Board and the Audit Committee are listed on the Issuer's website.
		f) a brief version of the CV of each Supervisory Board and Executive Board member?	✓		Petrom has a special section on its website where short versions of the CVs of the members of the corporate bodies are posted.
P2		Does the Issuer respect the rights of the holders of the financial instruments issued by the Issuer, ensuring equal treatment for them while also submitting any change of the granted rights for approval by the special meetings of such holders?	✓		The Issuer complies with the regulations setting forth the rights of the shareholders. In 2012, the Issuer has not issued any financial instruments.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P3	R4	Does the Issuer publish in a special section of its website the details of the holding of the General Meetings of Shareholders ("GMS"): a) the GMS convening notice?	✓		Petrom's website has a special section where the GMS convening notices are posted.
		b) the materials/ documents relating to the items on the agenda, as well as any other information about the items on the agenda?	✓		Petrom's website has a special section where materials/ documents/ any other information relating to the items on the agenda of the GMS are posted
		c) the templates of the special power of attorney?	✓		Petrom's website has a special section where the templates of the special power of attorney can be found.
	R6	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 procedure is mentioned in the Issuer's Articles of Association and Statute of Corporate Governance. Likewise, Petrom publishes at every GMS extensive convening notices describing the procedure to be followed for the respective meeting in detail. In this manner, the Issuer ensures that the General Meetings of Shareholders are adequately conducted and well organized while the shareholders' rights are duly observed.
	R8	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 procedure for the 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.
		Does the Issuer provide the information in due time (immediately after the GMS) to all shareholders through the special section on the Issuer's website: a) the resolutions passed by GMS	✓		Petrom's website has a special section where the resolutions passed by the GMS are posted in due time.
		b) the detailed results of voting	✓		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?	✓		Petrom's website has an easily accessible and identifiable special section where ad-hoc reports and official statements are posted in due time.
		b) the financial calendar, the annual, quarterly and half-yearly reports?	✓		Petrom's website has an easily accessible and identifiable special section where the financial calendar and periodical reports are posted in due time.
	R9	Has the Issuer set-up a special department or has appointed a person dedicated to the relation with investors?	✓		Petrom has set up a special department dedicated to investor relations that can be contacted at phone number +40 (0) 21.402.22.06 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 2012, the SB met six times in person and passed resolutions by circulation on four 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.
		Are the trades with the issuer's securities made by the members of Supervisory Board, Executive Board or any other insiders on their own account disclosed via the Issuer's website, according to applicable rules?	✓		All these transactions are posted on the Bucharest Stock Exchange website, in the section dedicated to the market news related to Petrom. Petrom's website also contains a link to the Bucharest Stock Exchange website, in the section Petrom>Investor Relations>Corporate Governance>Insider Trading.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P6		Does the structure of the corporate bodies of the Issuer ensure a balance between the executive and non-executive members (and especially independent non-executive members) so that the decision-making is not to be dominated by a single person or a group of persons?	✓		The Supervisory Board comprises nine members who are non-executives and who supervise the activity of the five members of the Executive Board. Therefore, the balance between executives and non-executives is ensured.
P7		Does the structure of the Supervisory Board provide a sufficient number of independent members?	✓		The Supervisory Board structure complies with the provisions of company Law no. 31/1990 on the number of independent members of the Supervisory Board.
P8	R15	In the course of its activity, is the Supervisory Board supported by any consultative commissions/committees nominated by the Supervisory Board, which deal with the analysis of some specific subjects in order to counsel the Supervisory Board on such topics?	✓		The Audit Committee supports the Supervisory Board by performing the following main activities: <ul style="list-style-type: none"> ► reviews and prepares the adoption of the annual accounts, ► prepares the proposal for the distribution of profits ► prepares a proposal of an independent financial auditor ► supervises Petrom's risk management arrangements and its financial performance ► monitors the reports delivered by the internal auditors.
		Do the consultative commissions/committees submit activity reports to the Supervisory Board on the specific subjects assigned to them?	✓		The Audit Committee submits activity reports to the Supervisory Board on the specific subjects assigned to it.
	R16	For the assessment of the independence of their members, does the Supervisory Board use the assessment criteria listed in Recommendation 16?	✓		The criteria used for the assessment of Supervisory Board independence are those mentioned in Company Law no. 31/1990, which are substantially similar to those provided by Corporate Governance Code.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P8	R17	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.
P9		Is the appointment of the Supervisory Board members based on a transparent procedure (objective criteria regarding personal/ professional qualifications etc.)?	✓		The Supervisory Board members are appointed by the GSM, 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 GSM, their CV is available for the shareholders for consultation.
P10		Is there a Nomination Committee within the Issuer set-up?		✓	Petrom currently assesses the possibility of establish a Nomination Committee.
P11	R21	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 setup of a Remuneration Committee is under assessment.
		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.
	R22	Is there a Remuneration Committee made exclusively of non-executive members of the Supervisory Board?		✓	The setup of a Remuneration Committee is under assessment.
	R24	Is the remuneration policy of the Issuer mentioned in the Statute/Corporate Governance Regulation?		✓	Please see above.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P12, P13	R25	Does the Issuer disclose the information subject of the reporting requirements in English: a) periodical information (regular providing information)?	✓		Petrom discloses periodical information in English.
		b) permanent information (continuous providing information)?	✓		Petrom discloses permanent information in English.
		Does the Issuer prepare and make public the financial report according to the IFRS standards?	✓		Petrom prepared and disclosed consolidated financial statements in accordance with IFRS for the year ended December 31, 2006 for the first time. Starting 2010, Petrom also reports on a quarterly basis the consolidated financial statements in accordance to the IFRS standards. Furthermore, in line with Romanian legal requirements applicable for listed companies, starting 2012 Petrom also prepares separate individual financial statements in accordance with IFRS.
	R26	Does the Issuer organize, at least once a year, meetings with the financial analysts, brokers, rating agencies and other market specialists with the view to presenting the financial elements relevant for the investment decision?	✓		Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists with a view to presenting the financial elements relevant for investment decision. A total of more than 60 one-to-one or group meetings and presentations were held throughout 2012, including more than 100 investors and analysts. The company also attended analyst and investor conferences, organized in Romania (2) and abroad (3).
	R27	Is there an Audit Committee within the Issuer?	✓		Petrom's Supervisory Board has set up an Audit Committee.
	R28	Does the Supervisory Board or the Audit Committee, as the case may be, assess on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by the Issuer?	✓		The Audit Committee assesses on a regular basis the efficiency of financial reporting, internal control and the risk management system implemented by Petrom.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P12, P13	R29	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 in Company Law no. 31/1990.
	R30	Does the Audit Committee meet at least twice a year, with the view to draw up and disclose to the shareholders half-yearly and annual financial statements?	✓		Petrom's Audit Committee meets at least quarterly in order to deal with significant accounting and reporting issues and review on the financial statements.
	R32	Does the Audit Committee make proposals to the Supervisory Board regarding the selection, the appointment, the re-appointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration?	✓		Petrom's Audit Committee makes proposals to the Supervisory Board regarding the selection, the appointment, the re-appointment and the replacement of the financial auditor, as well as the terms and conditions of its remuneration.
P14		Has the Issuer approved a procedure with a view to identifying and to settling any conflicts of interest?	✓		The Issuer has established internal rules on how to deal with conflicts of interest.
P15	R33	Do the members of the Supervisory Board inform the Supervisory Board on the conflicts of interests as they occur and do they refrain from debates and the vote on such matters, according to relevant legal provisions?	✓		Petrom Supervisory Board has laid down rules relating to conflicts of interest and the approach in this respect.

Principle / Recommendation		Question	YES	NO	Please EXPLAIN
P16	R34/ R35	Has the Issuer approved the specific procedures in order to provide the procedural compliance (criteria to identify the significant impact of transactions, transparency, impartiality, non-competition etc.) with the view to identify the transactions between related parties?	✓		Petrom has internal regulations in place and submits reports on transactions with related parties to the National Securities Commission and to the Bucharest Stock Exchange. The specific procedure is also covered in the Corporate Governance Statute.
P17	R36	Has the Issuer approved a procedure regarding the internal flow and disclosure to third parties of the documents and information referring to the Issuer, considering especially inside information?	✓		Petrom has internal regulations in place for such matters.
P18	R37/ R38	Does the Issuer carry on activities regarding the Issuer's social and environmental responsibility?	✓		Petrom conducts various activities regarding social and environmental responsibility. Please see the Annual Report's section relating to community involvement.

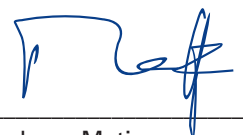
Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2012, 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 21, 2013
The Executive Board



Mariana Gheorghe
Chief Executive Officer
President of the EB



Andreas Matje
Chief Financial Officer
Member of the EB



Johann Pleininger
Member of the EB
Responsible for E&P



Cristian Secoșan
Member of the EB
Responsible for G&P
(including Chemicals)



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; 1,000 standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe	barrels of oil equivalent
boe/d	boe per day
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
cbm	cubic meter(s)
CCS	Current cost of supply
CEO	Chief Executive Officer
Co&O	Corporate and Other
CO ₂	Carbon Dioxide
CV	Curriculum Vitae
E&P	Exploration and Production
EB	Executive Board
EBIT	Earnings Before Interest and Taxes
EBRD	European Bank for Reconstruction and Development
EU, EUR	European Union, euro(s)
EPS	Earnings per share
Equity ratio	Stockholders' equity divided by balance sheet total expressed as a percentage
FX	Foreign Exchange
G&P	Gas and Power
Gearing ratio	Net debt divided by stockholders' equity expressed as a percentage
GDP	Gross Domestic Production
GHG	Green House Gas
GMS	General Meeting of Shareholders
HSSE	Health, Safety, Security and Environment
HFO	Heavy Fuel Oil
IASB	International Accounting Standards Board
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IFRIC	International Financial Reporting Standards Interpretations
IMF	International Monetary Fund
ISO	International Organization for Standardization
ISO 31000	International standard for risk management
IT	Information Technology
kboe/d	thousand barrels of oil equivalent per day
kt	thousand tonnes
km	kilometers
LPG	Liquefied Petroleum Gas
LTIR	Lost time injury rate
MECMA	Ministry on Economy, Trade and Business Environment (Ministerul Economiei, Comertului si Mediului de Afaceri)
mn	million
MW; MWh	megawatt(s); megawatt hour(s)
n.m.	not meaningful
Net debt	Financial liabilities including financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids

NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OECD	Organization for Economic Co-operation and Development
OGMS	Ordinary General Meeting of Shareholders
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries
Q	quarter
R&M	Refining and Marketing
ROACE	Return On Average Capital Employed = NOPAT / Average Capital Employed (%)
RON	New Romanian leu
ROTX	Romanian Traded Index (made up of 15 Romanian blue chips stocks traded at the Bucharest Stock Exchange)
RRR	Reserve Replacement Rate
S.A.	JSC - Joint stock company (Societate pe Acțiuni)
SB	Supervisory Board
SIC	Standing Interpretations Committee
S.R.L.	Ltd - Limited liability company (Societate cu Răspundere Limitată)
TOC	Tasbulat Oil Corporation
t	metric tonne(s)
t/y	tonne(s)/year
toe	tonne(s) of oil equivalent
TWh	terawatt hour(s)
USD	United States dollar(s)

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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 2012, 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 adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation and fair presentation 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 give a true and fair view of the financial position of OMV Petrom S.A. and its subsidiaries as of 31 December 2012 and of its financial performance and cashflows for the year then ended in accordance with the International Financial Reporting Standards as adopted 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 2012.

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
21 March 2013

Name of signing person: Anamaria Cora



Registered with the Chamber of Financial Auditors in Romania
Nr. 1593/ 16 August 2005

Bucharest, Romania
21 March 2013

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2011	December 31, 2012
ASSETS			
Intangible assets	5	1,120.98	966.51
Property, plant and equipment	6	26,334.28	28,512.59
Investments in associated companies	7	40.91	39.44
Other financial assets	8	2,669.22	2,357.23
Other assets	9	48.90	34.72
Deferred tax assets	17	807.22	866.16
Non-current assets		31,021.51	32,776.65
Inventories	10	2,349.04	2,250.54
Trade receivables	9	1,825.72	1,968.09
Other financial assets	8	112.10	98.93
Other assets	9	349.79	210.82
Cash and cash equivalents		753.84	666.65
Assets held for sale	11	76.44	172.94
Current assets		5,466.93	5,367.97
Total assets		36,488.44	38,144.62
EQUITY AND LIABILITIES			
Share capital	12	18,983.37	18,983.37
Reserves		2,119.03	4,454.90
Stockholders' equity		21,102.40	23,438.27
Non-controlling interests		(25.79)	(32.93)
Equity		21,076.61	23,405.34
Provisions for pensions and similar obligations	13	195.23	241.33
Interest-bearing debts	14	2,173.30	1,717.05
Provisions for decommissioning and restoration obligations	13	5,897.65	5,866.10
Other provisions	13	860.09	644.88
Other financial liabilities	15	148.54	168.29
Deferred tax liabilities	17	12.27	8.24
Non-current liabilities		9,287.08	8,645.89

The notes on pages 101 to 160 form part of these consolidated financial statements.

