

OMV PETROM

Annual Report 2015

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

Starting with April 1, 2015, the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas.

OMV Petrom Group- at a glance

Operational results	2013	2014	2015
Total hydrocarbon production (mn boe)	66.64	65.82	65.19
Gas sales volumes (TWh) ¹	52.7	47.7	51.4
Net electrical output (TWh)	2.9	1.3	2.7
Petrobrazil refinery utilization rate (%) ²	90	89	88
Total refined product sales (mn t)	5.22	4.81	5.03
Number of filling stations	785	780	788
Number of employees at the end of period	19,619	16,948	16,038

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

² After the finalization of the Petrobrazil refinery modernization, the opportunity was taken to demonstrate the maximum throughput based on a timeframe of the best 30 consecutive days. As a result, the annual refining capacity has been updated from 4.2 mn t to 4.5 mn t as of Q1/15; previously reported figures were not adjusted accordingly

Financial results	2013	2014	2015
Sales (RON mn)	24,185	21,541	18,145
EBIT (RON mn)	5,958	3,338	(530)
Net income/(loss) attributable to stockholders (RON mn)	4,821	2,103	(676)
Clean CCS EBIT (RON mn) ¹	6,015	5,202	2,522
Clean CCS net income attributable to stockholders (RON mn) ¹	4,869	3,764	1,801
Cash flow from operating activities (RON mn)	8,048	6,830	5,283
Capital expenditure (RON mn)	5,303	6,239	3,895
EPS (RON)	0.0851	0.0371	(0.0119)
ROACE (%)	19.0	7.6	(2.2)
Clean CCS ROACE (%) ¹	19.2	13.6	6.5

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

1. Company

1.1. Statement of the Chief Executive Officer

Dear Shareholders,

2015 was a challenging year for the global oil and gas industry, with oil prices continuing to drop significantly. Our organisation has responded swiftly to the weak market fundamentals through intensified cost optimisation programs and scaled back investments, which allowed us to maintain a strong balance sheet and protect our cash flow position. Also our integrated business model proved important benefits, with the Downstream business successfully offsetting the impact of the weak contribution from Upstream. Nevertheless, the decline in oil prices and market volatility have led to reviews of OMV Petrom's oil price assumptions for both the short- and long-term, which have resulted in the impairment of some producing assets in Romania and Kazakhstan, leading to a negative net result at the end of the year.

Underlining our ongoing commitment to safety, combined LTIR for employees and contractors further improved, reaching 0.16 in 2015, the lowest level since privatization and lower than the international benchmark. This achievement highlights once more that operational and personnel safety remains our first priority and that we constantly strive to ensure the highest standards of health and safety for our own employees as well as contractors'.

Throughout the year, we delivered on our commitments announced early 2015 to adjust our activity by containing capital spending and operational costs, whilst continuing our planned exploration and appraisal activity in the Black Sea. We clearly demonstrated capital discipline, prioritizing our investments based on long-term value generation and thus reducing capital spend by 38% compared with 2014. Moreover, the efficiency and optimization programs implemented led to cost reductions of around RON 500 mn in 2015. I am particularly encouraged by the good response of the entire organization to the measures implemented, which shows the cultural change and business agility we have achieved at OMV Petrom over the past decade.

The international business environment showed a mixed picture in 2015, with oil prices falling by approx. 50%, global oil demand increasing by 1.8% and higher refining margins compared with 2014. Global growth remained subdued and uneven, growing by only 3.1%, at a slower pace compared with 2014. In Europe, economic recovery continued (1.5% growth in 2015) being supported by positive developments in private consumption. Romania followed the same upward trend as Europe, growing by an estimated 3.7% in 2015 with domestic consumption being the main trigger. The recovery in private consumption was fostered by both tax cuts and wage increases. Foreign direct investment reached an estimated EUR 3 bn, almost a quarter higher than in 2014, however with the highest part of the amount coming from reinvested profits of foreign entities in Romania.

In this context, on the operational side, we delivered on several important objectives, in line with our Strategy 2021.

In **Upstream**, we managed to maintain a broadly stable hydrocarbon production, capitalizing on previous years' investments and discoveries. We succeeded in transforming additional reserves into production, improving FRDs (including Totea) contribution by 60% in 2015 and in reducing production losses. In the Neptun Block, together with our partner ExxonMobil, we have further explored the potential for upstream growth, completing the second exploration drilling campaign in January 2016, which included in total seven wells drilled, most of which encountered gas, and a successful well test of the Domino structure. The program required total investments in excess of USD 1.5 bn since 2008, thereof 50% are OMV Petrom's share. The results of the drilling campaign are sufficiently encouraging to progress more detailed work to determine if commercial development is viable, while the final investment decision could be expected in around two years.

In **Downstream Oil**, we capitalized on the favourable market environment and on the improved operational performance after the finalization of the Petrobrazi modernization program and achieved remarkable results. The indicator refining margin increased significantly and we maintained a high refinery utilization rate, thus processing the entire Romanian crude oil delivered by our Upstream business. Moreover, total refined product sales were 5% higher compared with 2014, supported also by higher demand.

Thus, our integrated business model allowed us to benefit from the positive development in the Downstream Oil business in this period of depressed crude price environment. Moreover, we continued to deliver on our promises, achieving sustainable energy efficiency improvements and further progressing with our “3+3 terminals strategy” by completing the modernization of the Cluj fuel terminal in December.

In **Downstream Gas**, the Romanian market environment has remained challenging, mainly due to gas demand, which has continued the declining trend started a few years ago. Despite this fact, an improved performance of our gas business was recorded against the previous year, with higher sales and lower stored volumes. In terms of gas market liberalization, 2015 was the first year with fully liberalized prices for the non-household sector, while for the household sector the liberalization has progressed, according to the new calendar. The Brazi power plant continued to be an important gas sales channel, sustainably integrated in our gas value chain.

Looking ahead, the operating environment is challenging, volatile and hard to predict. Our priority in these circumstances will be to focus on a profitable and sustainable performance to deliver on the main strategic objectives, in a safe and efficient manner, whilst not losing sight of long-term needs and opportunities particularly in the Black Sea.

We also need to remain prudent and we are prepared to curb spending further and to adjust our activity level in order to maintain a strong balance sheet and protect our free cash flow. Also, given the higher liquidity level required to sustain our investment needs, management proposes that no dividends will be distributed for the 2015 financial year. Moreover, we further reduced our CAPEX plans and we will continue the cost and portfolio optimization programs across all business segments. We will further focus on sustainable performance, profitability and optimization of asset portfolio.

Our people have shown strong commitment and resilience in 2015 and we rely on their solid and sustained performance in 2016 and the years ahead to enable our company the implementation of the Strategy 2021 and to meet all stakeholders’ expectations.

Although 2016 poses continuing challenges, we remain committed to take the necessary steps to deliver value and secure our future growth.

Mariana Gheorghe



1.2. Members of the Executive Board

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

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

The Executive Board's current mandate started in April 2015 and runs until April 2019. 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

She 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 2006, she worked for the EBRD in London where she held various banking positions with a geographical focus on Southeastern Europe and the Caucasus Region, her last position being of 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 2007, following the adoption of the two-tier management system, she is also the President of the Executive Board.

Andreas Matje (1964)

Chief Financial Officer

He 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 AG as division controller upstream. After several years spent on management positions with Polyfelt GmbH (a subsidiary of OMV AG until 2005, then known as TenCate Geosynthetics Austria), he rejoined OMV AG in 2009 as Senior Vice President Controlling. He joined OMV Petrom on January 1, 2013 as Chief Financial Officer and member of the Executive Board.

Gabriel Selischi (1967)

Responsible for Upstream¹

He studied engineering at the Polytechnical Institute of Bucharest. He finished his studies in France, where he also graduated with a master degree in Paris in 1994. He served as Senior Manager at Schlumberger Paris and as Principal at Bossard Gemini Consulting Company in Paris and Johannesburg. He successfully managed the post-acquisition transfer of several offshore oil and gas concessions in Africa while stabilizing production of such assets. He acted as Program Manager for the post-merger business integration of Total in nine countries in the EU. In 2006, he joined the Petrom E&P division where he served as Head of Strategy, Project and Engineering; during 2011-2013 he was Director of the Domestic Asset Business Unit. He was appointed Executive Board member in charge of Exploration and Production starting September 1, 2013.

Neil Anthony Morgan (1959)

Responsible for Downstream Oil¹

He graduated in Chemical Engineering from the University of Salford (Manchester, UK). His experience in the Refining and Petrochemicals business spans over 20 years. Before joining Petrom, he worked four years for Petronas Penapisan (Malaysia), where he held the position of Project Director, Refinery Expansion Project. Prior to Petronas, he worked for 12 years for Engen Petroleum (Durban, South Africa). After joining the company in 1992 as a Process Control Specialist, he held several positions during his tenure there, from Chief Engineer Process Control and Information Technology to Technical Services Manager and Operations Manager. During 1985-1990, he was Production Manager, Operations Manager and Chief Process Engineer in Sentrachem Ltd (Johannesburg, South Africa). He joined Petrom in 2008 and was assigned responsibility for Refining and Petrochemicals. Further to the consolidation of OMV Petrom Group's marketing activities in

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OMV Petrom Marketing S.R.L., Neil Anthony Morgan, has taken over responsibility for Marketing starting April 17, 2011.

Lăcrămioara Diaconu-Pințea (1973)

Responsible for Downstream Gas¹

She graduated from the Academy of Economic Studies Bucharest in 1997 with a degree in Finance and from the MBA program of Wirtschaftsuniversität Wien (University of Economics Vienna) in 2008. She started her career in Petrom in 1998 in the Strategy, Planning and Development Division. Subsequently, she held various managerial positions within Petrom, from Corporate Development Director having responsibilities in Mergers and Acquisitions, Investor Relations and Strategy, to Director of Business Unit Power since its establishment in 2007. During 2012-2013, she was Vice-President Investor Relations for OMV Group. Subsequently, she was in charge with Exploration & Production Business Support of OMV E&P GmbH in Vienna until April 2015. She was appointed member of the OMV Petrom Executive Board starting April 17, 2015.

In January 2016, Peter Rudolf Zeilinger (1965) was appointed as member of the Executive Board in charge with Upstream activity starting with April 1, 2016, for the remaining term of the mandate granted to Gabriel Selischi, i.e. until April 17, 2019. Peter Zeilinger holds a Masters of Engineering degree in Petroleum Engineering from the Technical University of Clausthal-Zellerfeld in Germany. In the past, he held various technical and management positions within OMV Group as well as in OMV Petrom, including the position as OMV Petrom's Head of Domestic Assets during 2008-2011.

1.3. Members of the Supervisory Board

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

Rainer Seele (1960) – President

Chief Executive Officer of OMV and Chairman of the OMV Executive Board. He graduated from the University of Göttingen, where he obtained a doctorate in Chemistry, and joined OMV as CEO starting July 1, 2015.

On September 22, 2015, he was appointed as member of the OMV Petrom Supervisory Board by the GMS and confirmed as President of the OMV Petrom Supervisory Board by the Supervisory Board.

David C. Davies (1955) – Deputy President

Chief Financial Officer of OMV and Deputy Chairman of the OMV Executive Board. He graduated from the Liverpool University and joined OMV in 2002.

First elected at the GMS held on January 11, 2005.

Manfred Leitner (1960)

Member of the OMV Executive Board, responsible for Downstream. He studied commerce at the Vienna University of Economics and Business and began his career with OMV in 1985.

First elected at the GMS held on April 26, 2011.

Johann Pleininger (1962)

Member of the OMV Executive Board, responsible for Upstream. He attended the Technical College for Mechanical Engineering and Economics in Vienna, obtained the International Project Management certificate and graduated in Industrial Engineering. He joined OMV in 1977.

First elected at the GMS held on April 29, 2014.

Christoph Trentini (1968)

Senior Vice-President and Group controller of OMV. He graduated from the University of Innsbruck, Austria, holding a degree in Business Administration and a Senior Executive Program at Stanford GSB, USA. He joined OMV in 2004.

First elected at the GMS held on April 28, 2015.

George Băeșu (1970) - independent²

President of the National Authority for Property Restitution. He graduated from the Faculty of Law within the Petre Andrei University, sustained his graduation paperwork at the Lucian Blaga University in Sibiu and was awarded the MA Degree in Business Law by the Nicolae Titulescu University. In 2011, he was awarded the PhD Degree in Law by the University of Bucharest.

First elected at the GMS held on April 22, 2013.

Bogdan-Nicolae Badea (1978)

He graduated from the Technical University of Civil Engineering of Bucharest and was awarded the MA Degree in Defense diplomacy at the Lucian Blaga University of Sibiu.

First elected at the GMS held on April 28, 2015.

Joseph Bernhard Mark Mobius (1936)

Executive Chairman, Templeton Asset Management Ltd. He earned a Bachelor and Master Degree from Boston University, and a PhD in economics and political science from the Massachusetts Institute of Technology.

First elected at the GMS held on April 29, 2010.

Riccardo Puliti (1962) – independent²

Managing Director in charge of the energy and natural resources sectors at the EBRD. He is an MBA alumnus of Instituto de Estudios Superiores de la Empresa (IESE) and a postgraduate alumnus of the Kennedy School of Government (Harvard University) and Imperial College. He started working for the EBRD in 1996.

First elected at the GMS held on April 28, 2009.

² Independent member as per the criteria of the Bucharest Stock Exchange Corporate Governance Code, criteria which are substantially similar with those provided by the Company law

1.4. OMV Petrom objectives and strategy

OMV Petrom in brief

OMV Petrom is the largest integrated oil and gas group in Southeastern Europe. The company is Romania's largest Upstream player and an important one in Downstream, through its two business segments: Downstream Oil, which refines the entire Romanian equity crude oil production and markets it through the Group's extensive filling stations network and efficient commercial business, and Downstream Gas, which markets the Romanian equity gas produced by the Upstream segment and the electricity generated by the Brazi power plant.

OMV Petrom is part of the OMV Group, also an integrated, international oil and gas player. OMV Aktiengesellschaft, the holding company of the OMV Group, holds a 51% share in OMV Petrom and is one of Austria's largest listed industrial companies.

OMV Petrom consolidated its position in the oil and gas market following a comprehensive modernization and efficiency enhancement program backed by investments totaling more than EUR 12 bn over the past eleven years. Throughout these years, OMV Petrom has been a stability pillar for Romania's economy, as a reliable energy supplier, a major employer and contributor to the state budget.

In **2015**, OMV Petrom experienced various challenges: a steep drop in global oil prices, refining overcapacity in European markets, increased competition in downstream as well as the regulatory and fiscal environment at a local level. The fundamental transformation undergone by OMV Petrom since privatization has enabled it to be resilient in a highly volatile market and well equipped to adapt to this environment.

The steep decline in oil prices has led the company to lower its crude price assumptions, which resulted in asset impairments. Throughout the year, the company responded swiftly to the weakening market fundamentals and, in line with new crude price assumptions, a number of cost optimization programs were implemented across all business segments: renegotiations with suppliers, reduction in the use of consultancy, tight personnel policy and reprioritization of discretionary spend. These measures led to a Group-wide reduction of approx. RON 500 mn in operational costs versus 2014, while CAPEX was reduced by approx. RON 2.3 bn year on year as a result of reprioritization of projects in Upstream and lower investments across all business segments.

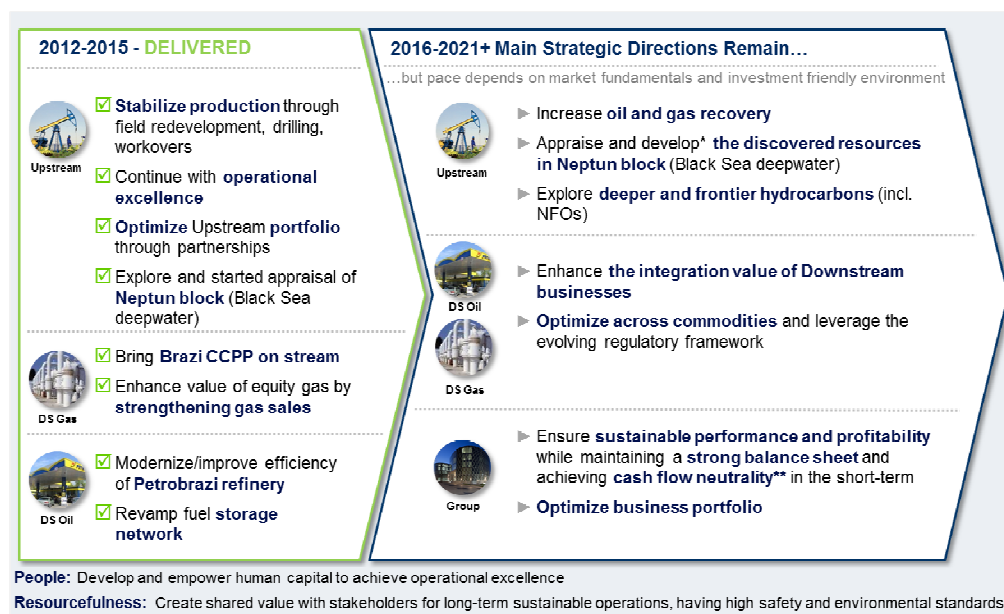
Nevertheless, overall operational performance was good, supported by previous years' investments, which enabled the Group to fully capture available market opportunities.

2016-2021+ Strategic directions

OMV Petrom will continue to pursue the main strategic directions of its Strategy 2021, capitalizing on the existing foundation, although the pace will be impacted by adjustments to the market environment. As such, the company aims to maximize the upstream portfolio value via prioritization of projects and pursuit of deep onshore and offshore opportunities, and to continuously optimize the downstream business, while enhancing the value of integrated equity gas and equity oil. At the Group level, in 2016 the focus will be on maintaining a strong balance sheet and achieving free cash flow neutrality (before dividends) in order to preserve the flexibility to leverage the balance sheet for future investment and development opportunities.

A strong HSSE record is the foundation of OMV Petrom's operations and therefore will continue to be a focus, especially in relation to health and safety among employees and contractors.

2016-2021+ Strategic Directions



^{*} Development subject to confirmation of commercial viability
^{**} Before dividends

Upstream

Despite a challenging year for Upstream, OMV Petrom continued to make significant progress in delivering its strategic objectives. Benefitting from an increased contribution from the redevelopment projects and capitalizing on previous years' investments, the company managed to maintain a broadly stable hydrocarbon production level, in spite of CAPEX reductions and upgrade operations at key wells. Moreover, the constant focus on operational excellence in the past years continues to yield results, as 2015 has marked the first year in the history of OMV Petrom when the company reached a value of 500 days for the MTBF (Mean Time Between Failure) indicator. Field redevelopment projects were continued subject to value-based prioritization.