	Notes	December 31, 2011	December 31, 2012
Trade payables	15	2,982.58	2,880.08
Interest-bearing debts	14	463.95	524.64
Current income tax payable		276.05	261.21
Other provisions and decommissioning	13	1,311.45	1,210.27
Other financial liabilities	15	479.16	360.85
Liabilities associated with assets held for sale	11	-	91.38
Other liabilities	16	611.56	764.96
Current liabilities		6,124.75	6,093.39
Total equity and liabilities		36,488.44	38,144.62

These consolidated financial statements were approved on March 21, 2013



Mariana Gheorghe,
Chief Executive Officer



Andreas Matje,
Chief Financial Officer



Johann Pleininger,
E.B. Member E&P



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



Neil Morgan,
E.B. Member
Refining & Marketing



Alina Popa,
Director Finance Department



Eduard Petrescu,
Head of Financial Reporting

The notes on pages 101 to 160 form part of these consolidated financial statements.

S.C. OMV PETROM S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2011	December 31, 2012
Sales revenues		22,613.65	26,258.13
Direct selling expenses		(564.14)	(696.04)
Production costs of sales		(14,320.74)	(17,305.65)
Gross profit		7,728.77	8,256.44
Other operating income	18	432.51	186.58
Selling expenses		(1,160.71)	(1,172.77)
Administrative expenses		(237.36)	(242.12)
Exploration expenses		(420.25)	(327.72)
Other operating expenses	19	(1,407.20)	(1,038.41)
Earnings before interest and taxes (EBIT)		4,935.76	5,662.00
Income from associated companies	21	3.12	2.18
Net interest expense	22	(332.88)	(765.73)
Other financial income and expenses	23	2.59	(72.19)
Net financial result		(327.17)	(835.74)
Profit from ordinary activities		4,608.59	4,826.26
Taxes on income	24	(849.97)	(880.16)
Net income for the year		3,758.62	3,946.10
thereof attributable to stockholders of the parent		3,756.75	3,953.31
thereof attributable to non-controlling interests		1.87	(7.21)
Basic earnings per share in RON	25	0.0663	0.0698

The notes on pages 101 to 160 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, 2012

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

	Notes	December 31, 2011	December 31, 2012
Net income for the year		3,758.62	3,946.10
Exchange differences from translation of foreign operations		(10.78)	3.79
Unrealized gains/ (losses) on hedges		(557.72)	(249.69)
Realized gains / (losses) on hedges recycled to income statement		405.83	401.58
Income tax relating to components of other comprehensive income		24.30	(25.61)
Other comprehensive income for the year, net of tax		(138.37)	130.07
Total comprehensive income for the year		3,620.25	4,076.17
thereof attributable to stockholders of the parent		3,619.42	4,083.30
thereof attributable to non-controlling interests		0.83	(7.13)

These consolidated financial statements were approved on March 21, 2013.



Mariana Gheorghe,
Chief Executive Officer



Andreas Matje,
Chief Financial Officer



Johann Pleininger,
E.B. Member E&P



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



Neil Morgan,
E.B. Member
Refining & Marketing



Alina Popa,
Director Finance Department



Eduard Petrescu,
Head of Financial Reporting

The notes on pages 101 to 160 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, 2012**

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

Consolidated statement of changes in equity for the year ended December 31, 2012

	Share capital	Revenue reserves	Cash flow hedging reserve	Foreign currency translation reserve	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2012	18,983.37	2,198.73	(127.59)	52.52	(4.61)	(0.02)	21,102.40	(25.79)	21,076.61
Net income for the year	-	3,953.31	-	-	-	-	3,953.31	(7.21)	3,946.10
Other comprehensive income for the year	-	-	127.59	(4.49)	6.89	-	129.99	0.08	130.07
Total comprehensive income for the year	-	3,953.31	127.59	(4.49)	6.89	-	4,083.30	(7.13)	4,076.17
Dividends distribution	-	(1,755.96)	-	-	-	-	(1,755.96)	(0.01)	(1,755.97)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-	-	-
Change in non-controlling interests and other	-	-	-	12.88	(4.35)	-	8.53	-	8.53
Balance at December 31, 2012	18,983.37	4,396.08	-	60.91	(2.07)	(0.02)	23,438.27	(32.93)	23,405.34

Note: For details on reserves, see Note 12.

Consolidated statement of changes in equity for the year ended December 31, 2011

	Share capital	Revenue reserves	Cash flow hedging reserve	Foreign currency translation reserve	Other reserves	Treasury shares	Stockholders' equity	Non-controlling interests	Total equity
Balance at January 1, 2011	18,983.37	(555.42)	-	62.26	(4.61)	(0.02)	18,485.58	(26.54)	18,459.04
Net income for the year	-	3,756.75	-	-	-	-	3,756.75	1.87	3,758.62
Other comprehensive income for the year	-	-	(127.59)	(9.74)	-	-	(137.33)	(1.04)	(138.37)
Total comprehensive income for the year	-	3,756.75	(127.59)	(9.74)	-	-	3,619.42	0.83	3,620.25
Dividends distribution	-	(1,002.60)	-	-	-	-	(1,002.60)	(0.08)	(1,002.68)
Purchase of own shares	-	-	-	-	-	-	-	-	-
Distribution of own shares	-	-	-	-	-	-	-	-	-
Change in non-controlling interests and other	-	-	-	-	-	-	-	-	-
Balance at December 31, 2011	18,983.37	2,198.73	(127.59)	52.52	(4.61)	(0.02)	21,102.40	(25.79)	21,076.61

Note: For details on reserves, see Note 12.

The notes on pages 101 to 160 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, 2012
(all amounts are expressed in million RON, unless otherwise specified)

	Notes	December 31, 2011	December 31, 2012
Cash flow from operating activities			
Profit before taxation		4,608.59	4,826.26
Adjustments for:			
Interest expenses and other financing costs	22, 23	126.03	361.39
Interest income	22	(43.32)	(38.86)
Net movement in provisions for:			
- Financial assets		9.10	-
- Inventories		63.38	31.33
- Receivables		(28.92)	207.07
- Pensions and similar liabilities		(101.93)	50.13
- Decommissioning and restoration obligations		(6.27)	109.15
- Other provisions for risk and charges		264.71	(625.04)
Discounting / Write-off of receivables and other similar items		131.00	263.54
Income from investments in associates	21	(0.26)	1.47
(Gain)/Loss on disposal of subsidiaries	30	-	2.08
Cash flow hedge recycled through income statement		95.49	83.94
(Gain)/Loss on disposals of fixed assets	18, 19	(4.68)	74.38
Depreciation, amortization and impairment expense	5, 6, 20	2,830.21	2,852.22
Other non-cash items		(105.08)	32.75
Cash generated from operating activities before working capital movements		7,838.05	8,231.81
(Increase)/Decrease in inventories		33.61	(25.46)
(Increase)/Decrease in receivables and other assets		(432.42)	(161.54)
Increase/(Decrease) in liabilities		(53.45)	194.12
Interest received		43.28	40.86
Interest paid		(142.98)	(108.65)
Tax on profit paid		(844.47)	(985.70)
Net cash generated from operating activities		6,441.62	7,185.44

The notes on pages 101 to 160 form part of these consolidated financial statements.

	Notes	December 31, 2011	December 31, 2012
Cash flow from investment activities			
Purchase of tangible and intangible assets		(5,264.87)	(5,129.65)
Proceeds from sale of fixed assets		113.17	64.42
Proceeds from sale of Petrom Group companies less cash and cash equivalents	30	59.25	9.92
Net cash used from investment activities		(5,092.45)	(5,055.31)
Cash flow from financing activities			
Net increase in / Net (Repayment of) loans	30	(1,199.23)	(478.15)
Dividends paid		(993.32)	(1,741.39)
Net cash used for financial activities		(2,192.55)	(2,219.54)
Effect of foreign exchange rate changes on cash and cash equivalents		8.62	2.22
Total cash flows		(834.76)	(87.19)
Cash and cash equivalents at the beginning of the year		1,588.60	753.84
Cash and cash equivalents at the end of the year		753.84	666.65

The notes on pages 101 to 160 form part of these consolidated financial statements.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES

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 is listed on Bucharest Stock Exchange under "SNP" code.

Shareholders' structure as at December 31, 2012 was as follows:	Percent
OMV Aktiengesellschaft	51.01%
Ministry of Economy	20.64%
Property Fund S.A.	20.11%
European Bank for Reconstruction and Development	1.62%
Legal entities and individuals	6.62%
Total	100.00%

On November 28, 2012, the European Bank for Reconstruction and Development (EBRD) sold 229,554,012 shares in OMV Petrom S.A. on the Bucharest Stock Exchange. The sale represented 0.41% of OMV Petrom S.A.'s total shares. Thus, the EBRD stake in OMV Petrom S.A. diminished from 2.03% at the end of 2011 to 1.62% at the end of 2012, while the free float increased to 6.62%.

Statement of compliance

These consolidated financial statements have been drawn up 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 1121/2006 to submit the consolidated financial statements prepared in accordance with IFRS as endorsed by EU starting 2007.

Basis of preparation

Consolidated financial statements of Petrom Group are presented in RON ("Romanian Lei"), 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 the revaluation of certain non-current assets and financial instruments.

Standards and Interpretations effective in the current period

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 adopted by EU that became effective in the current period, but had no significant effects on the financial statements:

- ▶ IFRS 7 Financial Instruments: Disclosures (Amended) – Enhanced Derecognition Disclosure Requirements
- ▶ IAS 12 Income Taxes (Amended) – Recovery of Underlying Assets

Standards and Interpretations issued by IASB but not yet effective and not early adopted

At the date of authorization of these financial statements the following standards, revisions and

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

interpretations were issued by IASB, but are not yet effective and were not early adopted by the Group:

► **IAS 1 Financial Statement Presentation (Amended) – Presentation of Items of Other Comprehensive Income**

The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, net gain on hedge of net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items that will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings).

► **IAS 19 Employee Benefits (Amended)**

The amendment is effective for annual periods beginning on or after 1 January 2013. The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording.

► **IAS 27 Separate Financial Statements (Revised)**

The Standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. As a consequence of the new IFRS 10 and IFRS 12, what remains of IAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. Early application is permitted.

► **IAS 28 Investments in Associates and Joint Ventures (Revised)**

The Standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. 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.

► **IAS 32 Financial Instruments: Presentation (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2014. These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify 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.

► **IFRS 7 Financial Instruments: Disclosures (Amended) - Offsetting Financial Assets and Financial Liabilities**

The amendment is effective for annual periods beginning on or after 1 January 2013. These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32.

► IFRS 9 Financial Instruments - Classification and Measurement

The new standard is effective for annual periods beginning on or after 1 January 2015. IFRS 9, as issued, reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015. In subsequent phases, the IASB will address hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of financial assets, but will not have an impact on classification and measurements of financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued. Early application is permitted. This standard has not yet been endorsed by the EU.

► IFRS 10 Consolidated Financial Statements

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. 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

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. 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

The new standard is effective for annual periods beginning on or after 1 January 2013. For companies which apply IFRS as adopted by the EU, the effective date is 1 January 2014. 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.

► IFRS 13 Fair Value Measurement

The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. This standard should be applied prospectively and early adoption is permitted.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

► IFRIC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine

The interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation applies to waste removal (stripping costs) incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity.

► **Annual Improvements to IFRSs** - effective for annual periods beginning on or after 1 January 2013, not yet endorsed by EU. Earlier application is permitted in all cases, provided that fact is disclosed. This set of amendments published as part of the annual improvements process includes specific changes to IAS 1, IAS 16, IAS 32 and IAS 34.

► Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application' in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief. This guidance has not yet been endorsed by the EU.

► Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

The amendment is effective for annual periods beginning on or after 1 January 2014. The amendment applies to a particular class of business that qualifies as investment entities. The IASB uses the term 'investment entity' to refer to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. An investment entity must also evaluate the performance of its investments on a fair value basis. Such entities could include private equity organizations, venture capital organizations, pension funds, sovereign wealth funds and other investment funds. Under IFRS 10 Consolidated Financial Statements, reporting entities were required to consolidate all investees that they control (i.e. all subsidiaries). The Investment Entities amendment provides an exception to the consolidation requirements in IFRS 10 and requires investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendment also sets out disclosure requirements for investment entities. This amendment has not yet been endorsed by the EU.

Early application of the above standards and interpretations is not foreseen by the Group. Potential effects in the respective years of initial application are currently being evaluated by management.

Significant accounting 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 and recognized contingent liabilities at the end of the reporting period and amounts of revenues and expenses recognized during the reporting period, as well as the amounts disclosed in the notes. Estimates and judgments are continuously evaluated and are based on management's experience and

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

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 in future periods. The management believes that any deviations from these estimates will not have a material influence on the consolidated financial statements in the near-term.

Estimates and assumptions need to be made particularly with respect to the following:

- a) Mineral reserves (oil and gas reserves) are estimated by 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 development and production properties 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 development and production assets at December 31, 2012 is shown in Note 6.

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 has been impaired.

- b) Decommissioning costs will be incurred by the Group at the end of the operating life of some of the Group's facilities and properties.

Estimates of future restoration costs are based on current contracts concluded with suppliers, reports by 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 13).

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) In accordance with IAS 36, both intangible assets and property, plant and equipment are reviewed at balance sheet date for any indications of impairment. If indicators that an impairment loss may have occurred are present, the Group makes a formal estimate of the recoverable amount of the cash generating unit or asset. The recoverable value is the higher of value in use and fair value less costs to sell. In most cases the Group formally estimates the value in use. The value in use computation is based on budgets and forecasts and requires the use of a wide range of estimates and assumptions, such as future product prices and/or gross margins, growth rates, inflation rates, foreign exchange rates, discount rates etc.

1. LEGAL PRINCIPLES AND ACCOUNTING POLICIES (continued)

For the computation of value in use as of December 31, 2012 the post-tax discount rates used (that reflect current market assessments of the time value of money and the risks specific to the asset / cash generating unit) are country specific and vary between:

- ▶ 7.3% for E&P (2011: 7.3% to 7.4%)
- ▶ 6.0% for G&P (2011: 5.9%)
- ▶ 6.1% to 7.7% for R&M (2011: 6.2% to 7.6%).

In addition, 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.

d) 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 where activities have not reached a stage which permits 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.

e) 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.

2. CONSOLIDATION

a) Subsidiaries

The consolidated financial statements comprise the financial statements of OMV Petrom S.A. and its subsidiaries ("Petrom Group") as at December 31, 2012, prepared in accordance with consistent accounting and valuation principles. The financial statements of the subsidiaries are prepared for the same reporting date, December 31, 2012, as the parent company.

The valuation of assets and liabilities from subsidiaries is based on fair values at acquisition dates. Goodwill arising on acquisition is recognized as an asset, being the excess of the initially measured cost of the business combination over Petrom Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. If Petrom Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognized in profit and loss account. Non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. 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 represent the portion of profit and loss and net assets not held by Petrom Group and 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.

The number of consolidated companies is as follows:

	Full consolidation	Equity consolidation
As at January 1, 2012	15	1
Included for the first time	-	-
Deconsolidated during the year*	(1)	-
As at December 31, 2012	14	1
Romanian companies	8	1
Foreign companies	6	-

*) In the last quarter of 2012, OMV Petrom disposed of the Korned LLP company.

Please refer to Note 29 for further details.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. 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 Petrom Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. CONSOLIDATION (continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

b) Associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investee. 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 amortized. After application of the equity method, the Group determines whether it is necessary to recognize any additional impairment loss with respect to Group's net investment in the associate.

The income statement reflects the share of the results of operations of the associate. 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 other comprehensive income and/or the statement of changes in equity. The Group recognizes the dividend from an associate when the right to receive a dividend is established, and presents separately (Note 21) the share of the results of operations of the associate corresponding to dividends received.

Where a Group enterprise transacts 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 ventures

IFRS defines joint control as the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions regarding the activity require the unanimous consent of the parties sharing the control (the venturers).

The Group has interests in jointly controlled assets.

A jointly controlled asset (JCA) involves joint control and often joint ownership by the Group and other venturers of the assets contributed to, or acquired for the purpose of the joint venture, without the formation of a corporation, partnership or other entity.

Where the Group's activities are conducted through JCAs, the Group recognizes its share of the jointly controlled assets and liabilities it has incurred, its share of any liabilities jointly incurred with other venturers, income from the sale or use of its share of the joint venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture and a share of production. The Group combines its share of the jointly controlled assets and liabilities, income and expenses of the JCA with similar items, line by line, in its consolidated financial statements.

3. ACCOUNTING AND VALUATION PRINCIPLES

a) Pre-licence costs

Pre-licence costs are expensed in the period in which they are incurred.

b) Licence and property acquisition costs

Exploration licence and property 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 and property 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 and property 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 properties.

c) 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 unproved mineral properties and related assets pending determination of the commercial viability of the relevant oil and gas properties. If prospects are subsequently deemed to be unsuccessful on completion of evaluation, the associated costs are included in the profit and loss account for the year. If the prospects are deemed commercially viable, such costs are transferred to tangible oil and gas assets upon commencement of the production. The status of such prospects 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.

d) 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 proved mineral properties and related assets.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Production costs, including those costs incurred to operate and maintain wells and related equipment and facilities (including depletion, depreciation and amortization charges as described below) and other costs of operating and maintaining those wells and related equipment and facilities, are expensed as incurred.

e) 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.

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 exploration and development costs and support equipment are generally depreciated based on proved developed reserves/ total proved reserves by applying the unit-of-production method; only capitalized exploration rights and acquired reserves are amortized on the basis of total proved reserves.

In accordance with IAS 36, both intangible assets and property, plant and equipment are reviewed at balance sheet 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 the carrying amount of an asset or cash generating unit exceeds its recoverable amount, an impairment loss is recognized to reduce the asset to its lower recoverable amount. The asset's value is written back up to its depreciated cost if the reasons for recognition of an impairment loss disappear in subsequent periods. The difference is disclosed under other operating income.

Scheduled depreciation and amortization calculated on a straight line basis is largely based on the following useful lives:

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

Intangible assets	Useful life (years)
Goodwill	Indefinite
Software	3 - 5
Concessions, licenses and other intangibles	5-20, or contract duration
Business-specific property, plant and equipment	
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
Other property, plant and equipment	
Production and office buildings	20-50
Other plant and equipment	10-20
Fixtures and fittings	5-10

For the application of the unit of production 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.

The amortization of intangible assets is included in the income statement according to its function (mainly under "Production cost of sales").

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 or otherwise disposed of, 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.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

Advances for the acquisition of tangible and intangible assets are non-monetary items presented within property, plant and equipment and respectively on intangible assets.

f) Major maintenance and repairs

The capitalized costs of regular 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. 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. Inspection costs associated with major maintenance programs are capitalized and amortized over the period to the next inspection. All other day-to-day repairs and maintenance costs are expensed as incurred.

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

All other minor repairs and maintenance costs are expensed as incurred.

g) Leases

Property, plant and equipment contains assets being used under finance leases. Since the Group has all the risks and benefits incidental to ownership of the leased item, the assets must be capitalized at the commencement of the lease at the lower of the present value of minimum lease obligation 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.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

All lease agreements not classified as finance leases are treated as operating leases and the operating lease payments then form part of the operating expenses in the income statement on a straight line basis over the lease term.

h) Financial instruments

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the settlement date, i.e. the date on which the agreement is settled by delivery of assets that are subject of the agreement. Derivatives are recognized on trade date basis, i.e. the date that the Group commits to purchase or sell the asset.

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

The Group's financial assets include trade receivables and other receivables, cash and cash equivalents and available-for-sale investments.

After initial measurement, trade and other receivables are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment.

After initial measurement, available-for-sale securities are recognized at fair value. Changes in their fair value are however not recognized as income, but included directly as part of other comprehensive income. The losses arising from impairment of such investments are recognized in the profit or loss and removed from the available-for-sale reserve.

Available-for-sale securities which are not listed and for which the fair value cannot be reliably established are carried at acquisition cost less any impairment losses, and are tested yearly for impairment.

The Group's financial liabilities include trade liabilities and other liabilities, loans and borrowings, and derivative financial instruments.

Liabilities other than derivatives are carried at amortized cost using the effective interest rate method. If goods and services supplied in connection with operating activities have not yet been invoiced but both the dates and amounts of supply are already incurred, the obligations are included under liabilities rather than as provisions.

Derivative instruments are used to hedge risks resulting from changes in interest rates, currency exchange rates and commodity prices and are subsequently measured at fair value.

The fair value of derivative financial instruments reflects the estimated amounts that Group would pay

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

or receive if the positions were closed at year end date, and thus the unrealized gains and losses on open positions. Quotations from banks or appropriate pricing models have been used to estimate the fair value of financial instruments at year end date.

Unrealized gains and losses are recognized as income or expense, except where the requirements for hedge accounting are met. For hedge accounting to be applied the hedging relationship must be documented and actual hedge effectiveness must be in the range 80%–125%.

In the case of fair value hedges, changes in the fair value resulting from the risk being hedged for both the hedged item 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 directly in other comprehensive income, while the ineffective part is recognized immediately in the income statement. Amounts deferred in other comprehensive income are recycled in profit or loss in the periods when the hedged item is recognized in profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in other comprehensive income is recognized immediately in profit or loss.

Derivatives embedded in other financial instruments or host contracts are treated as independent instruments if their risks and characteristics are not closely associated with the host instruments and the host instruments were not recognized at fair value, so that the related unrealized gains and losses are recognized as income or expense.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets than can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in payments, the probability that they will enter in bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease on the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- ▶ The rights to receive cash flows from the asset have expired
- ▶ The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

Management believes that the carrying amount of financial assets and liabilities measured at amortized cost substantially approximates their fair value, as most of such assets are either short term or are bearing variable interest rates or are repriced regularly using the current market interest rates.

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- ▶ There is a currently enforceable legal right to offset the recognized amounts; and
- ▶ There is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously

i) Borrowing costs

Borrowing costs incurred directly for the acquisition, construction or production of qualifying assets are capitalized until the assets are effectively 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.

j) Inventories

Inventories are recorded at the lower of cost and net realizable value. Net realizable value is estimated on selling price in the normal course of activity less estimated costs of completion and 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.

k) Provisions

Provisions are made for all present obligations (legal or constructive) to third parties resulting from a past event, where 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 reliably be estimated.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 used, the increase in the provision due to the passage of time is recognized as a finance cost.

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

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

The Group's core activities regularly give rise to dismantling and removal, asset retirement and soil remediation obligations. These decommissioning and restoration obligations are mainly of material importance in the E&P segment (oil and gas wells, above-ground facilities). They are therefore disclosed as a separate item. 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.

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 included in the Income Statement as a finance cost.

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.

The unwinding on the receivables from the Romanian State related to decommissioning and environmental provisions (including any changes in the estimated timing of recovery) is included into the financial result.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 fully through the income statement.

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 known.

Emission allowances received free of cost from governmental authorities (EU Emissions Trading Scheme for greenhouse gas emissions allowances) reduce obligations for CO₂ emissions, and 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, which are part of cost of sales. If subsequently to the recognition of a provision emission rights are purchased an asset is only recognized for the excess of the emission rights over the CO₂ emissions. Any price difference between the provision and the quantity of offsetting emission rights is expensed as emission cost.

I) Taxes on income including deferred taxes

Current tax

The tax currently payable is based on taxable profit for the year. 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. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date, in the countries where the Group operates and generates taxable income.

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.

Deferred tax

Deferred tax is provided using the liability method on 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,

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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 recognized directly in equity is recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Production taxes

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

m) 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.

3. ACCOUNTING AND VALUATION PRINCIPLES (continued)

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.

Rendering of services

Revenue from a contract to provide services is recognized by reference to the stage of completion of the contract. The stage of completion of the contract is determined as follows:

- ▶ installation fees are recognized by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the balance sheet date;
- ▶ servicing fees included in the price of products sold are recognized by reference to the proportion of the total cost of providing the servicing for the product sold, taking into account historical trends in the number of services actually provided on past goods sold; and
- ▶ revenue from time and material contracts is recognized at the contractual rates as labour hours are delivered and direct expenses are incurred.

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 on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

n) Components of cash and cash equivalents

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

o) Comparatives

Certain comparative information of the previous year has been reclassified in order to ensure comparability with the presentation of the financial statements for the current year, as follows:

- ▶ into Note 11 Assets held for Sale, buildings related amount of RON 1.47 million was reclassified from line plant and equipment to position land and buildings;
- ▶ into Note 22 Net interest expense, revenues in amount of RON 3.91 million were reclassified from line expenses with unwinding and discounting for other items to line unwinding income for other financial assets.

4. FOREIGN CURRENCY TRANSLATION

i) Group companies

The consolidated financial statements are presented in RON, which is OMV Petrom S.A. functional currency. Each entity in Petrom Group determines its own functional currency, and items included in its 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 Kazakhstan entities that have USD as functional currency.

Where the functional currency differs from the national currency, monetary assets are valued at closing rates and non-monetary assets at transaction rates.

Where the functional currency differs from Petrom Group presentation currency, financial statements are translated using closing rate method. Differences arising between balance sheet items translated at closing and historical rates are disclosed as a separate balancing item directly in changes in stockholders' equity (foreign exchange differences). Income statement items are translated at average rates for the year. Differences arising from the use of average rather than closing rates also result in direct adjustments to equity. On disposal of a foreign operation, the component of other comprehensive income relating to the translation of that particular foreign operation is recognized in the income statement.

The rates applied in translating currencies were as follows:

Exchange rates	Year ended December 31, 2011	Average for the year ended December 31, 2011	Year ended December 31, 2012	Average for the year ended December 31, 2012
US dollar (USD)	3.3393	3.0475	3.3575	3.4704
Euro (EUR)	4.3197	4.2377	4.4287	4.4573
Moldavian Leu (MDL)	0.2866	0.2598	0.2769	0.2863
Russian Ruble (RUB)	0.1035	0.1036	0.1102	0.1117
Serbian Dinar (RSD)	0.0406	0.0416	0.0390	0.0394
Bulgarian Leva (BGN)	2.2087	2.1667	2.2644	2.2790

ii) 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.

5. INTANGIBLE ASSETS

	Concessions, licenses, and other intangible assets	Oil and gas assets with unproved reserves	Total
COST			
Balance as at January 1, 2012	1,800.29	877.30	2,677.59
Exchange differences	(1.02)	4.59	3.57
Additions	28.07	251.10	279.17
Transfers to tangible assets (Note 6)	(3.88)	(189.16)	(193.04)
Disposals*)	(7.86)	(148.14)	(156.00)
Transfers to assets held for sale	(1.84)	-	(1.84)
Balance as at December 31, 2012	1,813.76	795.69	2,609.45
ACCUMULATED AMORTISATION AND IMPAIRMENT			
Balance as at January 1, 2012	1,090.64	465.97	1,556.61
Exchange differences	(0.32)	4.59	4.27
Amortization	186.15	-	186.15
Impairment	1.43	51.38	52.81
Transfers to tangible assets (Note 6)	(0.03)	-	(0.03)
Disposals	(7.79)	(147.66)	(155.45)
Write-ups	(0.65)	(0.03)	(0.68)
Transfers to assets held for sale	(0.74)	-	(0.74)
Balance as at December 31, 2012	1,268.69	374.25	1,642.94
CARRYING AMOUNT			
As at January 1, 2012	709.65	411.33	1,120.98
As at December 31, 2012	545.07	421.44	966.51

*) Includes the amount of RON 0.48 million representing decrease from the reassessment of decommissioning asset for exploration wells (under category "Oil and gas assets with unproved reserves").