In 2016, OMV Petrom expects to see a hydrocarbon production decrease of up to 4% compared to 2015 in the full year average Group production, largely due to lower investments in the previous year and a planned surface facilities' upgrade at Totea Deep. Operational activities will focus on maintaining the safety conditions and fulfillment of integrity programs, while continuing operational excellence initiatives, with particular emphasis on efficiency measures. Moreover, in line with the "value over volume" approach, the company intends to continue the optimization of its portfolio through reprioritization of projects, as well as potential shutdown of any uneconomic wells or divestment of marginal fields.

In 2015, partnerships have continued to deliver favorable outcomes. In joint venture with Repsol, OMV Petrom has further progressed with the deep onshore exploration activity. Moreover, the company has successfully finalized the second drilling program in the offshore Neptun Deep block together with its partner ExxonMobil, thus continuing the exploration and appraisal phase with seven wells drilled up to date. Most of the wells encountered gas and a successful well test of Domino structure was performed, therefore the results of the drilling campaign are sufficiently encouraging to continue to assess the commercial viability for developing the discovered resources, with final investment decision expected in around two years. Furthermore, OMV Petrom will also aim for new partnerships for onshore deep exploration targets, in order to sustain its long-term perspectives.

Downstream

In 2015, the **Downstream Oil** segment showcased the integration value by partially compensating for the steep decrease in oil prices which impacted the Upstream results. The indicator refining margin significantly increased which reflects the benefits of the completion of the Petrobrazi refinery modernization program, while total refined product sales increased by 5%. In 2015, the modernization of the Cluj fuel terminal was completed, as part of the “3+3 terminals strategy” aimed at optimizing the fuel storages to fully support the distribution channels. In the Retail business, OMV Petrom introduced the mobile filling station concept and opened the first eight such stations in Romania. Moreover, the company continued to leverage value by developing long-term partnerships to further optimize efficiency and maintain market share, by pursuing the collaboration with Subway and opening three additional restaurants in the filling stations network.

In 2016, refining margins are expected to come down from 2015 levels due to persistent overcapacity in the European markets. However, lower product prices resulting from the decrease in the international crude and oil product quotations, together with the reduced VAT in Romania starting 2016, will likely support market demand and partially offset the effect of increased competition. The refinery utilization rate, adjusted for the one-month turnaround scheduled to take place in Q2/16, is targeted to remain high, as the company expects to maintain the strong performance in all sales channels, supporting the stable profit and cash contribution from the Downstream Oil business; moreover, the focus on improving operational performance and delivering on economic energy efficiency upgrades will continue. At the same time, the company plans to further optimize the terminal network. In the Retail business, OMV Petrom will focus on positioning itself for the future by consolidating its two brands – Petrom as “value for money” leader and OMV as “high quality” leader – while exploring additional strategic partnership opportunities within its network.

In 2015, the **Downstream Gas** segment managed to increase sales, despite the almost 5% decline in national gas demand versus 2014. This was supported by the substantially higher electricity production at the Brazi power plant, reflecting the value of integration also in this business segment. In addition, Downstream Gas streamlined its organization, strengthening the interface with the gas and power markets. All these developments supported the strategic direction of enhancing the value of equity gas by strengthening gas sales.

In 2016, gas demand in Romania is expected to remain broadly flat versus 2015, with increased competition and margin pressure, taking into consideration the potentially increased competitiveness of import gas. The gas price liberalization in the household segment is envisaged to continue in 2016, while the non-household segment continues to be fully liberalized. In this context, OMV Petrom aims to maintain its position in the gas market through continuous portfolio optimization and strengthened customer orientation, while continuing to leverage the important role of the Brazi power plant within the integrated value chain and its contribution to the security of the national power system. Moreover, in line with the strategy to focus on the core oil and gas business, OMV Petrom envisages a divestment of the Dorobanțu wind park.

People and Resourcefulness

Key enablers in implementing OMV Petrom strategy are qualified and empowered staff, following high safety and environmental standards in pursuing operational excellence. Building on the long-standing experience of the company in the extraction of oil and gas, several programs were launched in 2015, in order to invest today in tomorrow’s professionals, such as “The Oilmen’s School”, the Summer School for Oil Students or Fresh Graduates Program in Upstream. Moreover, OMV Petrom completed the modernization of the Institute for Research and Technological Design (ICPT) in Câmpina, a project financed both from own sources and from European funds. Using new technologies, like the ones currently available at ICPT Câmpina, the company can get more accurate data regarding geological structures and can test new solutions for the production of existing fields, so that it can increase their productivity.

Engagement with the stakeholders is equally important in positioning OMV Petrom towards a sustainable and profitable business development in a volatile and challenging market and regulatory environment.

Operations Excellence / Kaizen events

The Operations Excellence (OEx) program is a company-wide initiative focusing on understanding and creating value, identifying and eliminating waste, and continuously improving the ways in which the company operates. In this environment, OMV Petrom has managed to create a context that fosters employee engagement and encourages them to take on responsibilities, ultimately leading to a shift in mindset and attitude both for the organization and for its partners.

OEx started in March 2013 and was initially implemented as a pilot project in three Upstream organizational units, being currently rolled out in all Upstream organizational units.

One of the main results of the program has been achieved by reducing production losses by 3,800 boe/d (24.4%) between 2012-2015, with significant contribution from OEx. Another very important achievement of the program is reaching the MTBF target of 500 days in November 2015.

Kaizen events represent one of the main pillars of the program, together with Operations Academy (a total production impact of 5,277 boe/d, from new and accelerated ideas) and with Technical Streams. Consisting of 3-day activities delivered by a multidisciplinary team, a Kaizen event is focused on eliminating waste and inefficiencies in a specific production facility. Since 2013, 300 Kaizen events were conducted across the majority of the production sectors, with the support of the 112 OEx Champions, selected from the most dedicated employees.

More than 1,500 employees from all business divisions took part in 143 such activities in 2015 alone, while maintaining the zero safety incidents/ accidents indicator.

The progress and accomplishments of the OEx program highlight the organization's potential to continuously improve its operations and generate value, but, most importantly, to engage and empower its people to contribute on a daily basis to safer and simplified processes.

1.5. Sustainability

OMV Petrom sustainability strategy: Resourcefulness

As the largest integrated oil and gas producer in Southeastern Europe, OMV Petrom's aim is to secure a reliable energy supply for society, now and in the future, especially in times when the industry faces significant challenges, seeking to minimize business risks, support development of the communities where the company operates and minimize its environmental impact.

OMV Petrom's sustainability strategy, Resourcefulness, brings together the company's responsible commitments on HSSE, diversity, business ethics, human rights and stakeholder engagement and it focuses on three key areas:

Eco-Efficiency

Eco-Innovation

Skills to Succeed



The Resourcefulness Steering Committee, the governance body that manages and oversees OMV Petrom's Sustainability strategy, continued to meet in 2015. The committee is chaired by the company's CEO, comprises representatives of each Resourcefulness topic and business segment and is responsible for developing projects, informing and aligning all functions and business units in all sustainability initiatives. In 2015, more than 200 managers integrated Resourcefulness objectives in their performance and development goals. Furthermore, the internal engagement in Resourcefulness is obtained through volunteering programs initiated by employees with the aim of contributing to solving community issues.

Eco-Efficiency

OMV Petrom aims to limit the environmental impact, particularly in the area of energy efficiency, greenhouse gas (GHG) emissions and water management. In 2015, OMV Petrom made good progress in driving energy performance and the Energy Management System underwent the surveillance audit according to ISO 50001, covering all Upstream and Downstream business activities.

Energy efficiency projects contributed to a further reduction of the company's GHG emissions, by 9.4% in 2015 versus 2014. In Upstream, the initiatives to reduce GHG intensity consisted of decreasing gas consumption (e.g. by upgrading the degasolination plants with a new low temperature separation unit), reducing vented gas (e.g. by optimization of gas compressors stations and the pipeline network) and improving the accuracy of the assessment methodology for flaring and venting. As part of the G2P/CHP Energy Efficiency Program, three new G2P units were commissioned in 2015, reaching a total installed capacity of 58 MW since the beginning of the program. In 2015, OMV Petrom developed and implemented a specific methodology and process to improve the way in which air emissions are calculated in Upstream. In Downstream Oil, the implementation of projects to improve heating efficiency by revamping and optimizing the steam system at the Petrobrazi refinery continued in 2015. These projects entail optimizing the steam consumption for the floating roof tanks, upgrading the steam tracers' batteries, and improving the thermal insulations of the steam pipelines and hot feed in the coker unit.

Eco-Innovation

OMV Petrom aims to find and secure alternative energy sources and opportunities. In 2015, the company set up a dedicated team, in charge of identifying and evaluating possible directions/projects for Eco-Innovation. Progress on this topic will be further reported as the work develops.

Skills to Succeed

OMV Petrom builds trust with its communities in order to gain a social license whilst running an efficient business. The company's utmost social responsibility is to stimulate economic growth in almost 80 local communities where it operates and it does so by fostering the skills that people need in order to be successful.

The strategic focus on Skills to Succeed is on vocational education and entrepreneurship. The main program on vocational education is "Romania Meseriașă". The objective is to put the topic on the public agenda and find solutions for improving the education of future craftsmen.

In 2015, OMV Petrom launched the second edition of "Made in Andrei's Country" – a project for entrepreneurial education shaped as a grant competition. The project has as objective to set up ten social businesses in order to bring economic and social value in the OMV Petrom communities by offering grants of over EUR 350,000 and almost 1,000 hours of consultancy for business development.

The construction of the new Community Resource Center in Boldești-Scăieni, according to the highest environmental standards, was finalized and opened its doors in 2015. Over 100 children and 100 parents benefitted from social and educational support, in order to reduce school abandonment and to help integrating the disadvantaged community members.

How the company performed

The company has identified the key topics influencing its performance and, for each of them, it measures the effects of its actions, with the purpose of subsequently identifying the most adequate improvement measures, both for OMV Petrom and its stakeholders.

Health, safety, security and resilience (HSSE)

HSSE is a key value of OMV Petrom's business. The physical and mental well-being and safety of employees, as well as the integrity of operating facilities, are of crucial importance for the company. Loss prevention and proactive risk management are essential to maintaining the company's license to operate and to reach its "ZERO harm – NO losses" vision.

Health highlights:

- Consolidation of the "Health: On!" platform among employees by: (i) "Health: On! Your personal guide" distributed to all employees, (ii) "Win Health: On!" contest, successfully run for the first time with the participation of over 130 employees while celebrating the World Heart Day, on September 29; 50 contestants representing all assets were rewarded for a healthy lifestyle with prizes, (iii) health services fair held in the OMV Petrom headquarters with over 150 participants.
- Maintain private health insurance, as one of the most important employee benefits: over 7,400 beneficiaries and over 46,000 claims files resolved in 2015.
- Annual screening programs offered to eligible employees: over 9,600 employees screened for cardiovascular risks, over 9,600 for hepatic risks, over 5,900 for cancer risks (skin, breast, prostate), over 3,400 vaccinated for flu.

Safety highlights:

- OMV Petrom was awarded by the European Transportation Safety Council. The company has taken outstanding measures to improve road safety at work (e.g. integrated vehicle monitoring systems covering more than 10,000 car users, road safety requirements for contractors). As a result, no work related road fatalities or serious injuries occurred in past three years.
- OMV Petrom continued to use its online safety and emergency training platform "Virtual University" and more than 2,500 employees accessed the training materials and tests available through the platform.
- OMV Petrom implemented a behavior based safety project having clear steps and methodology defined to identify and train an internal network of people who can further make a difference for a safety growing culture. The roll out process was initiated in all Upstream onshore organizational units.

In line with the process safety strategy, OMV Petrom focused in 2015 on auditing the status of process safety implementation across all business divisions through a specific assessment program. Other process safety activities focused on increasing awareness and competences of OMV Petrom's operating personnel by:

- Process Safety Knowledge sharing campaign
- Process Safety Awareness campaign;
- Process Safety Computer Based Training program covering more than 8,000 employees.

	2013	2014	2015
Lost-time injury rate (LTIR) per one million hours worked for own employees	0.37	0.47	0.23
Lost-time injury rate (LTIR) per one million hours worked for contractors	0.31	0.21	0.13
Lost-time injury rate (LTIR) per one million hours worked combined employees and contractors	0.33	0.30	0.16
Total recordable injury rate (TRIR) per one million hours worked for own employees	0.67	0.90	0.50
Total recordable injury rate (TRIR) per one million hours worked for contractors	0.51	0.56	0.31
Total recordable injury rate (TRIR) per one million hours worked combined employees and contractors	0.57	0.68	0.38

Environmental management highlights

OMV Petrom manages its environmental impact along the entire value chain, aiming to use natural resources efficiently and minimize waste and emissions to air, water and land. The company aims to prevent and reduce oil spills and leakages.

In 2015, the risk based inspection and pipeline integrity software were successfully completed and rolled out allowing the Upstream segment to be proactive in managing the pipeline integrity and process safety risks. Over 80% of the actions from HAZOPs completed in previous years are closed out to support risk reduction of the high risk facilities. Emergency drills were performed in all Upstream's organizational units to strengthen the response in case of incidents. In 2015, OMV Petrom rolled out an extensive environmental awareness campaign "Shaping environmental values through performance", which targeted around 300 employees and aimed at promoting environmental performance and good practices.

Efforts to protect water resources resulted in a further reduction of water withdrawal in 2015. In Upstream, OMV Petrom continued carrying out preventative maintenance and repairs to reduce water losses, as well as optimizing fresh water supply systems and improving fresh water treatment and heat generation. The construction of a new produced water treatment plant started on Suplacu de Barcău oil field. This new plant, which will replace the existing one, will incorporate the latest available technology.

In Downstream, the Petrobrazi refinery reduced water withdrawal by implementing a number of projects. These included recovering condensate from the sour water stripper re-boiler in the gas desulfurization and sulphur recovery plant, upgrading steam tracers' batteries, reducing purges of the catalytic reformer and the fluid catalytic cracking cooling towers, and optimizing the drinking water network.

Security and resilience (S&R) highlights

In the field of security and resilience, OMV Petrom focused on three main directions in 2015:

1. Detection and prevention of significant losses

As part of the proactive approach to identify vulnerable business processes, all S&R activities were undertaken in close cooperation with the business units.

Following security risk assessment conducted in 2013 and 2014 on over 2,000 objectives from Upstream, the methodology scope was expanded to Petrom City campus offices and to more than 200 filling stations of the OMV Petrom Group in the Republic of Moldova, Bulgaria and Serbia.

2. Increase operational effectiveness of service providers

Cooperation protocols with authorities were expanded in 2015. Relations with the General Inspectorate of Gendarmerie were set up to further increase the protection of operations environment and efficiently respond to security threats. OMV Petrom also signed a cooperation protocol with the General Inspectorate for Emergency Situations (IGSU), to ensure an efficient emergency response and crisis management in case of major emergency situations, which enabled organizing a joint Crisis Management Exercise.

Security & Resilience department promoted even more the human rights standards in order to increase awareness on this topic among business partners. OMV Petrom applied the scope of the Voluntary Principles of Human Rights to the security services providers.

3. Community engagement for reduction of security incidents

A pilot project was implemented in one of OMV Petrom's Upstream organizational units (Moesia), which aimed to engage with one of the local community (Poeni) through an ample community engagement event. The aim of the project was to bring the company closer to the people living in the community where it operates. The company representatives discussed with more than 100 people from this community on security related topics, they conducted volunteering activities and together with the authorities (Police, Gendarmerie and IGSU), they implemented preventive campaigns for more than 200 children.

Human rights

As a member of the United Nations Global Compact (UNGC), OMV Petrom embedded their principles into its own human rights policy and Code of Conduct. The company moved further and defined human rights key performance indicators. OMV Petrom aims to communicate openly with its employees and stakeholders on human rights issues, and to demonstrate the actions it has taken to meet EU legislation and Global Compact principles. OMV Petrom's Human Rights Policy and Matrix guide the company business decisions.

In 2015, OMV Petrom became a member of UNGC, the local network, Global Compact Network Romania (GCNR). Therefore, OMV Petrom interacted and shared experience with business partners who commit to a responsible conduct towards employees, environment and the local communities. Moreover, by virtue of its UNGC membership, the company organized stakeholders' debates and forums, maintaining constant contact with suppliers and sharing its values from the Code of Conduct and international examples of best practice. These events were organized in June and September and constituted a good education exercise for the company and for its partners in the spirit of accountability for human rights, risk management, business ethics.

A series of internal advertising activities were implemented with the occasion of International Human Rights Day, demonstrating that human rights topic is permanently embedded in the company's daily activities.

2015 was the second year when the company benefited from the services of the ombudsman department, called PetrOmbudsman. Efforts continued in order to create the necessary conditions for people to feel comfortable at work. Thus, PetrOmbudsman was directly involved in the initiation of discussions and workshops to improve vertical and horizontal communication, the ability of employees to express and support ideas in a productive manner and to cope with changes in their lives. In 2015, about 120 workshop sessions were organized on the topics of conversational communication and change management, with the voluntary participation of more than 2,000 employees and managers. As recognition of the progress achieved by PetrOmbudsman, the company was invited to host the second European Ombudsman Meeting of 2015, which was used as a means for knowledge sharing with other ombudsmen and benchmarking the company's own practice.

Diversity and employee development

As OMV Petrom's workforce is made up of more than 40 different nationalities, diversity, inclusion and equal opportunities are high on the agenda at all its operating locations. Diversity contributes to OMV Petrom being acknowledged as an employer of choice, and it aims to keep it that way. Achieving gender balance has always been a challenge in the industry OMV Petrom operates. By the end of 2015, the proportion of women across the OMV Petrom Group was 22.5%, thereof 28% (273) were in management positions, slightly above industry benchmarks.

To promote gender balance, for the third year OMV Petrom supported the Women Leadership Cross-Company Mentoring Program, participating with some of the most experienced managers of the company. OMV Petrom's scope, as an organization, is also to attract the best students and offer them the opportunity to complete formal education by attending practical activities, specific to a certain business area. Open4U is the company's very successful internship program, through which, in 2015, it hosted 93 students who undertook a two-month paid internship.