6. 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
COST							
Balance as at January 1, 2012	4,486.87	23,637.85	4,310.89	865.66	2,060.09	1,820.41	37,181.77
Exchange differences	(5.98)	11.67	1.68	(2.71)	0.55	(0.23)	4.98
Additions**	76.30	3,180.36	902.11	28.20	547.65	61.22	4,795.84
Transfers*	222.64	68.80	2,912.18	99.03	(1,291.80)	(1,817.81)	193.04
Transfers to assets held for sale	(83.80)	-	(99.96)	(5.76)	(0.92)	-	(190.44)
Disposals***	(99.91)	(109.94)	(79.86)	(90.88)	(102.34)	-	(482.93)
Balance as at December 31, 2012	4,596.12	26,788.74	7,947.04	893.54	1,213.23	63.59	41,502.26
ACCUMULATED DEPRECIATION AND IMPAIRMENT							
Balance as at January 1, 2012	1,090.98	6,967.59	2,208.36	464.43	115.91	0.22	10,847.49
Exchange differences	(0.77)	0.04	0.89	(2.37)	(0.06)	-	(2.27)
Depreciation	216.07	1,634.91	482.91	88.11	-	-	2,422.00
Impairment	24.12	21.42	3.95	26.36	118.83	-	194.68
Transfers*	(17.27)	(55.09)	51.41	23.14	(2.16)	-	0.03
Transfers to assets held for sale	(45.70)	-	(72.85)	(4.74)	(0.39)	-	(123.68)
Disposals	(45.91)	(46.65)	(72.20)	(80.94)	(100.14)	-	(345.84)
Write-ups	-	(0.04)	-	-	(2.56)	(0.14)	(2.74)
Balance as at December 31, 2012	1,221.52	8,522.18	2,602.47	513.99	129.43	0.08	12,989.67
CARRYING AMOUNT							
As at January 1, 2012	3,395.89	16,670.26	2,102.53	401.23	1,944.18	1,820.19	26,334.28
As at December 31, 2012	3,374.60	18,266.56	5,344.57	379.55	1,083.80	63.51	28,512.59

*) Net amount represents transfers from intangibles. See Note 5.

**) Includes the amount of RON 74.49 million representing additions through finance lease and RON 16.53 million representing land deeds.

***) Includes the amount of (RON 4.71 million) representing decrease from reassessment of the decommissioning asset (under category "Oil and gas assets").

Property, plant and equipment include fixed assets acquired through finance lease with a carrying amount of RON 135.31 million as at December 31, 2012 (2011: RON 74.97 million).

During 2012, the Group has capitalized in the value of tangible and intangible assets of OMV Petrom S.A. borrowing costs related to current period in amount of RON 81.27 million (2011: RON 141.86 million). In addition, expenditure capitalized in the course of construction of tangible and intangible assets includes also an amount of RON 491.99 million (2011: RON 475.93 million).

For details on impairments see Note 20.

7. INVESTMENTS IN ASSOCIATED COMPANIES

Changes in investments in associated companies during the year were as follows:

COST	Associated companies
Balance as at January 1, 2012	40.91
Changes in consolidated Group	-
Share of result of associate (Note 21)	(1.47)
Disposals	-
Balance as at December 31, 2012	39.44

As at December 31, 2012 and December 31, 2011 Petrom Group had one associated company: Congaz S.A.

8. OTHER FINANCIAL ASSETS

	Liquidity term		
	December 31, 2012	less than 1 year	over 1 year
Investments	4.93	-	4.93
Expenditure recoverable from Romanian State	2,288.33	-	2,288.33
Other financial assets	162.90	98.93	63.97
Total	2,456.16	98.93	2,357.23

	Liquidity term		
	December 31, 2011	less than 1 year	over 1 year
Investments	4.93	-	4.93
Expenditure recoverable from Romanian State	2,633.70	-	2,633.70
Other financial assets	142.69	112.10	30.59
Total	2,781.32	112.10	2,669.22

Investments

The position "Investments" comprises all the investments in companies that were not consolidated, as the Group does not have control or 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 required to close wells, which are abandoned and are awaiting closure. However, such expenditures will be recoverable by the OMV Petrom S.A. from the Romanian State as these pertain to E&P activities prior to privatization of the OMV Petrom S.A. in 2004. Consequently, OMV Petrom S.A. has recorded the estimated

8. OTHER FINANCIAL ASSETS (continued)

decommissioning expenditures against receivable from the Romanian State with a net present value of RON 1,956.22 million as at December 31, 2012 (2011: RON 2,163.08 million). OMV Petrom S.A. also recorded receivable from the Romanian State related to environmental liabilities in E&P, R&M and Doljchim with net present value of RON 332.11 million (2011: RON 470.62 million) as these were existing prior to privatization of OMV Petrom S.A.

As of December 31, 2012, OMV Petrom filed claims for reimbursement of environmental cleanup costs in the amount of RON 95.94 million. Up to the date of these financial statements the Romanian State has not paid the claimed amounts.

The movement of impairment allowances for financial assets was as follows:

	Investments	Total
January 1, 2012	14.11	14.11
Additions	-	-
Disposals	(0.15)	(0.15)
Write-ups	-	-
December 31, 2012	13.96	13.96

The aging of other financial assets which were past due but not impaired was as follows:

	December 31, 2011	December 31, 2012
Up to 60 days overdue	0.18	0.28
61 to 120 days overdue	-	0.04
More than 120 days overdue	-	0.04
Total	0.18	0.36

9. RECEIVABLES AND OTHER ASSETS

a) Trade receivables are amounting to RON 1,968.09 million as at December 2012 (2011: RON 1,825.72 million). They are presented net of impairment allowances, which are detailed in 9 c) below.

b) Other assets (net of allowances)

	Liquidity term		
	December 31, 2012	less than 1 year	over 1 year
Prepaid expenses and deferred charges	54.08	42.05	12.03
Rental and lease prepayments	28.67	28.67	-
Other receivables	162.79	140.10	22.69
Total	245.54	210.82	34.72

	Liquidity term		
	December 31, 2011	less than 1 year	over 1 year
Prepaid expenses and deferred charges	89.65	63.63	26.02
Rental and lease prepayments	32.27	32.27	-
Other receivables	276.77	253.89	22.88
Total	398.69	349.79	48.90

c) Valuation allowances for trade receivables and other assets

The movement of valuation allowances for trade and other assets was as follows:

	Trade receivables	Other assets	Total
January 1, 2012	184.81	381.50	566.31
Additions/ (releases)	(2.20)	105.61	103.41
Used	(5.44)	(3.71)	(9.15)
Exchange differences and changes in consolidated Group	0.03	0.01	0.04
December 31, 2012	177.20	483.41	660.61

	Trade receivables	Other assets	Total
January 1, 2011	209.02	380.76	589.78
Additions/ (releases)	(20.54)	1.08	(19.46)
Used	(3.82)	(0.42)	(4.24)
Exchange differences and changes in consolidated Group	0.15	0.08	0.23
December 31, 2011	184.81	381.50	566.31

9. RECEIVABLES AND OTHER ASSETS (continued)

The gross value of the impaired receivables as at December 31, 2012 is of RON 194.11 million (2011: RON 193.57 million) for trade receivables and of RON 522.99 million (2011: RON 386.41 million) for other assets.

d) The aging of trade receivables which were past due but not impaired was as follows:

	December 31, 2011	December 31, 2012
Up to 60 days overdue	182.92	251.23
61 to 120 days overdue	6.80	9.55
More than 120 days overdue	1.46	7.34
Total	191.18	268.12

10. INVENTORIES

	December 31, 2011	December 31, 2012
Crude oil	393.81	365.29
Natural gas	142.71	96.16
Other raw materials	479.50	397.35
Work in progress	115.31	135.58
Finished products	1,210.63	1,247.93
Advances paid for inventories	7.08	8.23
Total	2,349.04	2,250.54

11. ASSETS HELD FOR SALE

	December 31, 2011	December 31, 2012
Land and buildings	75.77	108.96
Plant and equipment	0.11	29.16
Intangible assets	-	1.10
Other assets	-	32.13
Deferred tax asset (Note 17)	0.56	1.59
Assets held for sale	76.44	172.94
Provisions	-	26.54
Liabilities	-	61.95
Deferred tax liability (Note 17)	-	2.89
Liabilities associated with assets held for sale	-	91.38

11. ASSETS HELD FOR SALE (continued)

Included in assets held for sale and related liabilities are the following main items:

- ▶ plots of land located in Straulesti, Bucharest, committed for sale by OMV Petrom S.A. based on a contract concluded with Raiffeisen Evolution. These plots of land have a cost of RON 69.52 million as at December 31, 2012 (2011: RON 74.04 million) and are presented in Corporate & Other business segment.
- ▶ following the sign of the agreement for the sale the 99.99% stake in the subsidiary Petrom LPG S.A., the related assets amounting of RON 95.68 million and liabilities of RON 91.27 million are classified as held for sale. The sale became effective (i.e. control over the assets and liabilities was transferred to buyer) on January 7, 2013. Petrom LPG was included in R&M segment.
- ▶ as the process of disposal of Lubes business has started at the end of year 2012 and the sale is considered highly probable, the related assets from OMV Petrom Marketing SRL in amount of RON 3.06 million and from OMV Bulgaria OOD in value of RON 1.62 million and liabilities amounting to RON 0.11 million are classified as held for sale (both part of the R&M segment).

12. 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, 2012 (2011: same number) with a total nominal value of RON 5,664.41 million. The balance up to RON 18,983.37 million represents inflation adjustment, as Romania was a hyperinflationary economy until January 2004.

Cash flow hedging reserve

In order to protect the Group's cash flow in 2012, OMV Petrom S.A. entered in September 2011 into oil price swaps, locking in a Brent price of approximately USD 101/bbl for a volume of 30,000 bbl/d. The oil price swaps were accounted as cash flow hedge. The liability from hedge contracts was valued at the market value as at December 31, 2011 in amount of RON 142.63 million. As at December 31, 2011 the effective part of the changes in fair value recognized in other comprehensive income amounted to RON (119.67) million, net of deferred tax asset, while the ineffective part recognized into the income statement was of RON (0.17) million. During the year 2012 the oil price hedge was realized, resulting in expense of RON 394.08 million in OMV Petrom S.A. There are no equity related balances for this hedge as of December 31, 2012.

Furthermore, in June 2011, OMV Petrom Gas S.R.L. concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 where OMV Petrom Gas sold USD 29.97 million with monthly pricing and settlement, locking in the RON/USD average rate. This instrument was aimed to protect the cash flows from planned sales of gas to domestic clients during November 2011 – February 2012 against depreciation of USD versus RON, as the sales formula price is linked to USD/RON exchange rate. The forward contracts were accounted for as cash flow hedges and the fair values were negative as of December 31, 2011, amounting to RON 7.92 million net of deferred tax asset. This value was reflected as a decrease in equity, net of tax and a correspondent financial liability.

12. STOCKHOLDERS' EQUITY (continued)

During the year 2012 also these forwards contracts were realized, resulting in an expense of RON 8.50 million in OMV Petrom GAS S.R.L. There are no related balances as of December 31, 2012.

For more details please refer also to Notes 15 and 34.

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 (2011: 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.

Legal reserves included in revenue reserves are amounting to RON 1,039.65 million (2011: RON 826.10 million). 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 non-distributable reserves from fiscal facilities are amounting to RON 208.60 million (2011: same amount).

13. PROVISIONS

	Pensions and similar obligations	Decommissioning and restoration	Other provisions	Total
January 1, 2012	195.23	6,222.22	1,846.97	8,264.42
thereof short-term	-	324.57	986.88	1,311.45
thereof long-term	195.23	5,897.65	860.09	6,952.97
Exchange differences	-	0.72	0.31	1.03
Changes in consolidated Group	-	-	(1.24)	(1.24)
Liabilities associated with assets held for sale	(4.03)	-	(22.42)	(26.45)
Used	(15.52)	(172.51)	(802.83)	(990.86)
Allocations/(releases)	65.65	177.61	472.42	715.68
December 31, 2012	241.33	6,228.04	1,493.21	7,962.58
thereof short-term	-	361.94	848.33	1,210.27
thereof long-term	241.33	5,866.10	644.88	6,752.31

Provisions for defined benefit 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 6.48% (2011: 7.35%), an inflation rate of 3.15 % (2011: 3.52%) and an average salary increase of 6.00% (2011: 6.02%).

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. Decommissioning and restoration provision for the year ended December 31, 2012 was calculated using a time profile spread up to 35 years by using a discount rate of 6.48% (2011: 7.35%) and an inflation rate of 3.15% (2011: 3.52%) for Romania (RON) and a discount rate of 1.60% and an inflation rate of 0.51% for Kazakhstan (USD).

The provision for decommissioning and restoration costs includes mainly obligations in respect of OMV Petrom S.A. amounting to RON 6,109.75 million (2011: RON 6,102.32 million). There is a corresponding claim against the Romanian State of RON 1,956.22 million (2011: RON 2,163.08 million), which is disclosed under "Other financial assets" item.

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.