Business ethics and compliance

Trust and integrity form the basis for all the company's activities and OMV Petrom aims for a culture of ethics and responsibility. All OMV Petrom employees, as well as its contractors and other business partners, are expected to demonstrate honesty, transparency and integrity in their business dealings. OMV Petrom's Code of Business Ethics includes, amongst others, clear rules on conflicts of interest as well as gifts and hospitality.

Every year, the company delivers comprehensive training on topics related to business ethics, antitrust, and insider trading. In 2015, more than 900 employees were trained on business ethics, 150 on antitrust and 570

on insider trading matters. The company developed online training kits related to business ethics and insider trading which are available to all employees on the company's intranet. The company strengthened its compliance program, which combines training, guidelines, internal rules and expert advice. It started a series of "Compliance and Beyond" events at its headquarters and also in the territory, with workshops addressing compliance matters.

Community relations

OMV Petrom engages with a wide range of stakeholders. In 2015, OMV Petrom continued to be the number one company in Romania in social and ecological projects and recognized by its external stakeholders as the most involved company in education projects³.

Through all the projects, in 2015, almost 19,000 people from OMV Petrom communities benefitted from educational initiatives, out of which 317 received scholarships. Almost 720 people received qualifications and support in order to raise competitiveness on the labor market and 1,500 students were assisted through career orientation and trained for leadership and performance. All the projects were carried out through the social responsibility platform "Andrei's Country"

As education is a very important topic for the company, the seventh edition of the OMV Petrom Stakeholder Dialog Forum in 2015 raised debates on vocational education with relevant stakeholders (NGOs, Ministry of Education and Ministry of Labor representatives, education experts, other companies' representatives and teachers). The objective of the event was to further continue and enhance the company's dialog on professional education with key players, in order to identify win-win projects which contribute to a national strategy on vocational education and training.

A very important category of stakeholders for OMV Petrom is represented by the local communities where it operates.

In 2015, OMV Petrom continued to strengthen the dialog and engagement with its stakeholders by supporting all eleven community based organizations which were created with full support from OMV Petrom – local NGOs financed and organized by OMV Petrom involving local authorities, community members and private companies representatives with the aim of finding solutions for efficient long-term local development. Besides the grants competition organized for the eleven NGOs and having as scope local development through entrepreneurship and education, OMV Petrom also focused on the NGOs organizational development and capacity building providing financial education and project management training.

OMV Petrom upgraded the stakeholder database offering permanent guidance for all business areas in order to enable a proper and consolidated stakeholder engagement plan for two main investment projects (Field Redevelopment Turburea Bibești and Preajba Cartojani). As part of its community relations approach, OMV Petrom also rolled out stakeholder dialog initiatives in ten local communities in order to maintain a transparent dialog and information platform with community members aiming to have win-win solutions for all partners involved.

Some of OMV Petrom's main partners in implementing community projects are the central and local NGOs. Thus, in 2015, 2,100 employees offered their support to the civil society and redirected 2% of their income tax to more than 230 NGOs. OMV Petrom's employees continued to be the key stakeholder in rolling out the sustainability activity. In 2015, more than 1,800 employees initiated or participated to above 100 community volunteering projects.

³ Public perception is a KPI measuring stakeholder engagement, according to OMV Group defined sustainability controlling KPIs dashboard. The perception study is done bi-annually targeting general public and key opinion leaders from media, NGOs and public authorities sectors. The study is conducted by Integral.

Improving OMV Petrom's energy efficiency

OMV Petrom is the main producer of energy (fuels, gas and electricity) and one of the most energy-intensive industrial operators on the Romanian market. As such, one of the company's key focus areas is to improve its energy performance across the entire value chain. Energy efficiency enables OMV Petrom to uphold its commitment to limit the environmental impact of its operations, while at the same time improving the economics of its projects. Last but not least, energy efficiency is also a main driver for greenhouse gas (GHG) emissions reduction.

In line with its commitment to a sustainable business, OMV Petrom has implemented a unitary Energy Management System certified according to ISO 50001. The external surveillance audit revealed zero non-conformities and is a testament to the fact that the efforts to improve energy efficiency are a deep-rooted practice in the company's organizational culture.

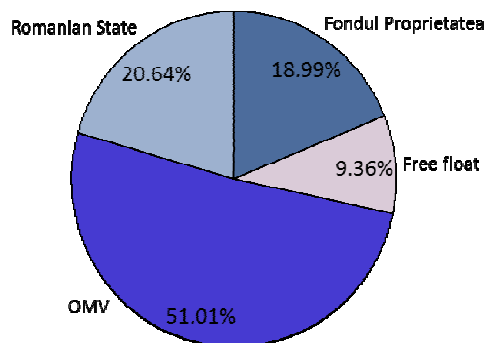
The optimization of steam consumption for heating the floating roof tanks by upgrading the steam tracers' batteries, the hot feed integration in the Coker unit and the thermal insulation of pipelines in the Petrobrazil refinery continued in 2015. At the same time, Upstream improved its energy efficiency through a series of modernization works at compressor stations, oil parks and pumps. Moreover, Petrom City, the company's headquarters in Bucharest, which is operated at the highest standards of energy efficiency, continued to improve energy performance in 2015 by smart usage of mobile Building Management System integrated with a system of automated blinds.

Given that energy is one of OMV Petrom's main operating costs, a more efficient energy use will improve its competitiveness in the long run and will help secure the supply of energy products to the company's customers.

1.6. OMV Petrom shares

Shareholder structure

As of the end of 2015, OMV Petrom S.A. had the following shareholding structure: 51.01% - OMV Aktiengesellschaft, 20.64% - Romanian State (via the Ministry of Energy), 18.99% - Fondul Proprietatea S.A. The remaining share was free float, traded within the Premium category of the Bucharest Stock Exchange (BSE). Around 500 legal entities from both Romania and abroad held approximately 7.6% of the free float shares, with the remainder (1.7%) held by almost 460,000 private individuals.



Shares

In 2015, OMV Petrom's share price started the year on a downward trend compared to end-2014, in line with the oil price evolution. Afterwards, the stock traded mixed and in mid April registered its year high of RON 0.4025. For then on, the share price continued to follow domestic and international trends and developed negatively, reaching the year low of RON 0.2895 in mid December.

Overall, OMV Petrom's share price went down by 28.9% on a full-year basis, mainly influenced by the approx. 50% drop in oil price. OMV Petrom's market capitalization at the end of 2015 stood at RON 16.4 bn (EUR 3.6 bn), accounting for 11.3% of the total market capitalization of the companies listed on the BSE.

In terms of domestic index development, 2015 was a relatively weak year compared with 2014, with the BET-NG sector index (comprising stocks in the energy and utilities sectors) down by 14.0% and the BET index (representing the ten most liquid blue chip stocks listed on the BSE) slightly lower by 1.1%. The BET-BK index (designed as a benchmark for asset managers and institutional investors) grew by 2.6% over the same period.

On the international financial markets, the European and US indices had a mixed evolution in 2015 compared with 2014: the DAX went up by 9.6%, FTSE Eurotop 100 rose by 3%, Dow Jones decreased by 2.2% while the FTSE Global Energy Index, comprising the world's largest oil and gas companies, declined by 24%.

OMV Petrom share symbols

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

At a glance	2013	2014	2015
Number of shares (mn)	56,644.1	56,644.1	56,644.1
Market capitalization (RON mn) ¹	26,611	23,111	16,427
Market capitalization (EUR mn) ¹	5,961	5,156	3,627
Year's high (RON)	0.4784	0.4900	0.4025
Year's low (RON)	0.4098	0.3700	0.2895
Year end (RON)	0.4698	0.4080	0.2900
EPS (RON/share)	0.0851	0.0371	(0.0119)
Dividend per share (RON)	0.0308	0.0112	0 ²
Dividend yield ¹	6.6%	2.7%	0
Payout ratio	36%	30%	0

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

² Dividend subject to GMS approval on April 26, 2016

General Meeting of Shareholders

On **April 28, 2015**, the Ordinary General Meeting of Shareholders (OGMS) approved OMV Petrom S.A.'s Revenues and Expenditures Budget for the financial year 2015, the financial statements for 2014 and the distribution of a gross dividend of RON 0.0112 per share for the financial year 2014: a total amount of RON 634 mn, corresponding to a 30% payout ratio. The OGMS also approved the revocation of Mr. Lucian-Dan Vlădescu from his capacity as member of OMV Petrom's Supervisory Board and the appointment of Mr. Bogdan-Nicolae Badea and Mr. Christoph Trentini as new members of OMV Petrom's Supervisory Board for the remaining terms of Mr. Lucian-Dan Vlădescu and Mr. Hans-Peter Floren, respectively until April 28, 2017. The OGMS also reappointed Ernst & Young Assurance Service S.R.L. as the company's financial auditor for 2015.

On **September 22, 2015**, both the OGMS and Extraordinary General Meetings of Shareholders (EGMS) were held. At the OGMS, Mr. Rainer Seele, was appointed as member of OMV Petrom's Supervisory Board for the remaining term of Mr. Gerhard Roiss.

The EGMS approved the secondary listing of OMV Petrom on the London Stock Exchange by issuance of global depositary receipts representing interests in OMV Petrom S.A.'s existing shares, which are intended to be admitted to listing on the official list of the United Kingdom Financial Conduct Authority and to be admitted to trading on the London Stock Exchange's main market for listed securities and the empowerment of the Executive Board to take all necessary actions for the implementation of this approval. Both the approval of the secondary listing and the authorization of the Executive Board are valid until 31 December 2016.

Investor Relations activities

Throughout 2015, the company's top management and the Investor Relations (IR) team have enhanced presence in the local and foreign capital markets, by regularly organizing meetings and conference calls with both local and foreign institutional investors and analysts. Moreover, with the occasion of the Q4/14, Q2/15 and Q3/15 earnings release, the company organized live presentations of the company's financial and operating results, made available through audio webcasts and conference calls, while with the occasion of the Q1/15 earnings release, a meeting and conference call were organized, all being hosted by Executive Board members. These events attracted about 80 analysts and investors, with approx. 30% of them actively participating by addressing questions. In 2014, the company held two conference calls with equity analysts and investors to present the Q4/13 and Q2/14 financial and operational results.

Additionally, the company also attended analyst and investor conferences and roadshows organized in Romania and abroad (Europe and the US). All these events maintained a high level of accessibility of analysts and investors, who had the opportunity to address questions directly to the company's top management team as well as to the Investor Relations representatives, and discuss the company's reported results and its strategic directions. About 150 one-to-one or group meetings were held in 2015.

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

Dividends

The Supervisory Board has accepted the Executive Board's proposal to the Ordinary GMS that no dividends will be distributed for the year 2015.

Own shares

As at year-end 2015, OMV Petrom S.A. held a total of 204,776 own shares, representing 0.0003% of issued share capital.

In 2015, OMV Petrom did not buy back or cancel any of its own shares.

1.7. Business environment

World

Global growth remained subdued and uneven in 2015; preliminary IMF data suggests the world economy grew by only 3.1%, at a slower pace than in 2014. The gradual slowdown and rebalancing of economic activity in China, away from investment and manufacturing towards domestic consumption had a significant impact on the world economy. In addition, growth in several key emerging markets, in particular in commodity-exporting countries, remained very weak. Although the Russian economy showed some tentative recovery signs in the last part of 2015, its strong dependence on oil pushed down its annual economic growth by 3.7%. Weak domestic fundamentals in Brazil deepened the country's recession, which recorded a GDP fall of 3.8%. The tightening of monetary policy in the US at the end of 2015 ended an extraordinary seven-year period during which the federal funds rate was held near zero in order to sustain economic recovery. The US economy grew by 2.5% in 2015 as lasting strong improvements in the labour market suggested that the underlying strength of the economy continued to persist despite fears of a potential marginal slowdown. In the Eurozone, economic recovery continued, largely on the back of developments in private consumption. However, although the euro area recorded a 1.5% growth in 2015, its real GDP still remains below the pre-crisis peak level.

Consumer price inflation in advanced economies fell sharply to 0.3% in 2015, driven by the fall in commodity prices. Core inflation rates remained well below inflation objectives in advanced economies. Headline inflation in the euro area remained low, at 0.2% at the end of 2015. The divergence of monetary policy in the euro area and the US pushed the euro down by an annual 10% against the US dollar at the end of 2015. Reduced global activity and the subsequent changes in trade effective exchange rates impacted negatively world trade volumes, which slowed down further to 2.6%.

In 2015, total **global oil demand** rose by 1.7% to 94.4 mn bbl/d compared to 2014, one of the highest volume increases in recent history. OECD oil demand rose by 0.9% in 2015 to 46.1 mn bbl/d, led by the Americas and, to a lesser extent, Europe. Gasoline and jet fuel were the two most sizable contributors to US demand growth in 2015. Non-OECD annual demand grew up by a solid 2.5%, or 1.2 mn bbl/d, driven forcefully by oil demand in Asia and, in particular, China. **Global oil supply** stood at 96.4 mn bbl/d, growing by a significant 2.6 mn bbl/d, or 2.9%, compared to 2014. However, in contrast with 2014, when non-OPEC producers made up almost the entire gain in production, in 2015 growth was evenly divided between OPEC and non-OPEC producers. Increases in production from both Saudi Arabia and Iraq contributed the largest part of OPEC's total production gain. The US shale oil production showed resilience to lower oil prices, pushing up output in the Americas by 0.8 mn bbl/d. OPEC's effective spare capacity stood at 2.5 mn bbl/d at the end of 2015, with Saudi Arabia accounting for 90% of the surplus.

In 2015, the average Brent price fell for the third year in a row, standing at USD 52.3/bbl, 47% lower compared to its 2014 level. Oil prices declined markedly since September 2015 amid fears of a continuing build up in excess global supplies. The fall in oil prices had a notable impact on investment in oil and gas extraction, but it failed to push up consumption in oil import countries far enough to prevent prices falling further. The gap between Brent and Urals oil prices widened in 2015 to USD 1.0/bbl up from USD 0.4/bbl a year earlier. In 2015, the average Urals price was USD 51.45/bbl, 47% lower compared to 2014.

Romania

According to preliminary estimates by the National Institute of Statistics, Romania's economy grew by 3.7% in 2015, higher than initially forecast. Output continued to be driven by the recovery in private consumption, which was supported by both tax cuts and wage increases. Household purchasing power advanced throughout 2015 as inflation went into negative territory and annual nominal wage growth gathered strength on improved economic prospects. Throughout 2015, the consumer confidence indicator remained at significantly higher levels compared to those observed during the preceding six years. Household final consumption expenditure rose, while non-government demand for credit continued to gain strength, growing by 3.8% in annual terms.

The volume of industrial production growth slowed down to 2.7%, as gains in domestic production were much harder to sustain at levels similar to those of 2014. Manufacturing output grew by 3.5%, while volume activity in the mining and quarrying sector fell by 12.5% compared to the previous year, triggered by weaker

global commodity prices. The current account deficit widened to EUR (1.8) bn in 2015, the equivalent of (1.1)% of the GDP, reversing its trend. Trade balance recorded a deficit of EUR (0.9) bn at the end of 2015, almost double compared to 2014. As it happened in 2014, the net balance of services was once again positive in 2015, counterbalancing the negative side of the goods component of the trade balance. Exports and imports advanced by 4.1% and 7.6%, respectively, as increased domestic purchasing power drew in more foreign goods. In 2015, foreign direct investment reached an estimated EUR 3 bn, almost a quarter higher than in 2014; but the entire amount came from reinvested profits of foreign entities in Romania, so fresh foreign capital financing the domestic economy remained scarce.

In 2015, the government budget deficit stood at (1.5)% of the GDP, as improved revenue collection and overall restrained public sector expenditure managed to keep the deficit under control. Total revenues rose by 9.1% in real terms, driven by higher VAT revenues and increased social security contributions. Public spending went up by 8.6% in 2015, but this occurred, once again, at the expense of diminished investment expenditure, which was lower than the budgeted figure by the equivalent of 0.8% of the GDP.

Labor market conditions improved in 2015 as the economy added jobs in each month of the year through November. Employment recovered to its June 2009 level and was just 5% below the peak in 2008. Despite the positive evolution of hiring in the economy, the year-end unemployment rate rose slightly to 6.7%, up from 6.6% at the end of 2014.

Annual harmonised consumer price inflation (HCPI) stood at (0.7)% at the end of 2015 as the VAT reduction from 24% to 9% for food and beverages drove domestic prices down. The extended fall in energy prices throughout 2015 also contributed to lower inflation. As it did in 2014, the National Bank of Romania continued to ease monetary policy throughout 2015, cutting its benchmark interest rate by a cumulative 100 basis points to a record low of 1.75%.

In 2015, the average RON/EUR exchange rate remained virtually unchanged, but the RON/USD exchange rate depreciated by close to 20%, driven by the buildup strength of the USD in global markets. The monthly average RON/EUR volatility was lower than in 2014, as domestic macroeconomic stability improved.

Romanian **energy supply** rose in 2015 by 2.0%, to 32.9 mn toe, with economic recovery gaining speed and domestic demand advancing further. Overall, total energy imports rose by 4.7%, with both coal and fuel product imports going up by 11% and 28%, respectively.

2. Business segments

2.1. Upstream

The Upstream business explores for and extracts oil and natural gas in Romania and Kazakhstan. In Romania, OMV Petrom accounts for almost the entire crude oil production and for approximately half of the gas production.

Gabriel Selischi, EB member responsible for Upstream: "In 2015, total production in Romania was kept at a broadly stable level as the good results from production optimization initiatives and previous years' investments and discoveries successfully offset the natural decline of some key fields. The LTIR in Upstream registered the lowest level since privatization, dropping to 0.23, compared to 0.40 in 2014, below the international benchmark.

Following the steep decline of the crude oil price, Upstream investments were reduced by 35% when compared with the previous year. As part of OMV Petrom's exploration focus, drilling campaigns onshore and offshore - both shallow and deep water - continued in 2015, supported by the 79% seismic coverage (weighted average for onshore and offshore) of the exploration acreage.

In the deep waters of the Black Sea, we completed the second exploration drilling campaign, with encouraging results to progress more detailed work to determine if commercial development is viable."

At a glance

	2013	2014	2015
Segment sales (RON mn) ¹	13,220	12,889	8,979
EBIT (RON mn) ²	5,529	3,932	(1,815)
Clean EBIT (RON mn)	5,542	4,667	919
EBITD (RON mn)	8,018	7,201	4,099
Capital expenditures (RON mn)	4,401	5,349	3,486
Total Group production (mn boe)	66.64	65.82	65.19
thereof in Romania	62.54	62.57	61.90
Proved reserves as of December 31 (mn boe)	728	690	647
thereof in Romania	707	671	625

¹ Including inter-segment sales

² Excluding intersegmental profit elimination

HSSE is Upstream's first priority

The overall HSSE focus was further strengthened in 2015 and additional improvement measures are being worked on. The Lost-Time Injury Rate (LTIR) in Upstream significantly improved to 0.23 in 2015, the lowest level since privatization, below the target and the international benchmark. The fatality rate has been reduced by 90% between 2008 and 2015.

Financial performance

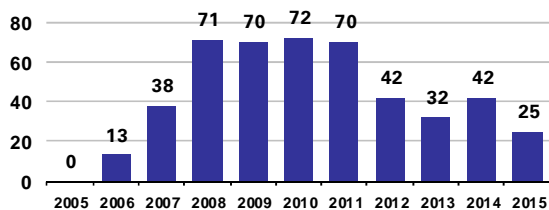
Upstream **Clean EBIT** came in 80% lower compared to 2014, at RON 919 mn, mainly due to lower oil prices, higher exploration expenses, higher depreciation and lower oil and gas sales volumes, which more than offset favorable FX rates, lower production costs and royalties. Exploration expenses increased to RON 577 mn in 2015 (2014: RON 156 mn), which reflected the write-off of four wells, as well as increased seismic activity. The average Group realized crude price was USD 45.00/bbl, 48% lower than in 2014. The oil price hedges for the period Q4/15 through Q2/16 were monetized and together with the oil price hedges for Q3/15 have improved the clean EBIT by RON 101 mn. Group production costs stood at USD 13.16/boe, 24% lower than in 2014, mainly due to efforts made to simplify and adjust the organization, favorable FX rates as well as the reduction of tax on constructions in Romania from 1.5% to 1%. Production costs in Romania expressed in USD/boe were USD 12.79/boe, down 24% versus 2014, while in RON terms they decreased to RON 51.23/boe (2014: 56.32 RON/boe), mostly due to lower services costs, personnel and materials.

Reported EBIT in 2015 amounted to RON (1,815) mn, due to higher special charges. The further decline in oil prices and market volatility have led to the review of OMV Petrom's oil price assumptions for both the

short- and long-term. These revised assumptions have required impairments of production assets, which were recognized at the end of Q3/15 and Q4/15 in Romania and at the end of Q4/15 in Kazakhstan, totalling RON 2.7 bn, whereas 2014 was influenced mostly by impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields.

Upstream capital expenditures decreased by 35% compared to 2014, to RON 3,486 mn. The investments were mainly directed towards field redevelopments, drilling and workover activities, as well as drilling activity in Neptun Block. Exploration expenditures reached RON 1,399 mn and included mainly the capitalized expenditures in relation to the drilling activities in the Black Sea, as well as onshore drilling activities performed within the joint venture with Repsol.

Reserve replacement rate in Romania



Reserve replacement rate (RRR)

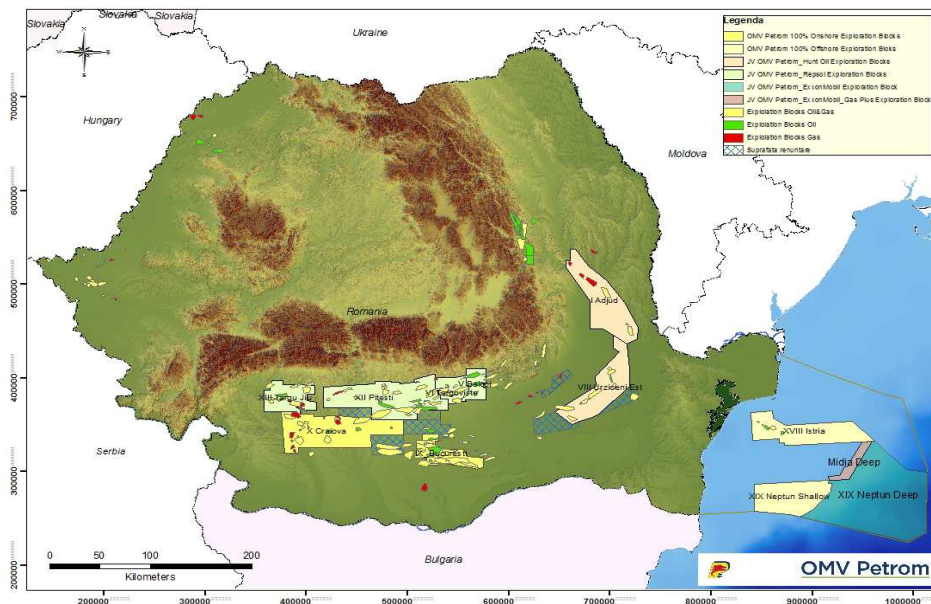
As of December 31, 2015, the total proved oil and gas reserves in OMV Petrom Group's portfolio amounted to 647 mn boe (of which 625 mn boe in Romania), while the proved and probable oil and gas reserves amounted to 917 mn boe (of which 873 mn boe in Romania). For the single year 2015, the Group's reserve replacement rate was 33% (2014: 42%), while in Romania it stood at 25% (2014: 42%). The Group's three-year average reserve replacement rate stood at 35% in 2015 (2014: 39%), while in Romania it stood at 33% (2014: 39%).

The reserve replacement rate of the Group was supported by continuous reservoir studies

performed, diversification of recovery techniques and new extensions of existing fields, nevertheless being impacted in 2015 by the reduced level of investments.

Romanian Upstream operations

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



Exploration

2015, as the first year of a new exploration cycle (three years extension for nine blocks), was mainly dedicated to seismic acquisition commitments and preparation of new drilling activities.

Although out of the four onshore exploration wells finalized in 2015, only two reached the initial target, the onshore exploration success rate reached 75% considering that one well (6500 Baicoi) reached a different target than initially planned.

Four seismic projects have been completed, as follows:

- 3D Padina seismic acquisition, under the JV with Hunt Oil, with the goal to better delineate the recent oil and gas discovery in the Urziceni East Block and to identify further opportunities;
- 2D Pitesti and Targu Jiu seismic acquisitions under the JV with Repsol, specially designed to better image the deep geological formations (long offsets) in order to support the identification of potential deep drilling targets;
- 3D Adjud seismic acquisition, under the JV with Hunt Oil, designed to support the exploration for complex stratigraphic traps in the northern part of Adjud Block.

Exploration and appraisal activity continued throughout 2015 in the Neptun Deep block, a joint arrangement between OMV Petrom and ExxonMobil. Pelican South-1 (spudded in October 2014) was completed in March 2015 and then the rig was moved and drilled Dolphin-1, Flamingo-1 and Califar-1 wells. In addition, a successful well test of the Domino structure was performed. The drilling activity was concluded with the Pelican South 2 well, spudded in December 2015. The exploration and appraisal campaign entailed seven exploration and appraisal wells in total, between July 2014 and January 2016, in water depths ranging from 130 m to 1,614 m, with most of them encountering hydrocarbons. The results of the drilling campaign are sufficiently encouraging to progress more detailed work to determine if commercial development is viable. Exemplary safety and environmental performance was achieved during the campaign.

In partnership with Repsol, two deep wells were spudded in 2014 and continued drilling in 2015, as follows:

- Well 6500 Baicoi, in the Baicoi Block had a target depth of more than 5,000 m. Due to technical problems, the well was abandoned at approx. 3,500 m. However, an oil discovery has been made in Dacian formations. This discovery has been further appraised by the well 680 Tintea Nord, currently in the final completion and testing phase.
- Well 4000 Piscuri reached target depth of 5,330 m and encountered hydrocarbons in multiple layers. The geophysical data interpretation suggests potential significant resources. Testing operations have been started but, due to technical problems, they have been suspended and are expected to be resumed in the second half of 2016. Following the 4000 Piscuri well results, a new deep HP/HT (High pressure/High temperature) well is considered for drilling.

With regards to the Joint Operation Agreement between OMV Petrom and Hunt Oil, capitalizing on the positive testing results of Padina Nord 1 well, the project for early development facilities was initiated in 2015. The objective is to install required equipment to gather, treat and transport gas and condensate. Moreover, further drilling activity is planned for 2016.

Production

OMV Petrom operates 232 commercial oil and gas fields in Romania, from which a combined volume of 169.6 kboe/d was produced in 2015 (2014: 171.4 kboe/d).

In 2015, OMV Petrom produced in Romania 3.81 mn t crude oil including condensate and 5.27 bcm natural gas, the equivalent of 61.90 mn boe total oil and gas. Offshore production accounted for approximately 7% of oil production and 25% of natural gas production. The daily average equivalent production has reached 169.6 kboe/d, compared to 171.4 kboe/d in 2014. New offshore wells put on stream in the middle of the year (sidetracks on Lebada Vest) contributed to the annual production. Workover campaign at Totea Deep field (middle of the year) and surface facilities works on Totea Deep field influenced total production of OMV Petrom. Also, the Lebada Est NAG outages during the year impacted the 2015 total production.

A workover campaign, which commenced in early 2015 at four offshore wells, has significantly contributed to the stabilization and gradual increase of hydrocarbon production during the second half of the year. In 2015, the crude oil production obtained using enhanced oil recovery techniques accounted for approximately 25% of total domestic oil production. Heavy oil, representing crude oil with density greater than 900 kg/m³ accounted for more than 35% of total production of crude oil including condensate.

In 2015, the average crude oil production was 75.1 kboe/d, below the level of 76.7 kboe/d achieved in 2014 due to planned workovers and surface works (both onshore and offshore).

The domestic gas production was 94.5 kboe/d, broadly in line with 2014 level. The internal gas consumption for upstream operations accounted for approximately 11.4% of total gas production.

Key projects

2015 was a challenging year in terms of the investment context due to the abrupt slide of the oil price starting mid-2014. This caused OMV Petrom to adjust the pace of its investment program, while still maintaining HSSE and integrity requirements as priorities. Consequently, several projects were revisited and, based on set priorities, original schedules were reviewed (e.g. **FRD Suplac** and **FRD Videle G2**).

The drilling program continued in 2015, with 92 new wells and sidetracks conducted, out of which two exploration wells drilled in partnership with Repsol. The wells portfolio continued to be as varied as in the previous year, covering production and injection, new wells and sidetracks, oil and gas wells.

Most of the well projects were covered under Field Redevelopments rather than standalone. There was only one appraisal well finalized in 2015, compared to eight NFO (Near Field Opportunity) wells delivered in 2014.

Madulari Facilities Upgrade and FRD Burcioaia investment plans were revised compared to the initial project expectations. Similarly, FRD Tazlau Kliwa 1 and FRD Independenta Phase 1 were impacted, with the latter still managing to carry its turnkey drilling campaign with eleven wells during 2015.

Four offshore sidetracks were drilled and three workovers performed in 2014-2015, as part of **FRD Istria Phases 1 and 2** offshore field redevelopment projects.

FRD Lebada East, a gas project intended to maximize exploitation value by maintaining field output at highest rates, with existing compression facilities upgraded, progressed as planned and commissioned with enhanced Low Pressure compression and associated works on high pressure compressors package and flare modification. The remaining scope is estimated to be achieved during 2016.

Due to the steep decline of production in the field, the decision was taken to recycle **FRD Bulbuceni** and deliver only the TEG plant (Tri-Ethylene Glycol), the hand-over process to operations being scheduled for 2016.

Within **FRD Bustuchin**, the program mainly entails drilling of 21 new wells (incl. their surface facilities and hook-up) and the optimization of the gathering system. A total number of nine wells were drilled so far, out of which six in 2015.

Totea Deep continues to operate successfully after the workover operations performed in the third quarter and put in production in the fourth quarter of 2015, which entailed investments in replacing tubing and park de-bottlenecking. Thus, the full year average production in 2015 reached 15 kboe/d compared to 10.5 kboe/d registered in 2014.

In **FRD Phoenix Vata Phase 1**, the drilling program continued in several clusters, successfully embedding drilling technologies such as casing while drilling. The good results of the drilling campaign are supportive for further development.

Production enhancement contracts

Since July 2010, in order to execute its strategy of optimizing the portfolio of existing assets, OMV Petrom has entered into partnerships with international companies for production enhancement. The partnerships with Petrofac, PetroSantander and Expert Petroleum are governed by Production Enhancement Contracts (PECs) referred to as PEC Ticleni, PEC Turnu and PEC Timis, covering in total 26 mature fields.

The PECs stipulate that the contractors will take over and finance the operations and, together with OMV Petrom, commit to the future development of the fields that have been handed over, in order to maximize production while improving efficiency. OMV Petrom remains the sole titleholder of the concession contracts and the owner of the hydrocarbon production and of the existing assets, as well as of the rights and obligations under the relevant petroleum concession and as defined by the Petroleum Act.

Safety performance improved compared to 2014, with the LTIR decreasing from 0.65 to 0.51. Still, in 2015, two LTIs were recorded, one in PEC Timis and one in PEC Ticleni.

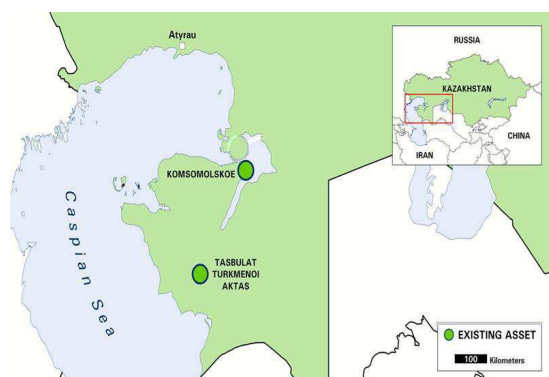
The total annual production of PECs in 2015 was around 8.0 kboe/d, 5% higher compared to the annual production before handover, PEC Ticleni 3.7 kboe/d, PEC Turnu 1.9 kboe/d and PEC Timis 2.5 kboe/d. PECs production accounted for 5% of the OMV Petrom production in Romania in 2015.

Growth initiatives continued in all PECs. In PEC Timis partners have optimized the production system through various measures, which led to slightly higher gas sales and significant reduction of CO₂ emissions. In PEC Turnu the sidetrack campaign continued, one sidetrack has been drilled and completed and due to performance improvement of services the total number of employees decreased by 7%. In PEC Ticleni two new infill wells have been drilled and completed, and a new exploration well was drilled and tested. After Petrofac announced its intention to exit the PEC contract, Petrofac and OMV Petrom agreed to terminate the

PEC effective in the second quarter of 2016. After termination of PEC Ticleni, production operations will be continued by a company owned by OMV Petrom.

International Upstream operations

In **Kazakhstan**, OMV Petrom holds development and production licenses for the TOC oil fields (Tasbulat, Aktas and Turkmenoi) as well as for the KomMunai oil field Komsomolskoe. In 2015, the average oil and gas production in Kazakhstan increased by 1%, reaching 9.0 kboe/d. The main reasons for this slight increase in production were efficient workover and maintenance operations and only minor disruptions related to the TOC pipelines.



At the **TOC fields** no significant reduction in production occurred, despite pipeline technical issues. The water injection project was fully completed, aimed at securing reservoir pressure and slowing down the natural decline of production. The average production at the TOC fields amounted to 4.3 kboe/d in 2015, which is 10% higher than in 2014 and is due to efficient workover and maintenance works.

Picture: Location of OMV Petrom fields in Kazakhstan

At the **Komsomolskoe field** the extended water injection project was completed, still not handed over to operations due to some technical problems with the new high pressure pumps. In 2015, the average production in the Komsomolskoe field amounted to 4.8 kboe/d, 6% lower than in 2014 due to a temporarily suspended well.

Production in 2015	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcm	mn boe	mn boe
Romania	3.81	27.43	5.27	34.48	61.90
Kazakhstan	0.39	3.00	0.05	0.28	3.29
OMV Petrom Group	4.20	30.43	5.32	34.76	65.19

Note: 1 bcm = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan

Proved reserves as of December 31, 2015	Oil and NGL		Natural gas		Total
	mn t	mn bbl	bcf	mn boe	mn boe
Romania	47.5	341.8	1,527.5	282.9	624.7
Kazakhstan	2.5	19.4	15.4	2.5	21.9
OMV Petrom Group	50.0	361.2	1,542.9	285.4	646.6

Totea Deep development

Totea Deep development is the most important onshore gas discovery in Romania in the past years. Its three producing wells are the largest in OMV Petrom's portfolio and have significantly contributed to mitigating production decline of mature gas fields in the area.

After the successful result of the 4539 Totea exploration well in 2011, a ~EUR 200 mn investment program was started. The main challenge was executing the appraisal phase in parallel with the development phase, both phases being executed within very tight timelines in order to gain the best economic results. The appraisal drilling campaign consisted of two successful appraisal wells, while the development phase involved providing facilities and infrastructure in order to start each well as soon as possible, thus maximizing the value of the project by harvesting early production gains from each successful well. In 2015, the company continued to invest in optimizing the output of the Totea Deep wells, reaching daily peak production of 20.5 kboe/d in December 2015, by performing workovers and debottlenecking surface facilities in order to be able to increase production rates. The success of the Totea Deep development has highlighted the upside potential of OMV Petrom's portfolio for new discoveries in deep layers through seismic and deep drilling technology. OMV Petrom keeps exploring for new discoveries and opportunities in mature as well as in new blocks to keep strengthening its portfolio.

Istria drilling performance

Offshore drilling is always a challenge and a capital intensive activity that involves precise coordination on logistics, experienced personnel and an enhanced approach to safety. It is even more challenging when oil prices halve in the middle of execution and the "youngest" surface infrastructure in Petromar (Romanian, offshore Black Sea) is more than 13 years old.

Oil recoveries, on the other hand, are low, mainly due to reservoir tightness and limited well spacing, hence, there is still potential for additional infill drilling or sidetracking and even prospective deployment of new platforms.

In 2015, OMV Petrom made significant progress in offshore horizontal multistage stimulation drilling and the results speak for themselves: no LTI, faster than planned execution and materialized savings above EUR 20 mn. These achievements were obtained mainly due to the application of new ideas in relation to old equipment (by refurbishing the on-platform workover units) and to Drilling to Limit (DtL), by implementing technical limit through industry benchmarks, removing excess equipment and maintaining continuous communication with all stakeholders. In the end, these savings allowed the funding of other projects in OMV Petrom, including the drilling for an additional offshore sidetrack within Istria Field Redevelopment, currently under execution.

This progress highlights the offshore drilling potential under challenging economic conditions and CAPEX limitations by un-tapping opportunities that are translated into field life extension and improvement return.