13. PROVISIONS (continued)

Details on the Decommissioning and restoration obligations are as follows:

	December 31, 2011	December 31, 2012
Balance as at January 1	5,917.85	6,222.22
Exchange differences	(0.69)	0.72
Changes in consolidated Group	-	-
Revisions in estimates	175.73	(256.04)
Unwinding effect	360.52	433.66
Settlements current year	(231.19)	(172.52)
Balance as at December 31	6,222.22	6,228.04

The unwinding effect is included in the consolidated income statement under the net interest expense line. The revisions in estimates impact either the assets subject to decommissioning (as presented in Notes 5 and 6) or the related receivable from State.

Other provisions were as follows:

2012	Total	less than 1 year	over 1 year
Environmental provision	232.12	117.47	114.65
Other personnel provisions	141.65	141.65	-
Provisions for litigations	507.83	95.39	412.44
Other	611.61	493.82	117.79
Total	1,493.21	848.33	644.88
2011	Total	less than 1 year	over 1 year
Environmental provision	490.29	204.63	285.66
Other personnel provisions	143.91	143.91	-
Provisions for litigations	566.09	116.73	449.36
Other	646.68	521.61	125.07
Total	1,846.97	986.88	860.09

Environmental provisions

The environmental provision is estimated by the management based on the list of environment related projects that must be completed by Petrom Group. The Group experts in environmental issues made their best estimates in order to determine the necessary provisions recorded as at December 31, 2012. The same discount rates and inflation rates as for the decommissioning and restoration provisions are used to compute the environmental provisions.

OMV Petrom S.A. recorded environmental liabilities against receivable from the Romanian State in E&P, R&M and Doljchim, as these obligations existed prior to privatization.

13. PROVISIONS (continued)

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

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

Other provisions

As at December 31, 2012 short-term provisions included under this line are related mainly to provisions for taxes to be paid to Romanian State amounting to RON 235.71 million and also provisions for late payment interest following receipt of the preliminary results of the fiscal review of OMV Petrom S.A. for the years 2009 and 2010 in amount of RON 209.03 million (Note 22).

As at December 31, 2011 the main short-term provision represented the fine imposed by the Romanian Competition Council to OMV Petrom S.A. and to OMV Petrom Marketing S.R.L. as a result of the antitrust investigation amounting to RON 503.82 million. The provision was entirely used in 2012, as the fines were paid by the two companies.

Under other long-term provisions are included the estimated costs amounting to RON 115.85 million (2011: RON 120.17 million) in relation to Arpechim refinery permanent closure announced in March 2011.

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.

OMV Petrom S.A. is the only company from Petrom Group included into the emission certificates allocation scheme. Under this scheme OMV Petrom S.A. received a total of 4,287,525 free emissions certificates for the year 2012 (2011: 4,444,349).

During 2012 Petrom Group did not sell emissions certificates (2011: sales of 1,165,000 certificates).

As at December 31, 2012, Petrom Group had no shortfall in EU allowances allocated compared to the CO₂ emissions of installations subject to the EU Emission Trading Scheme.

14. INTEREST-BEARING DEBTS

As at December 31, 2012 and 2011 Petrom Group had the following loans:

Borrower	Lender	December 31, 2011	December 31, 2012
Interest-bearing debts short-term			
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	401.19	411.20
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	21.60	22.14
OMV Petrom S.A.	European Investment Bank (c)	26.74	84.36
OMV Petrom S.A.	Raiffeisen Bank S.A. (d)	0.01	0.02
OMV Petrom S.A.	Accrued interest	20.62	13.11
OMV Petrom S.A.	Prepayments in relation with loan amounts drawn	(6.21)	(6.19)
Total interest bearing debts short term		463.95	524.64
Interest-bearing debts long-term			
OMV Petrom S.A.	European Bank for Reconstruction and Development (a)	1,295.26	916.74
OMV Petrom S.A.	Black Sea Trade and Development Bank (b)	64.79	44.29
OMV Petrom S.A.	European Investment Bank (c)	837.20	773.97
OMV Petrom S.A.	Prepayments in relation with loan amounts drawn	(23.95)	(17.95)
Total interest-bearing debts long term		2,173.30	1,717.05
Total interest-bearing debts		2,637.25	2,241.69

(a) During 2009, OMV Petrom S.A. concluded two loan agreements with European Bank for Reconstruction and Development:

- (i) An unsecured corporate loan agreement for a maximum amount of EUR 200.00 million for the construction of Brazi Power Plant. The agreement was signed on May 8, 2009 and the final maturity date is November 10, 2020. The amount due as at December 31, 2012 amounted to RON 744.90 million (equivalent of EUR 168.20 million) (2011: RON 818.15 million, equivalent of EUR 189.40 million).
 - (ii) An unsecured corporate loan agreement for a maximum amount of EUR 275.00 million with the purpose of funding an environmental projects program in respect of various operations (upstream, midstream and downstream), dated March 31, 2009, with final maturity date November 16, 2015 (for an amount of EUR 150.00 million) and November 15, 2013 (for the remaining EUR 125.00 million). The amount due as at December 31, 2012 was RON 583.04 million (equivalent of EUR 131.65 million) (2011: RON 878.30 million, equivalent of EUR 203.33 million).
- (b) For the funding of the environmental program OMV Petrom S.A. concluded also a parallel corporate loan agreement with Black Sea Trade and Development Bank, for a maximum amount of EUR 25.00 million. The agreement was signed on April 27, 2009 and the final maturity date is November 15, 2015. The amount due as at December 31, 2012 amounted to RON 66.43 million (equivalent of EUR 15.00 million) (2011: RON 86.39 million, equivalent of EUR 20.00 million).

14. INTEREST-BEARING DEBTS (continued)

- (c) For funding the construction of the Brazi Power Plant, OMV Petrom S.A. concluded also 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 amount due as at December 31, 2012 was RON 858.33 million (equivalent of EUR 193.81 million) (2011: RON 863.94 million, equivalent of EUR 200.00 million).
- (d) Credit facility granted by Raiffeisen Bank S.A. up to EUR 95.00 million, with maturity date prolonged to December 31, 2013. The facility is not secured. This facility can be used as overdraft and for issuance of letters of guarantee and letters of credit in multi-currencies. Starting with September 29, 2010, the facility can be used in the same limit also by OMV Petrom Marketing S.R.L., but only for issuance of letters of guarantee and letters of credit.
- (e) On November 22, 2011, OMV Petrom SA 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 includes Banca Comerciala Romana S.A., Banca Transilvania S.A., Barclays Bank PLC, BRD – Groupe Société Générale S.A., CaixaBank SA (Barcelona) Romania Branch, Citibank Europe plc, Fortis Bank SA/NV Bruxelles Bucharest Branch, ING Bank N.V. Amsterdam Bucharest Branch, J.P. Morgan Europe Limited, OTP Bank Romania SA, Raiffeisen Bank International AG, Raiffeisenlandesbank Niederösterreich Wien AG, Raiffeisenlandesbank Oberösterreich AG, Raiffeisen Bank SA, Bank of Tokyo Mitsubishi UFJ (Holland) N.V., Unicredit Bank Austria AG, Unicredit Tirioc Bank SA. The final maturity date was prolonged until November 22, 2015 with extension option for another year. There are no drawings from this facility as at December 31, 2012 or December 31, 2011.
- (f) A Credit Offer of EUR 500.00 million was signed by OMV Petrom S.A. with OMV AG for funding the general corporate purposes. The agreement was signed on January 15, 2009 and the final maturity date is January 15, 2014. The facility was not used at December 31, 2012 and December 31, 2011. The facility is unsecured.

The Group companies have several overdraft facilities signed as at December 31, 2012 as follows:

- (g) An unsecured facility contracted by OMV Bulgaria OOD from Citibank Sofia, existing at December 31, 2012, with a maximum limit of BGN 31.61 million (equivalent of RON 71.57 million) and maturity date June 30, 2013. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of guarantee without cash collateral. There were no drawings under the overdraft facility as at December 31, 2012.
- (h) An unsecured facility contracted by OMV Bulgaria OOD from UniCredit Bulbank Sofia with a maximum limit of BGN 33.00 million (equivalent of RON 74.73 million) and maturity until December 31, 2012. The destination of the facility is financing current operational activities (overdraft) and issuance of letters of guarantee without cash collateral. No drawings were made under the overdraft facility as at December 31, 2012.
- (i) An unsecured facility contracted by OMV Srbija from Raiffeisen Bank Belgrade, with a maximum

14. INTEREST-BEARING DEBTS (continued)

limit of EUR 6.00 million (equivalent of RON 26.57 million) and maturity prolonged until March 1, 2013. The destination of the facility is general corporate purposes financing on a roll-over basis and issuance of letters of guarantee without cash collateral. No drawings were made under the revolving facility as at December 31, 2012.

- (j) An uncommitted overdraft facility of RON 85.00 million contracted by OMV Petrom S.A. with Banca Comerciala Intesa Sanpaolo Romania S.A. for general corporate expenditure, with maturity date April 22, 2013. No drawings were made under the facility as at December 31, 2012. The facility is not secured.
- (k) An uncommitted, unsecured facility contracted by OMV Petrom S.A. from ING Bank N.V., that can be used in USD, RON or EUR, in total amount of EUR 70.00 million (equivalent of RON 310.01 million), granted for the purpose of issuing contingent liabilities and working capital financing. The portion for contingent liabilities is of EUR 40.00 million (equivalent of RON 177.15 million) and maturity until November 22, 2014. The portion for overdraft is of EUR 30.00 million (equivalent of RON 132.86 million) and maturity until November 22, 2013. No drawings under the overdraft facility were made as at December 31, 2012.
- (l) A committed credit facility contracted by OMV Petrom S.A. from BRD – Groupe Société Générale S.A. with maximum limit of EUR 53.00 million (equivalent of RON 234.72 million) that can be used in RON, with maturity date April 30, 2013. The facility is taken with the purpose of financing the borrower's current activity. No drawings under the facility were made as at December 31, 2012. The credit is unsecured.
- (m) A credit agreement contracted by Tasbulat LLP from Citibank Kazakhstan, with a maximum limit of USD 3.00 million (equivalent of RON 10.07 million) and maturity date December 31, 2013. The purpose of the facility is issuing contingent liabilities and working capital financing. No drawings were made under the revolving facility as at December 31, 2012.
- (n) A credit agreement contracted by Kom Munai LLP from Citibank Kazakhstan, with a maximum limit of USD 7.00 million (equivalent of RON 23.50 million) and maturity date December 31, 2013. The purpose of the facility is issuing contingent liabilities and working capital financing. No drawings were made under the revolving facility as at December 31, 2012.

The Group companies have signed also facilities with several banks for issuing letters of guarantee, as follows:

- (o) A facility agreement was signed by OMV Petrom S.A. with Fortis Bank – Bucharest branch – for up to EUR 30.00 million (equivalent of RON 132.86 million), to be utilized only for issuance of letters of guarantee, with maturity date May 31, 2013 with yearly automatic renewal, but not later than May 31, 2017. The facility is not secured.
- (p) Credit facility up to EUR 71.76 million (equivalent of RON 317.80 million) obtained by OMV Petrom S.A. from BRD – Groupe Société Générale S.A., to be utilized only for issuance of a letter of

14. INTEREST-BEARING DEBTS (continued)

guarantee for fiscal authorities. The validity period for the credit facility is April 30, 2013. The facility is not secured.

- (q) Credit facility received by OMV Petrom S.A. from Bancpost S.A., up to EUR 25.00 million (equivalent of RON 110.72 million), to be utilized only for issuance of letters of guarantee, with maturity date January 31, 2014. The facility is not secured.
- (r) Credit facility up to USD 3.00 million (equivalent of RON 10.07 million) obtained by OMV Petrom S.A. from RBS Bank Romania S.A, to be utilized only for issuance of letters of guarantee, with approval to be extended until October 28, 2013 but currently with the possibility of utilization by tacit consent of the parties. The facility is not secured.
- (s) A credit facility agreement contracted by OMV Serbia from Raiffeisen Bank Belgrade, with a maximum limit of EUR 15.00 million (equivalent of RON 66.43 million) and maturity date January 1, 2016. The destination of the facility is the issuance of letters of guarantee and opening of letters of credit.
- (t) Credit facility up to EUR 5.60 million (equivalent of RON 24.80 million) obtained by Petrom Aviation S.A. from Raiffeisen Bank for issuing of bank guarantees, prolonged until December 15, 2013.

As at December 31, 2012, Petrom Group is in compliance with all financial covenants stipulated by the loan agreements.

Please refer also to Note 34 for details regarding interest rate risks of interest-bearing debt.

15. OTHER FINANCIAL LIABILITIES

	December 31, 2012	less than 1 year	over 1 year
Finance lease liabilities	135.52	16.60	118.92
Other financial liabilities	393.62	344.25	49.37
Total	529.14	360.85	168.29
	December 31, 2011	less than 1 year	over 1 year
Liabilities from hedge contracts	152.06	152.06	-
Finance lease liabilities	72.06	10.49	61.57
Other financial liabilities	403.58	316.61	86.97
Total	627.70	479.16	148.54

Liabilities from hedge contracts

To protect the Group's cash flow in 2012, OMV Petrom S.A. entered into crude oil hedges for a volume of 30,000 bbl/d. Liabilities from hedge contracts were valued at the market value of RON 142.63 million as at December 31, 2011. Furthermore, OMV Petrom Gas concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 that were valued at the market value of RON 9.43 million as at December 31, 2011 (please refer also to Notes 12 and 34).

As of December 31, 2012 there are no liabilities balances from hedge contracts, as these contracts were realized and their market value as of this date is nil.

Finance lease liabilities

Petrom Group acquired through finance lease mainly equipment for production of electricity and pipe yards facilities for tubing reconditioning in E&P which are held by OMV Petrom S.A. and OMV Petrom Marketing S.R.L.

For pipe yards facilities the lease period is 15 years and the total future minimum lease payments amounts to RON 62.70 million as at December 31, 2012.

A breakdown of present value of finance lease liabilities is presented below.

	December 31, 2011	December 31, 2012
Obligations under finance leases		
Amounts due within 1 year	14.60	24.65
Amounts due after more than 1 year but not later than 5 years	56.47	93.32
Amounts due after 5 years	49.30	88.05
Total lease obligations	120.37	206.02
Less future finance charges on finance leases	(48.31)	(70.50)
Present value of finance lease liabilities	72.06	135.52
Analyzed as follows:		
Maturing within 1 year	10.49	16.60
Maturing after more than 1 year but not later than 5 years	45.23	70.32
Maturing after 5 years	16.34	48.60
Total present value of finance lease liabilities	72.06	135.52

15. OTHER FINANCIAL LIABILITIES (continued)

In addition to the above, OMV Petrom S.A. has a commitment to lease a plant for the production of hydrogen and medium pressure steam for Petrobrazil Refinery which will be constructed during 2013 and will start operating in 2014, thus its beneficial ownership will be transferred to OMV Petrom S.A. starting 2014. Therefore the finance lease has not been recognized in the consolidated statement of financial position. Total future minimum lease commitments for the plant are amounting to RON 173.51 million as at December 31, 2012 (2011: nil).

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
2012				
Interest-bearing debts	578.37	1,148.05	749.27	2,475.69
Trade payables	2,880.08	-	-	2,880.08
Other financial liabilities	368.90	141.32	89.42	599.64
Total	3,827.35	1,289.37	838.69	5,955.41
2011				
Interest-bearing debts	556.30	1,563.04	956.28	3,075.62
Trade payables	2,982.58	-	-	2,982.58
Other financial liabilities	483.26	105.76	93.53	682.55
Total	4,022.14	1,668.80	1,049.81	6,740.75

16. OTHER LIABILITIES

	December 31, 2012	less than 1 year	over 1 year
Deferred income	107.83	107.83	-
Tax liabilities	536.62	536.62	-
Social security	20.56	20.56	-
Other liabilities	99.95	99.95	-
Total	764.96	764.96	-
	December 31, 2011	less than 1 year	over 1 year
Deferred income	102.81	102.81	-
Tax liabilities	408.75	408.75	-
Social security	38.92	38.92	-
Other liabilities	61.08	61.08	-
Total	611.56	611.56	-

17. DEFERRED TAX

2012	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	187.72	-	187.72	392.55
Financial assets	92.90	-	92.90	6.70
Inventories	59.35	-	59.35	1.73
Receivables and other assets	80.98	42.41	38.57	0.16
Untaxed reserves	-	-	-	14.72
Provisions for pensions and severance payments	38.61	-	38.61	-
Other provisions	779.20	-	779.20	-
Liabilities	9.74	-	9.74	0.52
Tax loss carried forward	68.21	-	68.21	-
Total	1,316.71	42.41	1,274.30	416.38
Netting (same tax jurisdiction/ country)			(408.14)	(408.14)
Deferred tax, net			866.16	8.24
Deferred tax for assets and related liabilities held for sale (Note 11)	1.59	-	1.59	2.89
Total deferred tax			867.75	11.13

2011	Deferred tax assets before allowances	Allowances	Net deferred tax assets	Deferred tax liabilities
Tangible and intangible assets	170.91	23.10	147.81	405.61
Financial assets	45.62	-	45.62	7.26
Inventories	54.95	-	54.95	1.73
Receivables and other assets	82.10	42.86	39.24	-
Untaxed reserves	-	-	-	14.64
Provisions for pensions and severance payments	31.24	-	31.24	-
Other provisions	771.75	10.03	761.72	-
Liabilities	49.65	-	49.65	0.09
Tax loss carried forward	94.05	-	94.05	-
TOTAL	1,300.27	75.99	1,224.28	429.33
Netting (same tax jurisdiction/ country)			(417.06)	(417.06)
Deferred tax, net			807.22	12.27
Deferred tax for assets held for sale (see Note 11)	0.56	-	0.56	-
Total deferred tax			807.78	12.27

17. DEFERRED TAX (continued)

At the end of 2012, losses carry-forward for tax purposes amounted to RON 389.37 million (2011: RON 502.72 million). Eligibility of losses for carry-forward expires as follows:

	2011	2012
2012	16.75	-
2013	3.54	15.91
2014	2.55	1.76
2015	14.95	7.62
2016	31.52	13.58
2017/ After 2016	433.41	102.36
After 2018	-	248.14
Total	502.72	389.37

18. OTHER OPERATING INCOME

	December 31, 2011	December 31, 2012
Exchange gains from operating activities	104.05	85.98
Gains from the disposal of fixed assets	36.72	39.65
Write-up tangible and intangible assets	3.63	3.42
Other operating income	288.11	57.53
Total	432.51	186.58

During 2011 other operating income included the reassessment of retirement provision amounting of RON 102.74 million following the change in parameters as described in Note 13 and sales of carbon certificates amounting to RON 67.69 million, while in 2012 the reassessment of retirement provision resulted into an expense (see Note 19) and income from carbon certificates were significantly lower.

19. OTHER OPERATING EXPENSES

	December 31, 2011	December 31, 2012
Exchange losses from operating activities	120.02	110.35
Losses from the disposal of fixed assets	32.04	114.03
Expenses/ (Income) with provisions for litigations	(3.47)	(31.36)
Other operating expenses	1,258.61	845.39
Total	1,407.20	1,038.41

Other operating expenses include an amount of RON 68.69 million (2011: RON 8.03 million) representing restructuring expenses and RON 49.51 million representing reassessment of retirement provision (2011: see Note 18). Other operating expenses line includes also an impairment provision of RON 116.60 million in relation to a legal case in Kazakhstan for uncollected receivables.

19. OTHER OPERATING EXPENSES (continued)

During 2011 other operating expenses included an amount of RON 503.82 million representing the provision for the fine received from Romanian Competition Council and RON 120.17 million representing estimated costs in relation to Arpechim refinery permanent closure.

20. COST INFORMATION

For the years ended December 31, 2012 and December 31, 2011 the consolidated income statement includes the following personnel expenses:

	December 31, 2011	December 31, 2012
Wages and salaries	1,800.14	1,958.90
Other personnel expenses	123.32	253.18
Total personnel expenses	1,923.46	2,212.08

Included in the above personnel expenses is the amount of RON 309.09 million, representing Group's contribution to state pension plan for the year ended December 31, 2012 (2011: RON 307.66 million).

Depreciation, amortization and impairment losses of intangible assets and property, plant and equipment consisted of:

	December 31, 2011	December 31, 2012
Depreciation and amortization	2,327.79	2,608.15
Impairment tangible and intangible assets	502.42	244.07
Total depreciation, amortization and impairment	2,830.21	2,852.22

Net impairment losses booked during the year ended December 31, 2012 for tangible and intangible assets were related to E&P segment amounting RON 157.54 million (including impairments for unsuccessful exploration wells in Romania and other projects), to R&M amounting RON 84.79 million (mainly related to impairment of marketing assets in Petrom Moldova) and also other segments RON 1.74 million.

Net impairment losses booked during the year ended December 31, 2011 for tangible and intangible assets were related to E&P segment amounting RON 410.14 million (mainly for impairment of the Kultuk exploration license in Kazakhstan and unsuccessful exploration wells in Romania), to R&M amounting RON 89.31 million (mainly related to LPG assets and to closed terminals) and also other segments RON 2.97 million.

In the consolidated income statement the impairment losses are mainly included under exploration expenses of RON 51.37 million (2011: RON 309.64 million), production cost of sales amounting RON 138.02 million (2011: RON 122.35 million) and selling expenses of RON 48.15 million (2011: RON 73.77 million).

20. COST INFORMATION (continued)

million). These impairment losses are net of write-ups amounting to RON 3.42 million (2011: RON 3.63 million) that are presented under other operating income line.

Rental expenses included in current period consolidated income statement are RON 234.31 million (2011: RON 225.22 million).

21. INCOME FROM ASSOCIATED COMPANIES

	December 31, 2011	December 31, 2012
Share of positive result of associated companies	0.26	-
Share of negative result of associated companies	-	(1.47)
Dividends from associated companies	2.86	3.65
Total income from associated companies	3.12	2.18

22. NET INTEREST EXPENSE

	December 31, 2011	December 31, 2012
Interest income		
Interest income from receivables and other	27.55	20.05
Unwinding income for other financial assets	3.91	21.00
Interest income from short term bank deposits	15.77	18.81
Total interest income	47.23	59.86
Interest expense		
Interest expenses	(58.95)	(314.68)
Unwinding expenses for retirement benefits provision	(14.08)	(14.22)
Unwinding expenses for decommissioning provision	(226.85)	(282.61)
Unwinding and discounting for other items	(80.23)	(214.08)
Total interest expense	(380.11)	(825.59)
Net interest result	(332.88)	(765.73)

Included into interest expense line are special charges amounting RON 209.03 million recorded for alleged late payment interest assessed by the fiscal authorities according to the preliminary results of the fiscal review for the years 2009 and 2010 in OMV Petrom S.A..

23. OTHER FINANCIAL INCOME AND EXPENSES

	December 31, 2011	December 31, 2012
Financial income		
Exchange gains from financing activities	172.61	99.67
Gains from investments and financial assets	2.52	1.45
Total financial income	175.13	101.12
Financial expense		
Exchange losses from financing activities	(96.35)	(126.60)
Losses related to financial assets and securities	(9.11)	-
Other financing costs	(67.08)	(46.71)
Total financial expense	(172.54)	(173.31)
Other financial income and expenses	2.59	(72.19)

24. TAXES ON INCOME

	December 31, 2011	December 31, 2012
Taxes on income - current year	909.83	963.76
Deferred tax	(59.86)	(83.60)
Total taxes on income	849.97	880.16

The reconciliation of deferred taxes is as follows:

	December 31, 2011	December 31, 2012
Deferred taxes January 1	707.79	795.51
Deferred taxes December 31	795.51	856.62
Changes in deferred taxes	87.72	61.11
Deferred taxes on valuation of hedges charged directly to OCI	24.30	(24.30)
Changes in consolidated Group, exchange differences and similar items	3.56	1.81
Deferred taxes per income statement	59.86	83.60
Reconciliation		
Net profit before taxation	4,608.59	4,826.26
Income tax rate applicable for Parent company	16.00%	16.00%
Profits tax based on income tax rate of the Parent	737.37	772.20
Effect of differing foreign tax rates	(13.91)	(15.96)
Profits tax based on applicable rates	723.46	756.24
Tax effect of permanent differences	126.51	123.92
Profits tax expense in Income Statement	849.97	880.16

24. TAXES ON INCOME (continued)

Permanent differences in 2012 were generated mainly by the non tax-deductible expenses related to the preliminary results of the fiscal audit in OMV Petrom SA.

Permanent differences in 2011 were generated mainly by the fine imposed by Romanian Competition Council to OMV Petrom S.A. and to OMV Petrom Marketing S.R.L. (Note 19) and by the impairment of the Kultuk exploration license in Kazakhstan (Note 20).

25. EARNINGS PER SHARE

Calculation of earnings per share is based on the following data:

	December 31, 2011	December 31, 2012
Net profit attributable to own shareholders	3,756.75	3,953.31
Weighted average number of shares	56,643,903,559	56,643,903,559
Earnings per share in RON	0.0663	0.0698

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 27, 2012, the shareholders of OMV Petrom S.A. approved the distribution of dividends for the financial year 2011 for the amount of RON 1,756 million, resulting in a dividend per share of 0.031 RON.

26. SEGMENT INFORMATION

Petrom Group is organized into four operating segments: Exploration and Production (E&P), Gas and Power and Refining and Marketing, while Petrom Group management, financing activities and certain service functions are concentrated in the Corporate & Other segment.

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 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 Petrom Group to identify current litigation and pending court and administrative proceedings.

26. SEGMENT INFORMATION (continued)

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** has been established with the purpose of diversifying the activity of OMV Petrom S.A. in the Romanian energy sector. Brazi power plant has started commercial operations in August 2012.

R&M produces and delivers gasoline, diesel and other petroleum products to its customers. **Refining** division includes two Romanian refineries, Arpechim and Petrobrazi. In March 2011 OMV Petrom S.A. announced the permanent closure of the Arpechim refinery. **Marketing** division delivers products to both Retail and Wholesale customers and operates in Romania, Bulgaria, Serbia and Moldova. OMV Petrom S.A. is the main player on the Romanian fuels market.

Operating segments:

December 31, 2012	E&P	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	12,071.98	446.63	162.36	561.49	13,242.46	(13,242.46)	-
Sales with third parties	919.94	3,696.19	21,587.19	54.81	26,258.13	-	26,258.13
Total sales	12,991.92	4,142.82	21,749.55	616.30	39,500.59	(13,242.46)	26,258.13
EBIT	5,466.57	359.80	137.52	(116.52)	5,847.37	(185.37)	5,662.00
Total assets*	20,364.83	3,146.14	5,277.72	690.41	29,479.10	-	29,479.10
Investments in PPE/IA	3,829.92	288.93	903.26	52.90	5,075.01	-	5,075.01
Depreciation and amortization	1,897.06	90.36	530.72	90.01	2,608.15	-	2,608.15
Impairment losses	157.54	-	84.79	1.74	244.07	-	244.07

*) Intangible assets (IA), property, plant and equipment (PPE).

Information about geographical areas:

December 31, 2012	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	20,534.35	4,485.17	1,238.61	-	26,258.13
Total assets*	27,266.47	944.29	1,268.34	-	29,479.10
Investments in PPE/IA	4,866.43	33.28	175.30	-	5,075.01

*) 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.