2.2. Downstream

Downstream Oil

The Downstream Oil business segment's activities include processing and refining crude oil and delivering refined products to retail and wholesale customers. Along the value chain, the Downstream Oil segment operates the recently modernised Petrobrazi refinery, and has a retail network that consists of 788 filling stations in four Southeastern Europe countries.

Neil Morgan, EB member responsible for Downstream Oil:

"In 2015, the Downstream Oil segment had a remarkable contribution to Group results due to strong refining margins, improved operational performance after the refinery modernization and increased oil product sales. The refinery utilization rate stood at 88%, while energy consumption continued to improve. The fuel terminal network optimization program further progressed with the finalization of Cluj terminal modernization. Despite increased competition in our operating region, the Retail business contribution to the segment result increased, sustained by higher volumes sold and also by increased brand awareness and customer loyalty campaigns."

At a glance

	2013	2014	2015
Segment sales (RON mn)	19,308	16,755	13,322
EBIT (RON mn)	386	(79)	1,230
Clean CCS EBIT (RON mn) ¹	374	654	1,315
EBITD (RON mn)	958	541	1,841
Capital expenditure (RON mn)	827	794	393
Crude oil processed (kt) ²	3,771	3,728	3,926
Total refined product sales (kt)	5,222	4,807	5,028
thereof: Gasoline	884	838	869
Diesel	2,259	2,085	2,235
Kerosene/Jet fuel	220	245	254
HFO	85	71	84
Retail sales volumes (kt) ³	2,479	2,373	2,529
Number of filling stations	785	780	788

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 Downstream Oil

² including condensate; the refining capacity increased from 4.2 mn t/y to 4.5 mn t/y starting with 2015

³ Retail sales volumes include sales via Group's filling stations in Romania, Bulgaria, Serbia and Republic of Moldova

Financial performance

Clean CCS EBIT in Downstream Oil increased significantly to RON 1,315 mn compared to RON 654 mn in 2014, driven by high refining margins, improved operational performance after the refinery modernization and increased oil product sales volumes. The **indicator refining margin** improved significantly to USD 8.71/bbl, from USD 1.89/bbl in 2014, reflecting lower cost for crude consumed, the updated standard yield (as of Q3/14) following the completion of the Petrobrazi refinery modernization program and higher product spreads. Clean CCS EBIT is stated after eliminating CCS effects of RON (201) mn and net special gains of RON 116 mn, related to the positive result of a legal dispute. **Reported EBIT** came in at RON 1,230 mn, compared to a negative result of RON (79) mn in 2014.

Investments in Downstream Oil amounted to RON 393 mn in 2015. Investments in the Petrobrazi refinery amounted to approx. RON 211 mn relating to environmental, legal compliance and energy efficiency projects. Investments were also directed towards the fuel terminals network optimization program, with the modernization of Cluj terminal finalized at the end of 2015.

Investments in the Retail business focused on optimizing the current filling station portfolio and accessing new business opportunities by opening eight mobile filling stations on motorways. In addition, upgrades were performed in a number of Petrom and OMV brands filling stations, mainly to improve the facilities.

The main project in this respect was the finalization of replacement of the conventional lighting systems in Petrom brand filling stations in Romania with a new LED (light emitting diode) based system.

Operational performance

Refining

In 2015, the main focus was to continue to improve the operational performance and energy efficiency of the Petrobrazi refinery.

The utilization rate⁴ was slightly below the 2014 level (88% in 2015 compared to 89% in 2014), reflecting the standard capacity adjustment to 4.5 mn t/y as of Q1/15 (previously 4.2 mn t/y).

Production (kt)	2013	2014	2015
Gasoline	1,210	1,143	1,262
Diesel	1,266	1,428	1,498
Kerosene/Jet fuel	185	207	190
HFO	366	309	193
LPG total	221	191	207
Petroleum coke	240	233	263

Regarding the terminals network optimization program, at the end of 2015, the operational activity started at the newly revamped Cluj fuel terminal, following the approx. 18 months modernization period. The modernized Cluj facility will increase the efficiency of the operations and reduce the operational costs.

This project, part of a modular design concept, is the fifth terminal finalized within the broad investment program of six modern terminals in Romania: three new terminals (Jilava, Brazi and Işalnița- all of them in operation) and three revamped terminals (thereof Bacău and Cluj already in operation).

Sales

Overall sales volumes reflected the favorable oil price environment that led to increased demand, despite competition in the operating region. OMV Petrom Group's total refined product sales amounted to 5,028 kt in 2015, 5% higher compared to 2014, driven by higher oil product demand, which was supported by lower product quotations.

In 2015, the main focus was to maintain market share in the **retail** business, concentrating on providing best-in-class customer services, as well as further diversifying the existing range of customer services (e.g. money transfer, car insurances, utilities payments, postal services) within the OMV brand filling stations functioning under the Service Corner concept. In Romania, the company's main focus was to secure market leading position with the two brands' retail strategy: the international premium brand OMV, and the national Romanian brand Petrom positioned as value-for-money brand.

Group retail sales were 7% higher compared to the previous year's level, reaching 2,529 kt, the positive trend being reflected throughout the operating region. Retail sales in the domestic market reached 1,987 kt in 2015, 6% higher compared to 2014. Therefore, in Romania, the average throughput per station increased to 4.45 mn liters compared to 4.22 mn liters per station in 2014, while at Group level it was 4.01 mn liters in 2015 (2014: 3.76 mn liters per station).

Retail market share⁵ in the operating region was 33%, broadly at the same level as last year, reflecting increased efficiency and portfolio optimization despite competition.

In 2015, the total non-oil business turnover expressed in RON represented 15% of total retail turnover, increasing by 8% compared to previous year, driven by improved performance and the benefit of the shop-in-shop⁶ concept as well as of other strategic partnerships.

⁴ After the finalization of the Petrobrazi refinery modernization, the opportunity was taken to demonstrate the maximum throughput based on a timeframe of the best 30 consecutive days. As a result, the annual refining capacity has been updated from 4.2 mn t to 4.5 mn t as of Q1/15; previously reported figures were not adjusted accordingly.

⁵ OMV Petrom's estimates based on preliminary data available; OMV Petrom retail market share is calculated by dividing retail sales (Gasoline + Diesel) to total retail market (Gasoline + Diesel)

In the **non-retail** distribution channel, in 2015, OMV Petrom continued to optimize its operations in a challenging market environment with a focus on the business-to-business activities. In Romania, the multi-channel approach (using different channels to reach the customer target groups) aimed to strengthen sustainable profitability. Group non-retail sales amounted to 2,499 kt, 3% above the 2014 level, reflecting higher demand for diesel and jet. In Romania, non-retail sales were 1,262 kt, 16% above the previous year's level.

With regards to OMV Petrom **fuel prices**, these have a dynamic evolution based on international fuels quotations, namely Platts Mediterranean, as well as competition in the market. In addition, prices are influenced by the fiscal policy and the exchange rate. As the volatility of quotations is extremely high and an immediate reflection in product prices would make the market unstable, OMV Petrom fuels prices only reflect the trend, not the highs or lows.

In terms of **filling stations network**, at the end of 2015, the total number of filling stations operated within OMV Petrom Group increased by eight units compared to 2014, as a result of new business opportunities in Romania and network optimization in the other countries within the Group.

Number of filling stations per country	2013	2014	2015
Romania	545	544	554
Republic of Moldova	86	86	84
Bulgaria	93	89	90
Serbia	61	61	60
Total	785	780	788

Diversifying customer services by partnering with Subway

In 2014, Petrom - Romania's most trusted filling station brand (Reader's Digest Romania, 2015) - entered into a partnership with Subway, the world's largest food chain, as part of its plan of extending and diversifying the range of products and services provided to customers, aiming for variety in the points of sale. These additional services are available by renting spaces within Petrom filling stations to the company's partners. The implementation of this model is internationally validated, answering the demand for an all-in-one facility model.

OMV Petrom made progress by starting the implementation of this project, with the opening in Sibiu of the first Subway restaurant that functions in a Petrom filling station, at the end of June 2014; another two, in Alba Iulia and Bucharest, followed in 2015. The restaurants are open 24/7, in consistency with Petrom's filling stations non-stop availability. Incremental benefits for both partners, Petrom and Subway, are visible. The number of transactions registered in these specific locations increased by approximately 10% since the opening of the restaurants in Petrom's case, which is more than the average of the filling stations network. This translates into an additional 10,000 customers per month in the Petrom/ Subway shared locations.

The partnership is in line with OMV Petrom's strategic direction of optimizing the Downstream Oil portfolio through partnerships and highlights the company's interest in using the potential of the business and in enhancing its facilities, while maintaining the quality of its services.

⁶ Renting space within shop area of a filling station to partners

Downstream Gas

OMV Petrom has a strong sustainable position in the Romanian gas market, covering all gas market segments. Since 2012, the equity gas value chain has been expanded by converting gas into electricity through the 860 MW Brazi gas-fired power plant. In addition, OMV Petrom owns the 45 MW Dorobantu wind park.

Lăcrămioara Diaconu-Pințea, EB member responsible for Downstream Gas: “The Romanian gas and power market environment remained challenging in 2015, mainly due to the almost 5% decline in gas demand versus 2014 and increased competition. Despite progress made towards the gas market liberalization, the legal framework and its related tools still need to go through additional improvement before supporting a fully functional market. In 2015, OMV Petrom’s total gas sales volumes increased by 8% compared to 2014. In order to address market challenges, we have reshaped our organization and streamlined the sales processes, effective as of mid-2015. The Brazi power plant is a key component of our integrated equity gas value chain, reliably off-taking an important part of the upstream production in view of monetizing it in the downstream markets. With a stronger focus on optimizing the power plant on the forward market, net electrical output more than doubled compared to 2014.”

At a glance

	2013	2014	2015
Segment sales (RON mn)	4,315	4,375	4,536
EBIT (RON mn)	112	(818)	(216)
Clean EBIT (RON mn)	167	(63)	(145)
EBITD (RON mn)	324	49	(4)
Capital expenditure (RON mn)	18	3	9
Gas sales volumes (TWh)	52.7	47.7	51.4
thereof to third parties (TWh)	46.2	44.3	45.2
Net electrical output (TWh)	2.9	1.3	2.7

Financial performance

The Downstream Gas **Clean EBIT** was RON (145) mn in 2015 versus RON (63) mn in 2014 mainly due to RON (87) mn net impact from provisions for outstanding receivables in the gas business. Despite the challenging market environment, higher segment sales and lower storage related expenses were recorded versus 2014. In accordance with the company’s strategy to focus on core activities, Dorobantu wind park was identified as a candidate for divestment and the sale process was initiated. As a result, **Reported EBIT** of RON (216) mn in 2015 reflected special items of RON (71) mn, mainly related to the reclassification of the wind park as asset held for sale.

Legislative and regulatory updates

The gas market liberalization continued with a new price increase for household consumers from RON 53.3/MWh to RON 60/MWh starting July 1, 2015. The average import quota set by ANRE for household consumers was 1% in 2015 (2014: 3%), while the import quota for non-household consumers is no longer mandatory starting 2015 (2014: 10%). The obligation for domestic gas producers to sell a certain fraction of their gas production on the centralized trading platforms continued to apply in 2015, which has proven to be a challenge as these markets still lack maturity and sufficient liquidity.

As for the power market, the liberalization for household consumers and small enterprises progressed according to the official calendar in 2015. The quota of renewable energy sources in gross consumption as established by the Government was 12% (2014: 11%); however, the excess of green certificates on the market and, consequently, low prices of certificates persisted throughout the year.

Operational performance

National **gas** consumption decreased by almost 5% to 121.7 TWh (2014: 127.6 TWh), while OMV Petrom's gas sales volumes increased by 8%, to 51.4 TWh, supported by higher off-take by the Brazi power plant, which reflects the integrated optimization of the gas and power portfolios. All gas sales channels were pursued, including centralized markets, along with a diverse customer portfolio, covering from large industrial players to small businesses, the company thus successfully maintaining its leading position in the free gas market. In order to fulfill legal obligation, a total volume of 2.8 TWh of natural gas was injected into storage by OMV Petrom in 2015 (2014: 5.9 TWh); the storage level at the end of the year amounted to 1.9 TWh (2014: 4.3 TWh).

According to data available from the grid operator, national gross **electricity production** increased by around 2%, to ~65 TWh (2014: ~64 TWh), with a similar increase in the national electricity consumption, to ~58 TWh (2014: ~56TWh).

Benefitting from a mix of spot and forward sales, the Brazi power plant generated a net electrical output of almost 2.6 TWh (2014: 1.2 TWh), covering approx. 4% of Romania's electricity production and, thanks to the plant's operational flexibility, approx. 11% of the balancing market, strongly contributing to the stability of the national power system. The Dorobantu wind park generated a net electrical output of 0.08 TWh in 2015, stable versus 2014, receiving around 130,000 green certificates, half of them eligible for sale after January 1, 2018, similarly with 2014.

The Brazi power plant – an important contributor to the security of the national power system

The Brazi power plant started commercial operation in August 2012. Since then, it has continuously delivered operational excellence while always aiming to respond to power market challenges. In 2015, OMV Petrom successfully managed to enhance the power plant's role within the equity gas value chain: capitalizing on the new optimization logic as of mid-2015, a strong power forward sell position was built, resulting in a doubled gas off-take as compared to 2014.

In the same time, the plant is an important contributor to the security of the national power system thanks to its technical capabilities. The power plant is characterized by high flexibility during operation, allowing both rapid start-up and shutdown times (the ramp-up time is approx. 50% shorter compared to a coal-fired power plant). That is the reason why Transelectrica, the national power transmission operator, is intensively using Brazi power plant to support the national energy system mainly when fluctuations from renewable power generation sources are recorded. One example is the summer 2015 lull and drought conditions, when both hydro and wind power production dropped yet the power demand increased, the Brazi plant running sustainably at full capacity. Its significant contribution to the balancing of the national energy system is well-known - by capitalizing on these technical capabilities, OMV Petrom can capture further benefits from the balancing and ancillary services markets.

3. Report of the Governing Bodies

3.1. Report of the Supervisory Board

Core activities

OMV Petrom S.A. (hereinafter also referred to as “OMV Petrom” or the “Company”) is an integrated oil and gas company operating mainly in Romania, but also indirectly via its subsidiaries in Kazakhstan (exploration and production activity) and in the neighboring countries of Bulgaria, the Republic of Moldova and Serbia (marketing activity). OMV Petrom is also the parent company of all companies consolidated within OMV Petrom Group. A detailed structure of the consolidated companies in OMV Petrom Group as of December 31, 2015 is presented under the corresponding note to the consolidated financial statements, included in the last chapter of this report.

Aim of the report

Transparency and accountability towards our shareholders is a well-established and deeply entrenched practice that has been put in place in the Company. Hence, the Supervisory Board continued to devote close attention to the strategic focus and business performance of the Company in all areas of activity during 2015.

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

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

- visiting our corporate website, www.omvpetrom.com, where various information about the company and relevant contact details are available;
- 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 (“GMS”), concerning the items to be debated during such meetings.

Corporate governance

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

The Company has always conferred great importance upon the principles of good corporate governance and adhered to the principles laid down in the Code of Corporate Governance issued by the Bucharest Stock Exchange starting 2010, continuing to apply them since then.

On September 22, 2015, the Bucharest Stock Exchange published a new Corporate Governance Code which entered into force on January 4, 2016. The Company underwent an internal assessment in order to identify those areas in which it might be necessary to take some actions in order to be compliant with the provisions of this new Corporate Governance Code issued by the Bucharest Stock Exchange, at the end of which the Company adopted a set of policies, procedures, guidelines and terms of reference, namely: Dividend Policy, Forecast Policy, Related Party Transactions Policy, Sustainability Policy, Rules and Procedures of the General Meeting of Shareholders, Supervisory Board Self-Evaluation Guideline, Audit Committee Terms of Reference. Most of these documents state and formalize the practices already in place in the Company. Moreover, as required by the Bucharest Stock Exchange, OMV Petrom published on January 4, 2016 an ad-hoc report listing the provisions of the new Corporate Governance Code that are not complied with as of December 31, 2015 and explaining briefly the reason for such deviation.

In accordance with the aforementioned principles, the Company is managed in an atmosphere of openness between the Executive Board and the Supervisory Board, as well as within each of these corporate bodies. The members of the Executive Board and the Supervisory Board 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 day-to-day 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 GMS; (iv) to present a report regarding its supervision activity at least once a year to the GMS; (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.

At the beginning of 2015, the Supervisory Board consisted of the following members: Gerhard Roiss (President of the Supervisory Board), David C. Davies (Deputy President of the Supervisory Board), Manfred Leitner, Hans-Peter Floren, Johann Pleininger, Lucian-Dan Vlădescu, George Băeșu, Joseph Bernhard Mark Mobius, and Riccardo Puliti.

The Ordinary GMS held on April 28, 2015 appointed Christoph Trentini as member of the Supervisory Board until April 28, 2017. Until that moment, Christoph Trentini had been interim member of the Supervisory Board starting January 9, 2015, following Hans-Peter Floren's waiver of his mandate as Supervisory Board member. The same Ordinary GMS held on April 28, 2015 appointed Bogdan-Nicolae Badea as member of the Supervisory Board, following the revocation of Lucian-Dan Vlădescu from his capacity as member of the Supervisory Board.

The Ordinary GMS held on September 22, 2015 appointed Rainer Seele as member of the Supervisory Board until April 28, 2017. Until that moment, Rainer Seele had been interim member and president of the Supervisory Board starting July 7, 2015, following Gerhard Roiss's waiver of his mandate as Supervisory Board member.

Therefore, at the end of 2015, membership of the Supervisory Board was held by the following individuals: Rainer Seele, David C. Davies, Manfred Leitner, Johann Pleininger, Christoph Trentini, George Băeșu, Bogdan-Nicolae Badea, Joseph Bernhard Mark Mobius and Riccardo Puliti.

As required by Company Law, none of the Supervisory Board members holds an executive position within the Company. Moreover, at the end of 2015, the Company conducted an evaluation of the Supervisory Board members' independence based on the independence criteria provided by the new Corporate Governance Code (which are substantially similar with those provided by the Company law), consisting in an individual personal assessment done by each Supervisory Board member, followed by an external assessment. Following this evaluation, it resulted that two Supervisory Board members meet all the independence criteria provided by the Corporate Governance Code, namely George Băeșu and Riccardo Puliti.

Executive Board members

The Executive Board of the Company comprises five members.