26. SEGMENT INFORMATION (continued)

Sales with third parties made in Rest of CEE include sales made in Bulgaria amounting to RON 2,937.71 million in 2012.

The key figure of operating performance for 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.

Operating segments:

December 31, 2011	E&P	Gas & Power	Refining & Marketing	Corporate & Other	Total	Consolidation	Consolidated total
Intersegment sales	11,172.10	436.24	161.96	576.91	12,347.21	(12,347.21)	-
Sales with third parties	571.34	3,190.68	18,795.16	56.47	22,613.65	-	22,613.65
Total sales	11,743.44	3,626.92	18,957.12	633.38	34,960.86	(12,347.21)	22,613.65
EBIT	5,236.32	148.84	(187.37)	(78.98)	5,118.82	(183.06)	4,935.76
Total assets*	18,716.01	2,930.96	5,079.04	729.25	27,455.26	-	27,455.26
Investments in PPE/IA	3,575.19	611.49	1,003.10	51.07	5,240.85	-	5,240.85
Depreciation and amortization	1,731.08	17.16	475.03	104.52	2,327.79	-	2,327.79
Impairment losses	410.14	-	89.31	2.97	502.42	-	502.42

*) Intangible assets (IA), property, plant and equipment (PPE).

Information about geographical areas:

December 31, 2011	Romania	Rest of CEE	Rest of world	Consolidation	Consolidated total
Sales with third parties**	17,411.27	4,291.35	911.03	-	22,613.65
Total assets*	25,050.77	1,030.37	1,374.12	-	27,455.26
Investments in PPE/IA	5,010.38	74.47	156.00	-	5,240.85

*) 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 include sales made in Bulgaria amounting to RON 2,939.46 million in 2011.

The key figure of operating performance for 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. AVERAGE NUMBER OF EMPLOYEES

	December 31, 2011	December 31, 2012
Total Petrom Group	23,909	22,255
thereof:		
OMV Petrom S.A.	22,037	20,508
Subsidiaries	1,872	1,747

Note: The number of employees was calculated as average headcount of 12 months number of employees.

28. 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, 2012 and December 31, 2011. Dividends receivable are not included in the below balances and revenues.

During 2012, Petrom Group had the following transactions with related parties (including balances as of December 31, 2012):

	Nature of transaction	Purchases	Balances payables
OMV Petrom S.A. - mother company			
OMV Supply & Trading AG	Acquisition of petroleum products	957.61	0.16
OMV Refining & Marketing GmbH	Acquisition of petroleum products	505.53	38.08
OMV Trading GmbH	Acquisition of electricity and other	87.68	24.68
OMV Exploration & Production GmbH	Delegation of personnel and other	69.35	26.05
OMV Aktiengesellschaft	Delegation of personnel and other	29.85	7.00
OMV Solutions GmbH	Delegation of personnel and other	29.41	12.59
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	18.78	-
OMV Power International GmbH	Delegation of personnel and other	4.00	3.95
OMV Gas & Power GmbH	Delegation of personnel and other	1.41	0.01
Gas Connect Austria GmbH	Delegation of personnel and other	0.07	-
Congaz SA	Various services	0.02	-
OMV Austria Exploration & Production GmbH	Various services	0.07	0.06
OMV - International Services Ges.m.b.H.	Financial services	0.01	-
Total OMV Petrom S.A.		1,703.79	112.58

28. RELATED PARTIES (continued)

	Nature of transaction	Purchases	Balances payable
Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	340.42	34.25
EconGas Hungária Földgázkereskedelmi Kft.	Acquisition of gas	183.25	-
OMV - International Services Ges.m.b.H.	Financial services	2.13	24.40
OMV Exploration & Production GmbH	Delegation of personnel	10.11	4.48
OMV Solutions GmbH	Delegation of personnel and other	11.14	0.44
Petrol Ofisi A.Ş.	Acquisition of petroleum products	7.42	1.42
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	18.44	1.00
EconGas GmbH	Acquisition of gas	-	1.34
Congaz SA	Various services	1.30	0.11
Trans Gas LPG Services SRL	Various services	0.87	0.09
Petrom Nadlac SRL	Various services	0.52	0.09
OMV Aktiengesellschaft	Delegation of personnel and other	0.83	0.02
OMV Power International GmbH	Delegation of personnel and other	0.28	0.35
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	Acquisition of petroleum products	2.14	-
Diramic Insurance Limited	Various services	0.95	-
Total subsidiaries		579.80	67.99
Total Petrom Group		2,283.59	180.57

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. - mother company			
OMV Supply & Trading AG	Sales of petroleum products	1,491.69	20.37
OMV Deutschland GmbH	Sales of propylene	232.57	34.83
OMV Solutions GmbH	Financial, IT and other services	44.74	8.64
OMV Trading GmbH	Sales of electricity and other	28.00	4.59
OMV Exploration & Production GmbH	Delegation of personnel and other	6.75	1.62
OMV Aktiengesellschaft	Delegation of personnel and other	3.76	4.24
OMV Refining & Marketing GmbH	Delegation of personnel and other	2.43	0.62
OMV Gas & Power GmbH	Delegation of personnel and other	0.20	0.06
OMV Abu Dhabi E&P GmbH	Various services	0.06	-
Total OMV Petrom S.A.		1,810.20	74.97

28. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
Petrom Group subsidiaries			
OMV - International Services Ges.m.b.H.	Other services	2.83	13.44
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.49	0.70
OMV Aktiengesellschaft	Delegation of personnel and other	4.28	0.42
Petrol Ofisi A.Ş.	Sales of petroleum products	0.32	0.03
Linzer Agrotrade Romania	Sales of chemicals products	0.19	-
Trans Gas LPG Services SRL	Various services	0.03	-
Total subsidiaries		12.14	14.59
Total Petrom Group		1,822.34	89.56

During 2011, Petrom Group had the following transactions with related parties (including balances as of December 31, 2011):

	Nature of transaction	Purchases	Balances payable
OMV Petrom S.A. - mother company			
OMV Supply & Trading AG	Acquisition of petroleum products	862.52	12.11
OMV Refining & Marketing GmbH	Acquisition of petroleum products	177.06	14.22
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of bitumen	36.34	0.69
OMV Trading GmbH	Acquisition of electricity and other	53.74	16.97
OMV Exploration & Production GmbH	Delegation of personnel and other	28.93	7.02
OMV Solutions GmbH	Delegation of personnel and other	17.53	9.65
OMV Aktiengesellschaft	Delegation of personnel and other	18.79	13.31
OMV Austria Exploration & Production GmbH	Various services	2.48	-
OMV Deutschland GmbH	Various services	2.45	-
OMV Power International GmbH	Delegation of personnel and other	0.19	0.19
OMV Gas & Power GmbH	Delegation of personnel and other	0.98	-
Gas Connect Austria GmbH	Delegation of personnel and other	0.61	0.03
Congaz SA	Various services	0.03	0.01
Trans Gas LPG Services SRL	Various services	0.01	-
Total OMV Petrom S.A.		1,201.66	74.20

28. RELATED PARTIES (continued)

	Nature of transaction	Purchases	Balances payable
Petrom Group subsidiaries			
OMV Refining & Marketing GmbH	Acquisition of petroleum products	114.16	6.77
EconGas Hungária Földgázkereskedelmi Kft.	Acquisition of gas	198.41	11.84
OMV Hungária Ásványolaj Korlátolt Felelősségű Társaság	Acquisition of petroleum products	21.50	0.39
OMV Exploration & Production GmbH	Delegation of personnel	9.27	8.24
OMV Solutions GmbH	Delegation of personnel and other	7.32	1.22
OMV Aktiengesellschaft	Delegation of personnel and other	0.52	0.03
OMV - International Services Ges.m.b.H.	Financial services	1.03	24.00
OMV Slovenija trgovina z nafto in naftnimi derivati, d.o.o.	Acquisition of petroleum products	3.26	3.23
OMV Power International GmbH	Delegation of personnel and other	1.75	0.87
Petrol Ofisi A.Ş.	Acquisition of petroleum products	4.99	0.92
Congaz SA	Various services	0.01	1.63
Trans Gas LPG Services SRL	Various services	0.17	0.02
Petrom Nadlac SRL	Various services	0.50	-
Total subsidiaries		362.89	59.16
Total Petrom Group		1,564.55	133.36

	Nature of transaction	Revenues	Balances receivable
OMV Petrom S.A. - mother company			
OMV Supply & Trading AG	Sales of petroleum products	1,096.10	2.74
OMV Deutschland GmbH	Sales of propylene	276.30	32.10
OMV Solutions GmbH	Financial, IT and other services	34.59	15.30
OMV Aktiengesellschaft	Delegation of personnel and other	12.82	6.55
OMV Trading GmbH	Sales of electricity and other	12.62	2.73
OMV Exploration & Production GmbH	Delegation of personnel and other	7.23	1.17
OMV Refining & Marketing GmbH	Delegation of personnel and other	1.45	0.25
Petrol Ofisi A.Ş.	Sales of petroleum products	0.18	-
OMV Finance Limited	Financial, IT and other services	0.07	0.01
OMV Southeast Caspian Upstream GmbH	Various services	0.02	-
OMV Gas & Power GmbH	Delegation of personnel and other	0.08	0.08
OMV Power International GmbH	Delegation of personnel and other	0.04	-
Total OMV Petrom S.A.		1,441.50	60.93

28. RELATED PARTIES (continued)

	Nature of transaction	Revenues	Balances receivable
Petrom Group subsidiaries			
OMV - International Services Ges.m.b.H.	Other services	31.77	10.45
OMV Aktiengesellschaft	Delegation of personnel and other	2.87	0.37
OMV Trading GmbH	Delegation of personnel and other	-	0.01
OMV Refining & Marketing GmbH	Delegation of personnel and other	4.18	0.25
OMV Hrvatska d.o.o.	Sales of petroleum products	0.15	-
Linzer Agrotrade Romania	Sales of chemicals products	0.12	-
OMV Finance Limited	Financial, IT and other services	0.01	-
OMV BH d.o.o.	Sales of petroleum products	0.07	-
OMV Slovensko s.r.o.	Sales of petroleum products	0.01	-
OMV Power International GmbH	Delegation of personnel and other	0.03	0.03
Trans Gas LPG Services SRL	Various services	0.07	-
Total subsidiaries		39.28	11.11
Total Petrom Group		1,480.78	72.04

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, 2012 (2011: same amount).

At December 31, 2012 there are no loans or advances granted by the Group to the members of the Supervisory Board.

As at December 31, 2012, the Group does not have any obligations regarding pension payments to former members of the Supervisory Board.

29. DIRECT AND INDIRECT INVESTMENTS OF PETROM GROUP WITH AN INTEREST OF AT LEAST 20% AS OF DECEMBER 31, 2012

Company Name	Share interest percentage	Consolidation treatment*	Activity	Country of incorporation
Subsidiaries (>50%)				
Tasbulat Oil Corporation LLP	100.00%	FC	Oil exploration and drilling 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 SRL	99.99%	FC	Eolian 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
Petrom Distributie Gaze S.R.L.	99.99%	FC	Gas distribution	Romania
Petrom LPG S.A.	99.99%	FC	LPG distribution	Romania
Petrom Aviation S.A.	99.99%	FC	Airport services	Romania
OMV Bulgaria OOD	99.90%	FC	Fuel distribution	Bulgaria
OMV Srbija DOO	99.90%	FC	Fuel distribution	Serbia
Petrom Nadlac S.R.L.	98.51%	NC	Fuel distribution	Romania
Kom Munai LLP	95.00%	FC	Oil exploration and drilling in Kazakhstan	Kazakhstan
Petrochemicals Arges S.R.L.	95.00%	NC	Refining petrochemicals production	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
Associated companies (20-50%)				
Franciza Petrom 2001 S.A.	40.00%	NAE	Oil products distribution	Romania
Brazi Oil & Anghelescu Prod Com S.R.L.	37.70%	NAE	Oil products distribution	Romania
Fontegas Peco Mehedinti S.A.	37.40%	NAE	Fuel distribution	Romania
Congaz S.A.	28.59%	EM	Natural gas distribution	Romania
Asociatia romana pentru relatia cu investitorii	20.00%	NAE	Public relations and public representation	Romania

*) Consolidation treatment:

FC Full consolidation

EM Accounted for at equity (associated company)

NC Not – consolidated subsidiary (companies of relative insignificance 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).

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

30. CASH FLOW STATEMENT INFORMATION

a) Drawings and repayments of borrowings

During 2012 Petrom Group has repaid borrowings and finance lease obligations amounting to RON 1,232.74 million (2011: RON 2,632.97 million) and has drawn borrowings amounting to RON 754.59 million (2011: RON 1,433.74 million).

b) Acquisition of subsidiaries

During 2012 and 2011 Petrom Group did not acquire any company.

c) Disposal of subsidiaries

During the year ended December 31, 2012, Petrom Group disposed Korned LLP company from E&P segment. During 2011 Petrom Group did not dispose of any company.