At the beginning of 2015, the Executive Board was composed of the following members: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board), Andreas Matje (Chief Financial Officer and Executive Board member), Gabriel Selischi (Executive Board member in charge with Upstream activity), Neil Anthony Morgan (Executive Board member in charge with Downstream Oil activity) and Cristian Secoșan (Executive Board member in charge with Downstream Gas activity)⁷.

On March 24, 2015, the Supervisory Board granted a new mandate to the Executive Board for a four year term starting April 17, 2015 and until April 17, 2019, with the following composition: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board), Andreas Matje (Chief Financial Officer and Executive Board member), Gabriel Selischi (Executive Board member in charge with Upstream activity), Neil Anthony Morgan (Executive Board member in charge with Downstream Oil activity) and Lăcrămioara Diaconu-Pințea (Executive Board member in charge with Downstream Gas activity). Cristian Secoșan's mandate as member of the Executive Board ceased starting with April 17, 2015.

At the date of this report, the Executive Board has the same composition as approved on March 24, 2015.

On January 13, 2016, the Supervisory Board appointed Peter Rudolf Zeilinger as member of the Executive Board in charge with Upstream activity, starting April 1, 2016, following Gabriel Selischi's waiver of his mandate as member of the Executive Board effective with the same date.

Supervisory Board activity during 2015

In 2015, the Supervisory Board thoroughly reviewed the position and prospects of the Company and accomplished its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. The Supervisory Board coordinated with the Executive Board on important management matters, monitored the latter's work, and was involved in the Company's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

During the year under review, the Supervisory Board members met five times in person. Moreover, for specific and particularly urgent plans and projects arising between the actual meetings, the Supervisory Board submitted their approval in writing on six other occasions. All members of the Supervisory Board attended the vast majority of the meetings of the Supervisory Board in 2015. 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.

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

January 9, 2015 Supervisory Board (via circulation)

On January 9, 2015, via circular motion, we approved the appointment of Christoph Trentini as interim member of the Supervisory Board of OMV Petrom until the next GMS, replacing Hans-Peter Floren who waived his mandate as member of the Supervisory Board.

March 24, 2015 Supervisory Board meeting

At our regular meeting of March 24, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

During the Supervisory Board meeting of March 24, we thoroughly discussed the 2014 annual consolidated financial statements, as well as the respective management reports. The 2014 annual consolidated financial statements were duly adopted following the recommendation of the Audit Committee, which had

⁷ Starting with April 1, 2015, the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas.

conducted an in-depth examination of the documents together with the auditors and based also on the auditors' letter to the management.

Additionally, during the meeting we discussed and decided, based on the analysis and proposal of the Audit Committee, the appointment of Ernst & Young Assurance Services S.R.L. (EY) as financial auditor of OMV Petrom Group. Based on the results achieved in 2014, the strong balance sheet and the 2015 investment requirements, the Supervisory Board discussed the distribution of dividends, and approved the management proposal to distribute the amount of RON 634 mn as dividends.

Moreover, during the same meeting, the Supervisory Board also approved the convening of the Ordinary GMS on April 28, 2015 and the related materials, including the proposal to appoint Christoph Trentini as member of the Supervisory Board for the remaining term of the mandate granted to Hans-Peter Floren, respectively until April 28, 2017, following Hans-Peter Floren's waiver of the mandate as member of the Supervisory Board.

On the same occasion, given the latest market developments in relation to oil and gas international quotations, we also approved an update of the 2015 Budget previously approved in December 2014.

In addition, it was also approved the renaming, as of April 1st, 2015, of Exploration & Production into Upstream, Refining & Marketing into Downstream Oil and Gas & Power into Downstream Gas. As well, during the same meeting we approved granting a new mandate to the Executive Board of OMV Petrom, starting with April 17, 2015 and until April 17, 2019, having the following composition: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board), Andreas Matje (Chief Financial Officer and member of the Executive Board), Neil Anthony Morgan (Executive Board member in charge with Downstream Oil activity), Gabriel Selischi (Executive Board member in charge with Upstream activity) and Lăcrămioara Diaconu-Pințea (Executive Board member in charge with Downstream Gas activity).

Likewise, during the same meeting we also resolved upon some Upstream related projects and some financing facilities as well as the secondary professional, non-executive engagement of Mariana Gheorghe, Chief Executive Officer and President of the Executive Board of OMV Petrom, as a new Non-Executive Director at the Supervisory Board of ING Groep N.V.

April 28, 2015 Supervisory Board meeting

At our regular meeting of April 28, we received reports and were consulted by the Executive Board on market and business developments as well as on corporate developments that had occurred since the previous meeting.

On the same occasion, we approved the appointment of Christoph Trentini as deputy president and member of the Audit Committee as of May 1, 2015 and until the expiration of the mandate of the current Supervisory Board (i.e. April 28, 2017), replacing Manfred Leitner who waived his mandate as deputy president and member of the Audit Committee, starting with the same date.

June 19, 2015 Supervisory Board meeting

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

During the same meeting, we approved the transfer, as of July 1, 2015, of operational and maintenance activities of OMV Petrom Group power generating assets, part of Downstream Gas, to the Petrobrazi Refinery Operations Business Unit, part of Downstream Oil.

July 6, 2015 Supervisory Board (via circulation)

On July 6, via circular motion, we acknowledged Gerhard Roiss's waiver of his mandate as president and member of the Supervisory Board and approved the appointment of Rainer Seele as interim member and president of the Supervisory Board as of July 7, 2015 and until the next GMS.

Likewise, on the same occasion we approved some Company's Upstream-related projects.

July 24, 2015 Supervisory Board (via circulation)

On July 24, via circular motion, we approved a Company's Upstream-related project.

August 18, 2015 Supervisory Board (via circulation)

On August 18, via circular motion, the Supervisory Board approved the convening of the Extraordinary GMS on September 22, 2015 for the approval of the secondary listing of OMV Petrom on the London Stock Exchange by issuance of global depositary receipts representing interests in Company's existing shares which were intended to be admitted to listing on the official list of the United Kingdom Financial Conduct Authority and to be admitted to trading on the London Stock Exchange's main market for listed securities

and of the Ordinary GMS of OMV Petrom, on the same date, for the approval of the appointment of a new member of the Supervisory Board for the remaining period of the mandate granted to Gerhard Roiss, further to the waiver of the latter's mandate of member of the Supervisory Board.

September 22, 2015 Supervisory Board meeting

At its meeting on September 22, the Supervisory Board reviewed the reports received from the Executive Board and was consulted with regard to market and business developments as well as recent corporate developments of the Company.

November 10, 2015 Supervisory Board (via circulation)

On November 10, via circular motion, the Supervisory Board approved one Upstream-related project of the Company.

November 24, 2015 Supervisory Board meeting

At its meeting on November 24, the Supervisory Board reviewed the reports received from the Executive Board and we were consulted with regard to market and business developments as well as recent corporate developments of the Company.

On the same occasion, we resolved upon some Upstream-related projects, and took note of the internal assessment following the publication of the new Corporate Governance Code by the Bucharest Stock Exchange in September 2015.

December 21, 2015 Supervisory Board (via circulation)

On December 21, via circular motion, we approved the budget for 2016. Likewise, on the same occasion, in view of the new Corporate Governance Code published by the Bucharest Stock Exchange, we approved a set of policies, procedures, guidelines and terms of reference, most of which state and formalize the practices already in place in the Company.

In addition to this, the Supervisory Board approved also a new membership and structure of the Supervisory Board Audit Committee, as of December 31, 2015, namely: Riccardo Puliti – president of the Audit Committee, David C. Davies – deputy president of the Audit Committee and George Băeșu – member of the Audit Committee.

In all Supervisory Board meetings held in 2015, the Executive Board informed about the status of the process for the share capital increase of OMV Petrom by incorporating the value of plots of land received in administration and/or use from the Romanian State for which OMV Petrom obtained / is in the process to obtain the land ownership certificates as well as about the constant dialog between the Company and the Romanian State via its authorized representative in order to clarify the pending issues.

The Audit Committee

An Audit Committee is established among Supervisory Board members to provide assistance to the Supervisory Board in the area of risk management and financial reporting. At the beginning of 2015, the Audit Committee was composed of David C. Davies, Manfred Leitner, George Băeșu and Riccardo Puliti.

Following Manfred Leitner's waiver of his mandate as deputy president and member of the Audit Committee, the Supervisory Board approved during the meeting on April 28, 2015, the appointment of Christoph Trentini as deputy president and member of the Audit Committee as of May 1, 2015 and until the expiration of the mandate of the current Supervisory Board (i.e. April 28, 2017).

The Supervisory Board approved on December 21, 2015, a new composition and structure of the Audit Committee, starting with December 31, 2015 and until the expiration of the mandate of the current Supervisory Board (i.e. April 28, 2017), which is in place at the date of this report as well, namely: Riccardo Puliti – president of the Audit Committee, David C. Davies – deputy president of the Audit Committee and George Băeșu – member of the Audit Committee. On the same occasion, the Supervisory Board approved also the Terms of Reference for the Audit Committee providing for the main rules and principles guiding the activity, roles and functioning of the Audit Committee.

In line with Company Law and best practices, the Audit Committee includes members that have the necessary financial, audit and accounting expertise.

Moreover, following the evaluation of the Supervisory Board members' independence (based on the independence criteria provided by the new Corporate Governance Code, which are substantially similar with those provided by the Company law) performed at the end of 2015, it resulted that George Băeșu and Riccardo Puliti, which are also members of the Audit Committee, meet all the independence criteria provided by the Corporate Governance Code.

In 2015, the Audit Committee met three times. During 2015, the Audit Committee reviewed and prepared the adoption of the annual accounts, the proposal for the allocation of profit and recommended the appointment of an independent financial auditor to the Supervisory Board and to the GMS. In addition, the Audit Committee supervised OMV Petrom's risk management process and its result and monitored the reports delivered by internal auditors including the internal audit plan for 2016.

External auditor

EY was OMV Petrom Group's independent auditor in 2015. A proposal for the reappointment of EY as OMV Petrom Group's auditor will be submitted to the next Ordinary GMS to be held on April 26, 2016.

Annual financial statements

EY audited the 2015 financial statements, reviewed the conformity of the annual report with the financial statements and issued an unqualified audit opinion.

The financial statements and audit reports were presented to the Supervisory Board for examination in a timely manner. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the financial statements with the auditors and examined them carefully. The Audit Committee reported to the Supervisory Board on its examination and recommended the approval of the annual consolidated financial statements, including the management reports.

The consolidated financial statements were approved in the Supervisory Board meeting of March 23, 2016 in line with the Audit Committee's recommendation and will further be submitted for approval in the Ordinary GMS to be held on April 26, 2016.

Financial reporting in compliance with international standards

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

Separate financial statements of the Company for the year ended December 31, 2015 are also prepared in accordance with IFRS, as the Ministry of Finance Order no. 1286/2012 stipulates that Romanian listed companies must prepare financial statements in accordance with IFRS as endorsed by the European Union, starting with the year ended December 31, 2012.

Dividend

The Supervisory Board has accepted the Executive Board's proposal to the Ordinary GMS that no dividends will be distributed for the year 2015.

Corporate Governance

The Supervisory Board also approved the 2015 Directors' Report which includes the Corporate Governance Report. OMV Petrom adheres to and complies with almost all of the provisions set forth in the Corporate Governance Code issued by the Bucharest Stock Exchange which entered into force on January 4, 2016. The Corporate Governance Code's requirements are broader than the legal requirements for listed companies.

We thank our shareholders for their confidence in OMV Petrom. The Company continued its successful operational path of development in 2015 in spite of difficulties caused by the effects of the weak oil price environment.

To this end, the Supervisory Board would like to express 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 2015 and achieved excellent results. We would also like to show our appreciation to the clients and business partners of OMV Petrom. 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 23, 2016

Rainer Seele

President of the Supervisory Board



3.2. Directors' report

Andreas Matje, Chief Financial Officer: "In 2015, we managed to maintain a sound financial position, supported by good operational performance, in spite of the difficult market environment. The depressed crude prices impacted Group profitability and also triggered revisions of our long-term oil price assumptions, which led to impairments of some of the production assets in Upstream. However, we have properly adjusted our activity to the market conditions, by maintaining strict capital spending and improving efficiency of our business. Cash flows from operations, although at a lower level, were supported by improved working capital, thus fully financing our Group investments. As a result, the gearing ratio was maintained at a single-digit level."

OMV Petrom Group financials (RON mn)	2014	2015	Δ(%)
Sales revenues	21,541	18,145	(16)
Earnings before interest and taxes (EBIT)	3,338	(530)	n.m.
Net income/ (loss)	2,100	(690)	n.m.
Net income/ (loss) attributable to stockholders	2,103	(676)	n.m.
Cash flow from operations	6,830	5,283	(23)
Capital expenditures	6,239	3,895	(38)
Employees at the end of period	16,948	16,038	(5)

In 2015, the **Group** reported consolidated sales of RON 18,145 mn, 16% lower compared to 2014, largely due to lower petroleum products sales revenues, following the steep decline in oil prices, which more than offset the increase in quantities sold as a result of higher market demand and higher sales of electricity.

The Group's EBIT for the year 2015 was a loss of RON (530) mn, compared to the positive result of RON 3,338 mn in 2014, mainly due to lower sales revenues and higher impairments of producing assets in Upstream, following revision of oil price assumptions for short- and long-term (in Q3/15 and Q4/15). The net special charges totalled RON (2,689) mn, preponderantly related to impairment of producing assets in Upstream as a result of revised oil price assumptions for both the short- and long-term. The net result was a loss of RON (690) mn in 2015 (2014: net profit of RON 2,100 mn).

The return on average capital employed⁸ (ROACE) reached a negative value of (2.2)% (2014: 7.6%), while Clean CCS ROACE decreased to 6.5% at the end of 2015, from 13.6% in December 2014. The gearing ratio increased to 5%, from 3% in 2014.

Despite the decrease in cash flow from operations, in line with the negative development of market conditions, the company managed to preserve a neutral free cash flow before dividends.

As regards the **operational performance**, in **Upstream**, we successfully maintained a broadly stable hydrocarbon production, managing to counterbalance the natural decline of our mature hydrocarbon fields by capitalizing on previous years' investments and discoveries. In Romania, crude oil production was slightly lower than the 2014 level due to planned workovers (both onshore and offshore) and surface works. Oil and gas production in Kazakhstan increased by 1% compared with 2014, when the company experienced technical constraints in the TOC fields.

In exploration, in 2015 we focused on offshore exploration drilling in the Neptun Deep block, as well as onshore drilling activities performed within the joint venture with Repsol. Together with our partner ExxonMobil, we completed the second exploration drilling campaign in the Neptun Deep block, which included in total seven wells drilled, most of which encountered gas, and a successful well test of the Domino structure. The results are sufficiently encouraging to continue to assess the commercial viability for developing the discovered resources.

In **Downstream Oil**, the operational performance improved following the finalization of the Petrobrazi refinery modernization program. Product sales volumes increased triggered by higher demand which

⁸ For definitions of these ratios please refer to page 67, section "Abbreviations and definitions"

reflects the lower product quotations. In 2015, we registered higher results in all business lines, reflecting the company's ability to capitalize on environment opportunities, its commitment to improve operational performance, to pursue cost discipline and optimize the Downstream Oil business.

The utilization rate of the Petrobrazî refinery stood at 88% (2014: 89%), reflecting the standard capacity adjustment to 4.5 mn t/y as of Q1/15 (previously 4.2 mn t/y).

Despite the challenging market environment, in **Downstream Gas** a good performance of the gas business was recorded, resulting in 8% higher total gas sales volumes, to 51.4 TWh (2014: 47.7 TWh), mainly due to higher offtake by the Brazil power plant. Total net electrical output reached 2.7 TWh (2014: 1.3 TWh) as the net electrical output of the Brazil power plant more than doubled versus 2014.

Earnings before interest and taxes (EBIT)

EBIT (RON mn)	2014	2015	Δ %
Upstream ¹	3,932	(1,815)	n.m.
Downstream Oil	(79)	1,230	n.m.
Downstream Gas	(818)	(216)	(74)
Corporate and Other	(151)	(75)	(50)
Consolidation: elimination of intercompany profits	454	346	(24)
OMV Petrom Group EBIT	3,338	(530)	n.m.

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

In **Upstream**, EBIT amounted to RON (1,815) mn (2014: RON 3,932 mn), due to lower oil prices and higher impairments. The further decline in oil prices and the market volatility have led to the review of OMV Petrom's oil price assumptions for both the short- and long-term. These revised assumptions have required impairments, mainly to production assets, which were recognized at the end of Q3/15 and Q4/15 in Romania and at the end of Q4/15 in Kazakhstan, totalling RON 2.7 bn, while 2014 was influenced mostly by impairments in Kazakhstan triggered by unsuccessful field redevelopment results in the TOC fields. The 2015 results were also negatively affected by higher exploration expenses, mainly in relation with several unsuccessful exploration wells.

In **Downstream Oil**, EBIT increased to RON 1,230 mn, versus RON (79) mn in 2014, driven by higher refining margins, improved operational performance after the refinery modernization and increased oil products quantities sold. Total refined products sales volumes were up by 5% driven by higher oil products demand, which was supported by lower products quotations. Group retail sales volumes increased by 7%, the positive trend being reflected throughout the operating region. Non-retail sales volumes advanced by 3% on the back of higher demand for diesel and jet. The **indicator refining margin** increased to USD 8.71/bbl, from USD 1.89/bbl in 2014, reflecting lower cost for crude consumed, the updated standard yield (as of Q3/14) following the completion of the Petrobrazî refinery modernization program and higher product spreads.

In **Downstream Gas**, EBIT was RON (216) mn versus RON (818) mn in 2014, when special charges were booked in connection with higher impairments mainly for power assets. In 2015, higher segment sales and lower storage related expenses were recorded versus 2014. However, EBIT was negatively affected by RON (87) mn net impact from provisions for uncollected receivables. In addition, the result reflected special items of RON (71) mn, mainly related to the reclassification of the Dorobantu wind park as asset held for sale due to envisaged divestment.

EBIT in the **Corporate and Other** (Co&O) segment improved to RON (75) mn compared with RON (151) mn in 2014.

Notes to the income statement

Summarized income statement (RON mn)	2014	2015	Δ %
Sales revenues	21,541	18,145	(16)
Direct selling expenses	(480)	(383)	(20)
Cost of sales	(15,815)	(16,403)	4
Other operating income	316	501	59
Selling and administrative expenses	(1,267)	(1,122)	(11)
Exploration expenses	(156)	(577)	269
Other operating expenses	(801)	(692)	(14)
Earnings before interest and taxes (EBIT)	3,338	(530)	n.m.
Net financial result	(429)	(196)	(54)
Taxes on income	(810)	36	n.m.
Net income/ (loss)	2,100	(690)	n.m.
Less net income / (loss) attributable to non-controlling interests	(3)	(14)	355
Net income/ (loss) attributable to stockholders of the parent	2,103	(676)	n.m.

OMV Petrom is an integrated oil and gas company. The hydrocarbons produced by the Upstream segment are processed and mainly marketed by the downstream business. Compared to 2014, **consolidated sales revenues** decreased by 16% to RON 18,145 mn, largely due to lower petroleum products sales revenues, following the steep decline in oil prices, which more than offset the increase in quantities sold as a result of higher market demand and higher sales of electricity. After the elimination of intra-group transactions of RON 8,297 mn, the contribution of the **Upstream** segment to consolidated sales revenues was RON 682 mn or about 4% of the Group's total sales revenues (2014: RON 861 mn). Sales to external customers in the **Downstream Oil** segment amounted to RON 13,224 mn or 73% of total consolidated sales (2014: RON 16,602 mn). After elimination of intra-group sales, the **Downstream Gas** segment's contribution was RON 4,206 mn or approximately 23% of total sales (2014: RON 4,014 mn).

Sales to external customers are split by geographical areas on the basis of where the risks and benefits are transferred to the customer. Romania and Central and Eastern Europe represent the Group's most important **geographical markets**. Sales in Romania were at the amount of RON 14,801 mn or 82% of the Group's total sales (2014: RON 17,140 mn) and sales in the rest of Central and Eastern Europe were RON 3,324 mn or 18% of Group sales (2014: RON 4,334 mn).

Direct selling expenses decrease to RON 383 mn in 2015, from RON 480 mn in 2014, was generated mainly by the decrease of sales related taxes in the Kazakh companies. **Cost of sales**, which include variable and fixed production costs, as well as costs of goods and materials employed, increased by 4%, to RON 16,403 mn, following higher impairments of producing assets in Upstream, as a result of revisions of oil price assumptions for the short- and long-term. **Other operating income** increased by 59%, influenced mainly by the collection of damages following the positive outcome of a litigation dispute during 2015. **Selling and administrative expenses** of RON 1,122 mn decreased by 11% versus 2014, driven by lower storage costs for gas, whereas 2014 was affected by expenses related to the impairment of retail assets in Serbia.

Exploration expenses increased to RON 577 mn mainly in relation with unsuccessful exploration wells (RON 408 mn), as well as increased seismic acquisition.

Other operating expenses decreased by 14% compared to 2014, positively impacted by the reassessment of provisions for litigations and taxes and lower restructuring costs, partially offset by higher provisions for outstanding receivables in the gas business.

The net financial result improved to RON (196) mn in 2015, from RON (429) mn in 2014, mainly due to the positive outcome of a litigation dispute during 2015 and to the fact that 2014 was affected by provisions for fiscal review in OMV Petrom.

Taxes on income was positive in 2015 amounting to RON 36 mn, due to the deferred tax revenues generated by impairments of assets in Upstream.

Capital expenditure

Capital expenditure (RON mn)	2014	2015	Δ (%)
Upstream	5,349	3,486	(35)
Downstream Oil	794	393	(51)
Downstream Gas	3	9	200
Corporate and Others	92	7	(92)
Total capital expenditure	6,239	3,895	(38)
+/- Other adjustments ¹	1,292	710	(45)
- Investments in financial assets	(45)	(0)	n.m.
Additions according to statement of non-current assets (intangible and tangible assets)	7,486	4,606	(38)
+/- Non-cash changes ²	(1,576)	419	n.m.
Cash outflow due to investments in intangible and tangible assets	5,910	5,025	(15)
+ Net inflow from sale/investment in subsidiaries, non-current assets and other financial assets	(251)	(72)	(71)
Net cash used for investing activities	5,658	4,953	(12)

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

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

Capital expenditure decreased to RON 3,895 mn (2014: RON 6,239 mn), as the swift reaction to the oil price decrease led to the prioritization of investments.

Investments in **Upstream**, at RON 3,486 mn (2014: RON 5,349 mn), represented 90% of the total for 2015 and were focused on activities related to field redevelopment initiatives, workover activities and subsurface operations, surface facilities, drilling development wells, as well as investments related to the Neptun Deep project.

Capital expenditure in the **Downstream Oil** segment of RON 393 mn (2014: RON 794 mn) accounted for 10% of 2015 Group total investments. As the Petrobrazi refinery modernization program was finalized, 2015 investments were mainly related to the fuel terminal network optimization program (reconstruction works at the Cluj terminal). In addition, investment funds were also directed to efficiency projects, as well as to legal and environmental compliance projects.

Balance sheet

Summarized balance sheet (RON mn)	2014	%	2015	%
Assets				
Non-current assets	37,243	86	36,020	88
Intangible assets and property, plant and equipment	33,947	79	31,708	77
Investments in associated companies	35	0	41	0
Other non-current assets	2,213	5	2,708	7
Deferred tax assets	1,048	2	1,563	4
Current assets	5,882	14	5,098	12
Inventories	2,250	5	1,965	5
Trade receivables	1,424	3	1,318	3
Other current assets	2,208	5	1,815	4
Total assets	43,125	100	41,118	100
Equity and liabilities				
Total equity	27,005	63	25,688	62
Non-current liabilities	9,960	23	10,382	25
Pensions and similar obligations	283	1	239	1
Interest-bearing debts	1,589	4	1,424	3
Decommissioning and restoration obligations	7,255	17	7,941	19
Provisions and other liabilities	833	2	765	2
Deferred tax liabilities	0	0	13	0
Current liabilities	6,160	14	5,049	12
Trade payables	2,899	7	2,318	6
Interest-bearing debts	274	1	379	1
Provisions and other liabilities	2,987	7	2,352	6
Total equity and liabilities	43,125	100	41,118	100

Total assets decreased by RON 2,007 mn, to RON 41,118 mn, as the increase in intangible assets, which is mostly related to the drilling operations on the Neptun Deep block in the Black Sea, was more than offset by the impairment of producing assets in the Upstream segment, as a result of revised oil price assumptions. Additions to intangible assets and property, plant and equipment amounted to RON 4,606 mn (2014: RON 7,486 mn). The ratio of intangible assets and property, plant and equipment to total assets was 77% (2014: 79%).

The decrease of RON 784 mn in **current assets** was mostly driven by lower cash and cash equivalents, as a result of lower operational cash flows and dividend distribution, and by the decrease in inventories due to higher quantities sold.

The decrease in **total equity** by RON 1,317 mn was mainly as a consequence of the negative result for 2015 driven by impairments recognized in Q3/15 and Q4/15, and of the dividends distributed for the 2014 financial year. The equity ratio stood at 62% (2014: 63%).

The slight decrease in **interest-bearing debts** (both **long- and short-term**) by RON 60 mn was mainly related to scheduled repayments in 2015, partially offset by the RON depreciation versus EUR and USD between the end of 2014 and end of 2015.

The Group's **liabilities other than interest bearing debt** (both **long- and short-term**) decreased by RON 629 mn, mainly as a result of payments in relation to the fiscal review finalization in OMV Petrom and of the reduction in trade payables, partially offset by the increase of decommissioning provisions.

Gearing ratio

OMV Petrom Group's **net debt** showed an increase, to RON 1,286 mn as of December 2015, from RON 890 mn as of December 2014. Consequently, as of December 31, 2015, the **gearing ratio** increased to 5.0%, from 3.3% in December 2014.

Cash flow

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

Cash flow from operating activities decreased by RON 1,547 mn or 23% compared to 2014, reaching RON 5,283 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 5,863 mn for 2015 (2014: RON 4,240 mn). While depreciation, amortization and write-ups added RON 6,761 mn (2014: RON 4,806 mn), net movement in provisions (including decommissioning and restoration obligations and other provisions for risks and charges) contributed with a decrease of RON 87 mn (2014: increase of RON 257 mn) to the cash flow. Net interest and tax on profit paid generated a cash outflow of RON 832 mn (2014: cash outflow of RON 988 mn).

In 2015, net working capital generated a cash inflow of RON 146 mn (2014: cash outflow of RON 320 mn). The main contributors to the movements are a decrease in inventories by RON 231 mn (2014: increase by RON 315 mn), decrease in receivables by RON 21 mn (2014: increase by RON 152 mn) and a decrease in liabilities by RON 105 mn (2014: increase by RON 147 mn).

Cash outflows for investments in non-current assets of RON 5,025 mn (2014: RON 5,955 mn) were slightly offset by proceeds from disposals of RON 72 mn (2014: RON 297 mn). **Net cash outflow from investment activities** totalled RON 4,953 mn (2014: RON 5,658 mn).

Cash outflows from net decrease of short- and long-term borrowings amounted to RON 164 mn (2014: inflow RON 397 mn). Cash outflows for dividend payments amounted to RON 631 mn in 2015 (2014: RON 1,731 mn). **Total net cash outflow from financing activities** amounted to RON 794 mn (2014: outflow RON 1,334 mn).

Risk management

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

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

Through its risk management process, OMV Petrom assesses whether the mid-term liquidity and long-term sustainability are secured, and whether the uncertainty over its strategic objectives and financial targets are within acceptable levels.

On the medium-term, the objective of OMV Petrom's risk management system is to secure its capacity to deliver positive economic value added 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.

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

OMV Petrom's Enterprise Wide Risk Management (EWRM) system actively pursues the identification, analysis, evaluation and treatment of all risks (market and financial, operational and strategic) in order to manage their effects on the company's cash flow up to an acceptable level agreed as per the risk appetite.

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

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

risk profile in accordance with the company's objectives and risk appetite. The risk management system and its effectiveness are monitored by the Audit Committee of the Supervisory Board via regular reports. The EWRM system is assessed via various benchmarks of external consultants as in line with best practice at international level.

The risks within OMV Petrom's EWRM system are organized in the following categories: market and financial, operational and strategic. These categories include among others: market, financial, project, process, health, safety and security, tax, compliance, personnel, legal, regulatory and reputational risks.

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

OMV Petrom's key financial and non-financial exposures are commodity market price risk, foreign exchange risk and single-event hazard operational risks. Other risks that influence the company's results are counterparty credit risk, liquidity risk and interest rate risk.

As regards to **market price risk**, OMV Petrom is naturally exposed to the price-driven volatility of cash flows generated by production, refining and marketing activities associated with crude oil, oil products, gas and electricity. Market risk has core strategic importance within OMV Petrom's risk profile and liquidity. The market price risks of OMV Petrom commodities are closely analyzed, quantified and evaluated.

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

In 2015, in order to protect the cash flow against further potential downturns of the crude oil price, we entered into hedging arrangements (Zero Cost Collar) for 20% of the crude production with a protection floor level of USD 55/bbl for the third quarter of 2015 to the second quarter of 2016 period.

The transaction was accounted for as a cash flow hedge until the third quarter of 2015, when the Group monetized the oil price hedges for the fourth quarter of 2015 through the second quarter of 2016.

Hedges for the third quarter of 2015, settled at maturity, generated a positive cash result of RON 24.59 mn, while the monetization of hedges for the remaining period (for the fourth quarter of 2015 to the second quarter of 2016) generated a positive cash result of RON 90.31 mn, achieving a protection of USD 5.5 /bbl for the hedged volumes. The total effect in the 2015 income statement of the above transactions is in amount of RON 100.69 mn.

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

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

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

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

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

In 2015, the internal risk analysis resulted in no need for hedging the interest rate risk, hence no financial instruments were used for interest rate hedging in 2015.

OMV Petrom's consolidated risk profile is regularly reported in comparison with the company's risk appetite for the Executive Board's approval and for the information of the Audit Committee of the Supervisory Board. In 2015, in March and October, the consolidated risk profile was reported and approved by OMV Petrom's Executive Board in accordance with the company's risk appetite and was also presented for information to the Audit Committee.

Internal control

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

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

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

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 as well as process and compliance risk.
Risk mitigation via control activities	Control activities and measures (such as segregation of duties, checks, approvals, IT access rights) are defined, implemented and performed to mitigate significant process and compliance risks.
Documentation and information	Related duties include the documentation of main processes and procedures containing a description of key control activities performed.
Monitoring and audit	Management and Internal Audit evaluate the effective implementation of the internal control system.

OMV Petrom's successful management and operation means creating value for all stakeholders and requires a systematic and transparent management of the company, while applying the best corporate governance principles. To attain this objective, it is very important to establish and to maintain a rigorous Business Management System (BMS).

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

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

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

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

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

Subsequent events

Please refer to Note 36 in the Consolidated Financial Statements.

Outlook 2016

Market, regulatory and fiscal environment

For the year 2016, **Brent oil price** is expected to average USD 40/bbl and the Brent-Urals spread is anticipated to be wider than in recent years.

OMV Petrom estimates **gas** demand in Romania to remain broadly flat, with increased competition and margin pressure, also considering the increasing competitiveness of import gas. In the **power** market, demand for 2016 is anticipated to be also relatively stable, but with weak spark spreads throughout the year.

In 2016, **refining** margins are expected to decline from 2015 levels due to persisting overcapacity in European markets. The lower product prices resulting from the decrease in the international crude and oil product quotations, together with the reduced VAT in Romania starting 2016, are expected to support demand for oil products, though with increased competition.

Several amendments to the **Romanian general taxation framework** have been approved, scheduled to enter into force in 2016 - 2017. The tax on constructions is kept at 1% for 2016, and it is expected to be eliminated starting with 2017.

In addition, as announced by the authorities, further developments are expected with respect to **upstream oil and gas taxation**, with public consultations envisaged to take place before new measures are applied starting with 2017.

Moreover, a stable, predictable and investment-friendly fiscal and regulatory environment is crucial to enable OMV Petrom to maintain future investments for both offsetting natural decline and further onshore and offshore development.

Investments

In response to the prolonged depressed market environment, OMV Petrom will continue to adjust its activity level, maintaining a strong balance sheet and protecting its free cash flow position.

CAPEX (including capitalized exploration and appraisal) for 2016 is expected to range between EUR 0.7 - 0.8 bn, about 10-20% down compared with the 2015 level, with approx. 85% dedicated to Upstream; exploration expenditures are estimated to decrease by approx. 50% versus the high level of 2015.

In **Upstream**, operational activities concentrate on maintaining the safety conditions and fulfillment of integrity and investment programs. Operational excellence initiatives will continue, focusing on cost reductions and efficiency (e.g. reduced mean time between failures, costs per workover and rates for new wells drilled).

Under the joint venture with Hunt Oil, the Padina Nord 1 discovery will further advance and development options are under consideration. As regards the Neptun Deep block (50% OMV Petrom; 50% ExxonMobil), partners will review, evaluate and optimize the development strategy with the aim to determine the most efficient development plan for the discovered resources. This could potentially include a phased development approach. At this stage, the final investment decision could be expected in around two years and first production would be achieved early next decade.

In Kazakhstan, workover activities to combat natural decline will continue, aiming to maintain production in the TOC and Komsomolskoe fields.

In **Downstream Oil**, OMV Petrom will continue to focus on improving operational performance and delivering on economic energy efficiency upgrades. In the Petrobrazi refinery, a one-month planned shutdown and turnaround is scheduled in Q2/16 with the main scope related to maintenance works and reauthorizations. The refinery utilization rate, adjusted for the turnaround, is targeted to remain high as the company expects to maintain the strong performance in all sales channels, supporting the stable

profit and cash contribution from the Downstream Oil business. Moreover, the company continues to pursue cost discipline and optimization of the Downstream Oil business.

In **Downstream Gas**, OMV Petrom expects to maintain its strong position in the gas market through continued portfolio optimization and customer orientation. The Brazi power plant will continue to play an important role within the company's integrated gas value chain, a significant part of its production capacity being sold forward for 2016; additionally, the company continuously strives to capture available market opportunities by capitalizing on the plant's operational flexibility. Moreover, OMV Petrom envisages divestment of the Dorobantu wind park, in line with the strategy to focus on its core business.

3.3. Corporate governance report

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

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

The Company has, therefore, always placed great importance on good corporate governance and has adhered to the principles laid down in the Corporate Governance Code issued by the Bucharest Stock Exchange starting 2010, continuing to apply them since then, including after the entrance into force of the new Corporate Governance Code on January 4th, 2016.

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

Commitment to good corporate governance

The Executive Board and the Supervisory Board are committed to principles of good corporate governance, considering corporate governance a key element underpinning the sustainable growth of the business and also the enhancement of long-term value for shareholders.

General Meeting of Shareholders

The main rules and procedures of the GMS are laid down in the Rules and Procedures of the General Meetings of Shareholders of OMV Petrom, published on the Company's corporate website.

The 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, as per the law requirements, be within less than 30 (thirty) days after publishing the convening notice in the Official Gazette of Romania, part IV. The convening notice shall be also published in one of the widely-distributed newspapers in Romania. In exceptional cases, when the Company's interest requires it, the Supervisory Board may convene the GMS. The convening notice will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority in accordance with capital markets regulations. The convening notice will also be made available on the Company's website, together with any explanatory document related to items included on the GMS agenda. The annual financial statements are made available starting with the date of the convening notice of the Ordinary GMS convened to resolve upon them.

General Meeting of the Shareholders organization

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

The minutes of the meeting, signed by the President and by the secretaries, shall ascertain the fulfillment of the formalities relating to the convening notice, the date and place of the GMS, the agenda, the shareholders present, the number of shares, a summary of the issues discussed, the resolutions passed and, upon the request of the shareholders, the statements made by such shareholders during the GMS. The resolutions of the GMS shall be drafted pursuant to the minutes and shall be signed by the President of the Supervisory Board or by another person appointed by the President. In observance of capital market regulations, the resolutions of the GMS will be disseminated to the Bucharest Stock Exchange and the Financial Supervisory Authority (former National Securities Commission) within 24 hours after the event. The resolutions will also be made available on the Company's website.

General Meeting of the Shareholders main duties

The main duties of the Ordinary GMS are the following:

- (a) to discuss, approve or modify the annual financial statements after having reviewed the reports of the Executive Board, of the Supervisory Board, of the financial auditor and of the internal auditors;
- (b) to distribute the profit and to establish the dividends;
- (c) to elect the members of the Supervisory Board and the financial auditor and to revoke the appointment of each of the foregoing; to approve the minimum term of the audit contract;

- (d) to establish the remuneration of the members of the Supervisory Board and of the financial auditor for the current fiscal year;
- (e) to assess the activity of the Executive Board members and of the Supervisory Board members, to evaluate their performance and to discharge them of their duties in accordance with the provisions of law;
- (f) to approve the income and expenditure budget, as well as the business program for the next financial year;
- (g) to approve the reports of the Supervisory Board with respect to the supervision activity performed by it.