Net assets of disposed subsidiaries at the date of disposal were as follows:

	December 31, 2011	December 31, 2012
Other assets short term	-	0.21
Other provisions long term	-	(1.24)
Trade payables	-	(0.26)
Other liabilities short term	-	(4.24)
Net assets disposed off	-	(5.53)

Gain / (Loss) on disposal of subsidiaries:

	December 31, 2011	December 31, 2012
Proceeds on disposal of subsidiaries	-	0.10
Net assets disposed off	-	5.53
Cumulative exchange differences in respect of the net assets of the subsidiaries reclassified from equity on loss of control of subsidiaries	-	(12.88)
Exchange differences related to net investment in a foreign subsidiary, recycled from equity on disposal of subsidiary	-	5.17
Loss on disposal of subsidiaries	-	(2.08)

30. CASH FLOW STATEMENT INFORMATION (continued)

Net cash flow on disposal of subsidiaries:

	December 31, 2011	December 31, 2012
Net consideration received in cash and cash equivalents	49.02	0.10
Less cash and cash equivalents balances disposed off	-	-
Net cash inflow on disposal of subsidiaries	49.02	0.10

In addition to the consideration of RON 0.10 million related to the disposal of Korned LLP, the Group received an advance of RON 9.82 million for Petrom LPG S.A. from Crimbo Gas International, therefore the total cash inflow on disposal of subsidiaries during 2012 amounted to RON 9.92 million. During 2011, in relation with sale of Ring Oil Holding & Trading Ltd, an amount of RON 59.25 million was received, comprising RON 49.02 million from sale of shares and a reimbursement of loan in amount of RON 10.23 million.

d) Exploration cash-flows

The amount of cash outflows in relation to exploration activities incurred by Petrom Group for the year ended December 31, 2012 is of RON 374.51 million (2011: RON 495.71 million), out of which the amount of RON 172.26 million is related to operating activities (2011: RON 108.75 million) and the amount of RON 202.25 million represents cash outflows for exploration investing activities (2011: RON 386.96 million).

31. 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.

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

31. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (continued)

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 7, 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 as at December 31, 2012

As at December 31, 2012 there are no balances in relation to derivative financial instruments.

Fair value hierarchy as at December 31, 2011

Financial instruments on liability side	Level 1	Level 2	Level 3	Total
Derivatives designated and effective as hedging instruments	9.43	142.63	-	152.06
Other derivatives	(0.05)	-	-	(0.05)
Total	9.38	142.63	-	152.01

32. COMMITMENTS AND CONTINGENCIES

Commitments

As at December 31, 2012 the total commitments engaged by Petrom Group for investments is of RON 935.34 million (2011: RON 1,323.57 million), out of which RON 904.58 million related to property, plant and equipment (2011: RON 1,250.16 million) and RON 30.76 million for intangible assets (2011: RON 73.41 million). These commitments do not include the commitment for the financial lease of a hydrogen plant presented in Note 15.

Other contingencies

Cash and bank accounts as at December 31, 2012 include an amount of RON 84.89 million representing cash restricted, mainly in relation with cash collaterals (2011: RON 102.98 million, mainly related to several litigation cases).

Litigations

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 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.

32. COMMITMENTS AND CONTINGENCIES (continued)

Contingent liabilities

Petrom Group has contingent liabilities representing performance guarantees in amount of RON 25.64 million as at December 31, 2012 (2011: RON 19.76 million).

33. INTERESTS IN JOINT VENTURES

OMV Petrom S.A. entered into a farm out arrangement with ExxonMobil Exploration and Production Romania Limited 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 SRL with the purpose to explore and develop Adjud and Urziceni East onshore blocks and has a participating interest of 50%. OMV Petrom S.A. has been appointed as operator.

Joint activities described above are classified as jointly controlled assets according with IAS 31.

OMV Petrom's share of the aggregate capital commitments for the two joint ventures as at December 31, 2012 is amounting RON 504.62 million (2011: RON 39.00 million), mainly in relation to deep water drilling rig requirement.

34. RISK MANAGEMENT

Capital risk management

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 Petrom Group consists of equity attributable to equity holders of the parent (comprising issued 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 14). Capital risk management at 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 Petrom Group calculated as net debt/ (equity)*100 was 7% as at December 31, 2012 (December 31, 2011: 9%) showing a decreasing exposure to leverage risk. Net debt is calculated as interest-bearing debts including financial lease liability, less cash and cash equivalents.

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.

34. RISK MANAGEMENT (continued)

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 3 to the financial statements.

Financial risk management objectives and policies

The objective of 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.

Petrom Group does not enter into or trade financial instruments for speculative purposes. The Risk Management function reports twice per year to Petrom Group's Executive Board and Supervisory Board's Audit Committee, that monitors all risks and policies implemented to mitigate Petrom Group's risk exposures.

Risk exposures and responses

Petrom Group's Risk Management function actively pursues the identification, analysis, evaluation and treatment of all risks (market & financial, operational and strategic) in order to minimize their effects on company's cash flow up to an acceptable level agreed as the risk appetite.

The Risk Management function monitors and manages all risks of Petrom Group companies through and integrated process in line with ISO 31000, by internal risk reports and regular assessments which analyze all 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 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 coming near to their significance levels or rapidly developing risks which are sensitive to the risk appetite level are monitored and alerts are issued; for these situations individual and case specific treatment plans are proposed, approved and implemented immediately in order to decrease the exposures up to acceptable levels.

Commodity Market Price Risk

Commodity Market Risk wise, Petrom Group is naturally exposed to the market risks arising out of the price driven 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 Petrom Group risk profile and the company's midterm liquidity. The market price risks of Petrom Group commodities are very closely analyzed, quantified, evaluated and mitigated when required in order to secure their expected returns within Petrom Group's midterm objectives.

Financial instruments are 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.

34. RISK MANAGEMENT (continued)

In order to protect the Group's cash flow in 2012, OMV Petrom S.A. continued using the same hedging strategy for 2012 as well, and in September 2011 entered into oil price swaps, locking in a Brent price of USD 101/bbl for a volume of 30,000 bbl/d, which was around 30% of the 2012 total planned crude oil production. As at December 31, 2011 the fair value amounted to RON 142.63 million, same as the related liability (see Note 15). The hedge was realized until end of 2012 resulting in an expense of RON 394.08 million in 2012 income statement of OMV Petrom S.A.

In 2011, OMV Petrom S.A. entered into oil price swaps, locking in a Brent price of approximately USD 97/bbl for a volume of 25,000 bbl/d, which was around 30% of the domestic crude oil production. The hedge was realized until end of 2011, resulting in an expense of RON 403.34 million in 2011 income statement of OMV Petrom S.A.

Foreign exchange risk management

Because Petrom Group operates in many countries and currencies, industry specific activities and the corresponding exchange risks are being analyzed. 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 Petrom Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Assets		Liabilities	
	December 31, 2011	December 31, 2012	December 31, 2011	December 31, 2012
Thousand USD	654,005	562,544	96,566	57,076
Thousand EUR	107,413	98,409	705,019	612,937

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. The largest exposures result from changes in the value of the US dollar and Euro against the Romanian lei.

The following table details Petrom Group's sensitivity to a 10% increase and decrease in the USD and EUR against the relevant foreign currencies. The sensitivity analysis includes only 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 profit generated by a 10% currency fluctuation and a negative number below indicates a decrease in profit with the same value.

34. RISK MANAGEMENT (continued)

+10% Sensitivity increase in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2011	2012	2011	2012
Profit/ (Loss)	60,010	50,547	(59,761)	(51,453)
Other equity	(4,266)	-	-	-

-10% Sensitivity decrease in the foreign currencies rates

	Thousand USD Impact (i)		Thousand EUR Impact (ii)	
	2011	2012	2011	2012
Profit/ (Loss)	(60,010)	(50,547)	59,761	51,453
Other equity	4,266	-	-	-

(i) This is mainly attributable to the exposure on USD cash, receivables, trade payables, financial assets and financial liabilities at the year end.

(ii) This is mainly attributable to the exposure on EUR loans, trade payables and other financial liabilities at the 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 Petrom Group.

In June 2011, OMV Petrom Gas S.R.L. concluded RON/USD average rate forward contracts for the period November 2011 – February 2012 where OMV Petrom Gas sold USD 29.97 million with monthly pricing and settlement, locking in the RON/USD average rate. This instrument was aimed to protect the cash flows from planned sales of gas to domestic clients during November 2011 – February 2012 against depreciation of USD versus RON, as gas purchases were linked to USD/RON exchange rate, while the sales formula price is linked to USD/RON exchange rate. During the year 2012 these forward contracts were realized, resulting in an expense of RON 8.50 million in OMV Petrom GAS S.R.L.

Interest rate risk management

To facilitate management of interest rate risk, 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 balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet 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, 2011	December 31, 2012	December 31, 2011	December 31, 2012
Short term borrowings	449.54	517.72	4.50	5.18
Long term borrowings	2,197.25	1,735.00	21.97	17.35

34. RISK MANAGEMENT (continued)

Counterparty Credit Risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to Petrom Group. The main counterparty credit risks are assessed, monitored and managed at 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.

Petrom Group does not have any significant credit risk concentration exposure to any single counterparty or any group of counterparties having similar characteristics. 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 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 Petrom Group remains solvent 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 15.

35. SUBSEQUENT EVENTS

On January 7, 2013 OMV Petrom S.A. finalized the sale of the interest percentage of its 99.99% interest in Petrom LPG S.A. subsidiary to Crimbo Gas International. The sale of this participation is in line with Petrom Group's strategy to focus on the core activities of the Group.

On February 13, 2013, ExxonMobil Exploration and Production Romania Limited („EMEPRL”) and OMV Petrom S.A. announced the signing of an agreement with Romgaz S.A. („Romgaz”) to grant Romgaz the option to participate in petroleum operations in the deeper water portion of the Midia Block in the Black Sea offshore Romania. EMEPRL and OMV Petrom S.A. signed in October 2012 a Transfer Agreement with Sterling Resources Ltd. and Petro Ventures Europe B.V. for the purchase of an 85% interest in the hydrocarbon exploration and production rights to a portion of the XV Midia Block. Romgaz's option to enter is triggered by the Transfer Agreement becoming effective and an announcement of a commercial discovery. EMEPRL will be the operator of the petroleum operations in the deeper water portion of the Midia Block.

On February 22, 2013, OMV Petrom S.A. signed a farm-out agreement with Repsol by which the latter acquires a 49% working interest for the area deeper than 2,500 – 3,000 m of the onshore exploration blocks Băicoi V, Târgoviște VI, Pitești XII and Târgu Jiu XIII, located south of the Southern and Eastern Carpathians. This partnership is in line with the Group strategy to unlock the deep onshore exploration potential in Romania and targets investments estimated at approximately EUR 50 million in the next two years.

35. SUBSEQUENT EVENTS

Following the liberalization of gas prices enforced by the Romanian Government, starting February 1, 2013 and until the end of 2014, the Government has imposed an additional tax of 60% for the additional revenues resulting from the domestic gas price liberalization net of corresponding royalties and upstream investments (the latter capped at 30% for the additional revenues) for companies that extract and sell natural gas in Romania, including from the perimeters in the Black Sea.

At the same time, also starting February 1, 2013 and until the end of 2014, the Government has imposed a special tax of 0.5% on extraction of crude to the companies involved in the exploitation/extraction of natural resources.

Image Glossary



Black Sea

Romanian Black Sea exploration in near shore areas started in 1969. The first hydrocarbon discovery was made in 1980 and the first production started in 1987. Petrom operates two offshore blocks (Histria XVIII and Neptun XIX), covering a total area of more than 12,000 km². Currently, Petrom produces from five commercial fields: Lebăda Est, Lebăda Vest, Sinoe, Pescăruș and Delta. The current offshore production reaches around 30,000 boe/d which accounts for approximately 17% of Petrom's production in Romania. Following the potentially significant deep offshore gas discovery in the Neptun block (Domino-1) in early 2012, Petrom initiated the largest 3D seismic program in the Romanian sector of the Black Sea. The program began at the end of 2012 and covers 6,000 km² in the deep waters and some additional 1,600 km² in shallow waters of the Neptun block.



Production wells

Petrom operates in Romania approximately 10,000 wells. More than 12,400 well interventions were performed and 1,600 workover jobs were carried out throughout 2012. The number of well interventions recorded in 2012 is ten times less compared to 2005 level and is due to ample modernization programs previously unfolded.



Brazi power plant

Put in commercial operations in August 2012 with an investment of approximately EUR 530 mn, the 860 MW power plant at Brazi has a configuration which allows for superior performance to all other classic power plants existing in Romania. With two gas turbines and one steam turbine, the plant can reach an efficiency of 57%, twice higher than sector average. The plant is characterized by flexible operation given its capacity of fast starting (half the time needed by a conventional plant) as well as the high speed in increasing the produced electricity which enable it to counterbalance the low predictability level of wind power production.



The new Predești park

The new Predești park was put in function in April 2012. The park gathers approximately 188,000 cbm of gas daily from 13 wells, with the potential to capture in the future the production from additional eight new wells, following extended exploitation within that area. The park is provided with two-phase separation installations and gas production metering, one control room, automatic shut down system and residual water injection system. The main benefits include well production optimization and maintenance costs reduction.



Petrobrazî refinery

Established in 1963, Petrobrazî is a sweet heavy crude coking refinery with complex fuel production facility – 8.8 Nelson index. The refinery is currently undergoing a modernization program which started in 2010 and will be completed in 2014, with an overall EUR 600 mn investment plan. Among its major units is the 4.2 mn t/y crude distillation unit upgraded by mid-2012 following a six-week planned shutdown. The upgrade enables the processing of Petrom's entire domestic crude production while increasing the middle distillates yield and reducing energy consumption.



Filling stations

Petrom is the number one downstream operator in Romania, operating 546 filling stations under a two brand strategy – Petrom, the Romanian brand, positioned as an economy brand, and the international premium brand, OMV. In 2012, a significant number of Petrom filling stations were further revamped with a new refreshed look. The number of filling stations operated under the Petrom brand at the end of 2012 stood at 386.

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