The Extraordinary GMS is entitled to decide mainly upon:

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

Supervisory Board

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

Supervisory Board members

At the end of 2015, the membership of the Supervisory Board comprised the following individuals: Rainer Seele, David C. Davies, Manfred Leitner, Johann Pleininger, Christoph Trentini, George Băeșu, Bogdan-Nicolae Badea, Joseph Bernhard Mark Mobius, Riccardo Puliti.

Supervisory Board main powers

The Supervisory Board has the following main powers:

- (a) to exercise control over the management of the Company by the Executive Board;
- (b) to determine the structure and the number of positions in the Executive Board; to appoint and revoke the members of the Executive Board;
- (c) to create an audit committee and other specialized committees, if appropriate;
- (d) to check that the acts undertaken in the course of the management of the Company are compatible with law, the Articles of Association and any relevant resolutions of the GMS;
- (e) to submit to the GMS a report concerning the supervision activity undertaken;
- (f) to represent the Company in relation to the Executive Board;
- (g) to verify the Company's financial statements;
- (h) to verify the report of the members of the Executive Board;
- (i) to propose to the GMS 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 2015 financial year, the Supervisory Board met five times in person and submitted its approval in writing on six other occasions (more details are presented within the report of the Supervisory Board).

Special Committees

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

An **Audit Committee** composed of Supervisory Board members was established to provide assistance to the governing bodies of the Company in the area of risk management and financial reporting and to monitor the information provided by its internal auditors.

This committee examines and reviews the annual financial statements and the proposal for profit distribution before their submission to the Supervisory Board for approval, as well as considers and makes recommendations to the Supervisory Board on the appointment, re-appointment or removal of the independent external financial auditor, 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.

Starting December 31, 2015, the roles and functions of the Audit Committee in this area were further detailed in the Audit Committee Terms of Reference and include also: undertaking an annual assessment of the system of internal control; evaluating the efficiency of the internal control system and risk management system; monitoring the application of statutory and generally accepted standards of internal auditing; receiving regularly a summary of the main findings of the audit reports and evaluating the reports of the internal audit team; reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties; examining and reviewing, before their submission to the Supervisory Board for approval, related party transactions that exceed or may be expected to exceed 5% of the Company's net assets in the previous financial year, in accordance with Related Party Transactions Policy.

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

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

At the beginning of 2015, the Audit Committee consisted of the following members: David C. Davies (President of the Audit Committee), Manfred Leitner (Deputy President of the Audit Committee), Riccardo Puliti (Member) and George Băeșu (Member). Following Manfred Leitner's waiver of his mandate as deputy president and member of the Audit Committee, the Supervisory Board approved during the meeting on April 28, 2015, the appointment of Christoph Trentini as deputy president and member of the Audit Committee as of the same date.

As of December 31, 2015, the Audit Committee is composed of three members, namely Riccardo Puliti (President of the Audit Committee - independent), David C. Davies (Deputy President of the Audit Committee) and George Băeșu (Member - independent).

During the 2015 financial year, the Audit Committee met three times (more details presented under the corresponding section within the report of the Supervisory Board).

Supervisory Board self-evaluation

The Supervisory Board approved in December 2015 a Supervisory Board Self-Evaluation Guideline providing the purpose, criteria and frequency of such an evaluation. The aim of this process is to assess and if necessary to improve both the efficiency and the effectiveness of the Supervisory Board work, as well as to ensure that the Supervisory Board is capable of fulfilling its responsibilities towards shareholders and other stakeholders. The Supervisory Board members mainly consider that the composition regarding the experience and qualification, diversity, number of members and also presence is satisfactory. Supervisory Board members also appreciated the good collaboration with the Executive Board, the organization and conducting of the Supervisory Board meetings and the quality of the documents provided for and during the meetings.

Executive Board

The Executive Board is appointed and/or revoked by the Supervisory Board. The number of members shall be determined by the Supervisory Board, provided that such number is not lower than three and not higher than seven. One Executive Board member is appointed as the President of the Executive Board (also named Chief Executive Officer of the Company). The Executive Board's current mandate started in April 2015 and runs until April 2019.

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

On March 24, 2015, the Supervisory Board appointed the following OMV Petrom Executive Board members for a four year term starting April 17, 2015 until April 17, 2019: Mariana Gheorghe (Chief Executive Officer and President of the Executive Board); Andreas Matje (Chief Financial Officer and

Executive Board member); Gabriel Selischi (Executive Board member in charge with the Upstream activity); Neil Anthony Morgan (Executive Board member in charge with the Downstream Oil activity); Lăcrămioara Diaconu-Pințea (Executive Board member in charge with the Downstream Gas activity)⁹.

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

Executive Board main duties

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

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

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

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

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

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

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

Furthermore, according to the Company's internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, related party transaction that exceed or may be expected to exceed, either single or connected, 5% of the Company's net assets in the previous financial year are to be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the Audit Committee on this transaction.

In 2015, the Executive Board met 55 times in person and passed resolutions by circulation on seven other occasions in order to approve 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.

⁹ Starting with April 1, 2015, the business segments were renamed as follows: Exploration and Production to Upstream, Refining and Marketing to Downstream Oil, Gas and Power to Downstream Gas.

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 GMS. Among these decisions are included:

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

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

One share, one vote, one dividend

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

GMS calling

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

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

GMS attendance

The Company actively promotes the participation of its shareholders in the GMS, as they are invited to raise questions concerning items to be debated during such meetings. The shareholders may attend in person or may be represented in the GMS either by their legal representatives or by representatives having a special proxy, based on the special 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. A shareholder may appoint by proxy one or more alternate representatives to ensure its representation in the GMS, if the designated representative is unable to fulfill its mandate.

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

Taking shareholders' questions

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

Any agreements, understanding or family connection between the Supervisory Board members and another person responsible for appointing the respective person in the position of Director

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

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

Company shares held by the Supervisory Board members

OMV Petrom does not have knowledge of any member of the Supervisory Board holding shares issued by the Company.

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

Executive Board members are appointed by decision of the Supervisory Board. OMV Petrom does not have knowledge of any agreement, understanding or family connection between Executive Board members and the persons responsible for their appointment as members of the Executive Board of OMV Petrom.

Company shares held by the Executive Board members

As part of the program of free distribution of shares to its employees, conducted by OMV Petrom in 2010, 100 shares were assigned to Mariana Gheorghe, President of the Executive Board and 100 shares to Lăcrămioara Diaconu-Pințea, member of the Executive Board.

Likewise, as a matter of good corporate governance, we outline that Mariana Gheorghe's husband holds 60,000 shares issued by OMV Petrom and Lăcrămioara Diaconu-Pințea's husband holds 100 shares issued by OMV Petrom.

Women's advancement

The Company supports gender diversity and promotion of women in management positions. While there are no female members of the Supervisory Board of the Company, the President of the Executive Board is Mariana Gheorghe. Moreover, on March 24, 2015, the Supervisory Board approved the new composition of the OMV Petrom Executive Board, with a newly appointed Executive Board member in charge with Downstream Gas activity, namely Lăcrămioara Diaconu-Pințea.

By the end of 2015, around 38% of the first line directors reporting to Executive Board were women, whilst the percentage of women in middle management was around 39%. Given the strong industrial bias of our operations, the proportion of women in the Group as a whole by year end was 22.5%, which is in line with the equivalent figure for the OMV Group, of which OMV Petrom is part.

Bucharest Stock Exchange Corporate Governance Code

The Company first adhered to the Corporate Governance Code issued by the Bucharest Stock Exchange in 2010. In 2015, the Company continued to apply the principles of good corporate governance provided by the Corporate Governance Code issued by the Bucharest Stock Exchange.

Following the publication by the Bucharest Stock Exchange on September 22, 2015, of the new Corporate Governance Code which entered into force on January 4, 2016, the Company underwent an internal assessment in order to identify those areas in which it might be necessary to take some actions in order to have compliance with the new provisions, at the end of which the Company adopted a set of policies, procedures, guidelines and terms of reference, namely: Dividend Policy, Forecast Policy, Related Party Transactions Policy, Sustainability Policy, Rules and Procedures of the General Meeting of Shareholders, Supervisory Board Self-Evaluation Guideline, Audit Committee Terms of Reference. Most of these documents state and formalize the practices already in place in the Company.

As required by the Bucharest Stock Exchange, OMV Petrom published on January 4, 2016 a current report listing the provisions of the new Corporate Governance Code and the Company's status of compliance with these as of December 31, 2015, explaining briefly the reasons for such deviations.

More 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 corporate governance statement, which is a part of this annual report. The corporate governance statement does not contain any deviation from the ad-hoc report published by the Company on January 4, 2016, but only provides more detailed explanations.

3.3.1. Corporate governance statement¹⁰

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
Section A - Responsibilities				
	A.1. All companies should have internal regulation of the Board which includes terms of reference/ responsibilities for Board and key management functions of the company, applying, among others, the General Principles of this Section.	√		<p>Since April 2007, OMV Petrom is managed in a two-tier system by an Executive Board, which manages the daily business of the Company under the supervision of the Supervisory Board.</p> <p>The Company's corporate governance structure and principles are laid down in the Articles of Association, the Rules and Procedures of the General Meeting of Shareholders, the internal rules of the Supervisory Board and the Executive Board, as well as in other internal regulations, which include also the competences and responsibilities of the GMS, the Supervisory Board and of the Executive Board.</p>
	A.2. Provisions for the management of conflict of interest should be included in Board regulation. In any event, members of the Board should notify the Board of any conflicts of interest which have arisen or may arise, and should refrain from taking part in the discussion (including by not being present where this does not render the meeting non-quorate) and from voting on the adoption of a resolution on the issue which gives rise to such conflict of interest.	√		<p>The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association, but also in other internal regulations.</p> <p>Moreover, the Company has put in place internal rules on how to deal with conflicts of interest.</p>
	A.3. The Supervisory Board should have at least five members.	√		The Supervisory Board consists of nine members elected by the Ordinary GMS, in accordance with the provisions of Company Law and the Company's Articles of Association.
	A.4. The majority of the members of the Board should be non-executive. Not less than two non-executive members of the Board of Directors or Supervisory Board should be independent, in the case of Premium Tier Companies. Each member of the Supervisory Board should submit a declaration that he/she is independent at the moment of	√		<p>OMV Petrom's governance follows a two-tier system, with the Executive Board ensuring the management of the Company under the control and supervision of the Supervisory Board. The Supervisory Board comprises nine members who are all non-executive. Therefore, the balance between executives and non-executives is ensured.</p> <p>The Company conducted an evaluation</p>

¹⁰ The statement summarises the main highlights of the Code's provisions. For the full text of the Code please refer to Bucharest Stock Exchange website www.bvb.ro

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	his/her nomination for election or re-election as well as when any change in his/her status arises, by demonstrating the ground on which he/she is considered independent in character and judgment.			of the Supervisory Board members' independence based on the independence criteria provided by the new Corporate Governance Code (which are substantially similar with those provided by the Company law), consisting in an individual personal assessment done by each Supervisory Board member, followed by an external assessment. Following this evaluation, it resulted that two Supervisory Board members meet all the independence criteria provided by the Corporate Governance Code, namely George Băeșu and Riccardo Puliti, they being also members of the Audit Committee.
	A.5. A Board member's other relatively permanent professional commitments and engagements, including executive and non-executive Board positions in companies and not-for-profit institutions, should be disclosed to shareholders and to potential investors before appointment and during his/her mandate.	√		Information on Supervisory Board and Executive Board members' permanent professional commitments and engagements, including executive and non-executive positions in companies and not-for-profit institutions are included in Supervisory Board and Executive Board members' personal CVs, available on the Company's corporate website, within the Investor Relations section, Corporate Governance sub-section.
	A.6. Any member of the Board should submit to the Board, information on any relationship with a shareholder who holds directly or indirectly, shares representing more than 5% of all voting rights.	√		The members of the Executive Board and the members of the Supervisory Board have, by law, a duty of care and a duty of loyalty to the Company, stated not only in the Company's Articles of Association but also in other internal regulations. The Company has put in place internal rules on how to deal with conflicts of interest.
	A.7. The company should appoint a Board secretary responsible for supporting the work of the Board.	√		The Company has a General Secretary, supporting the works of the Executive Board and of the Supervisory Board.
	A.8. The corporate governance statement should inform on whether an evaluation of the Board has taken place under the leadership of the chairman or the nomination committee and, if it has, summarize key action points and changes resulting from it. The company should have a policy/guidance regarding the evaluation of the Board containing the purpose, criteria and frequency of the evaluation process.	√		The Supervisory Board approved in December 2015 a Supervisory Board Self-Evaluation Guideline providing the purpose, criteria and frequency of such an evaluation. Based on this Guideline, the Supervisory Board underwent a self-evaluation process for the business year 2015, under the leadership of the President of the Supervisory Board. The outcome of the self-evaluation is presented in the Corporate Governance Report of the Annual Report.
	A.9. The corporate governance statement should contain	√		The Supervisory Board meets whenever necessary, but at least once

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	information on the number of meetings of the Board and the committees during the past year, attendance by directors (in person and in absentia) and a report of the Board and committees on their activities.			<p>every three months. In 2015, the Supervisory Board members met five times in person and passed resolutions by circulation on six other occasions. All members of the Supervisory Board attended the vast majority of the meetings of the Supervisory Board in 2015. The average participation rate was over 90%. The Audit Committee of the Supervisory Board met three times in 2015.</p> <p>The Executive Board usually meets once a week. In 2015, the Executive Board met 55 times in person and passed resolutions by circulation on seven other occasions. The average participation rate of Executive Board members was over 95%.</p> <p>The Supervisory Board report is included in the Annual Report and submitted for Ordinary GMS's approval.</p>
	A.10. The corporate governance statement should contain information on the precise number of the independent members of the Board of Directors or of the Supervisory Board.	√		Following the independence evaluation of the Supervisory Board members, as per the independence criteria provided by the Corporate Governance Code (which are substantially similar with those provided by the Company law), it resulted that two Supervisory Board members meet all the independence criteria, namely George Băeșu and Riccardo Puliti, they being also members of the Audit Committee.
	A.11. The Board of Premium Tier companies should set up a nomination committee formed of non-executives, which will lead the process for Board appointments and make recommendations to the Board. The majority of the members of the nomination committee should be independent.		√	<p>The Supervisory Board members are appointed by the GMS, based on a transparent procedure of appointment and with the majority of votes of the shareholders, as provided for in the Company's Articles of Association and applicable law. Prior to the GMS, their CVs are available for the shareholders for consultation, while the shareholders are allowed to supplement the candidates list for the position of member of the Supervisory Board.</p> <p>Establishment of the Nomination Committee is a pending subject for the assessment of the Company.</p>
Section B - Risk management and internal control system				
	B.1. The Board should set up an audit committee, and at least one member should be an independent non-executive. The majority of members, including	√		OMV Petrom's Supervisory Board has set up an Audit Committee among its members. Therefore the Audit Committee's members are all non-executives.

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	the chairman, should have proven an adequate qualification relevant to the functions and responsibilities of the committee. At least one member of the audit committee should have proven adequate auditing or accounting experience. In the case of Premium Tier companies, the audit committee should be composed of at least three members and the majority of the audit committee should be independent.			During 2015, the Audit Committee was composed of four Supervisory Board members. As of December 31, 2015, the Audit Committee has three members, namely: Riccardo Puliti – president of the Audit Committee, David Davies – deputy president of the Audit Committee and George Băeșu – member of the Audit Committee. Two of the members of the Audit Committee, including the president of the Audit Committee, meet all independence criteria provided by the Corporate Governance Code. In line with Company Law, the Audit Committee includes members that have the necessary financial, audit and accounting expertise.
	B.2. The audit committee should be chaired by an independent non-executive member.	√		Riccardo Puliti is the president of the Audit Committee. Being member of the Supervisory Board, he is non-executive. Moreover, following the independence evaluation of the Supervisory Board members, it resulted that he is also independent as per the independence criteria provided by the Corporate Governance Code (which are substantially similar with those provided by the Company law).
	B.3. Among its responsibilities, the audit committee should undertake an annual assessment of the system of internal control.	√		<p>The Terms of Reference for the Audit Committee approved by the Supervisory Board in December 2015, details the roles and functions of the Audit Committee, consisting mainly in:</p> <ul style="list-style-type: none"> - examining and reviewing the annual financial statements and the proposal for profit distribution; - considering and making recommendations on the appointment, re-appointment or removal of the independent external financial auditor, which is to be elected by the Ordinary GMS; - undertaking an annual assessment of the system of internal control, considering the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the Audit Committee, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant
	B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk management and internal control reports to the audit committee of the Board, management's responsiveness and effectiveness in dealing with identified internal control failings or weaknesses and their submission of relevant reports to the Board.	√		
	B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	√		
	B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	√		
	B.7. The audit committee should monitor the application of statutory and generally accepted	√		

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.			<p>reports to the Supervisory Board;</p> <ul style="list-style-type: none"> - reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties; - evaluating the efficiency of the internal control system and risk management system; - monitoring the application of statutory and generally accepted standards of internal auditing; - receiving regularly a summary of the main findings of the audit reports and evaluating the reports of the internal audit team; - examining and reviewing, before their submission to the Supervisory Board for approval, related party transactions that exceed or may be expected to exceed 5% of the Company's net assets in the previous financial year, in accordance with Related Party Transactions Policy.
	B.8. Whenever the Code mentions reviews or analysis to be exercised by the Audit Committee, these should be followed by cyclical (at least annual), or ad-hoc reports to be submitted to the Board afterwards.	√		The Audit Committee submits periodic reports to the Supervisory Board on the specific subjects assigned to it.
	B.9. No shareholder may be given undue preference over other shareholders with regard to transactions and agreements made by the company with shareholders and their related parties.	√		The Company applies equal treatment to all its shareholders. According to the internal Policy on Related Party Transactions in place within the Company, related party transactions are considered on their merits in accordance with the normal industry standards, applicable laws and corporate regulations.
	B.10. The Board should adopt a policy ensuring that any transaction of the company with any of the companies with which it has close relations, that is equal to or more than 5% of the net assets of the company (as stated in the latest financial report), should be approved by the Board following an obligatory opinion of the audit committee and fairly disclosed to the shareholders and potential investors, to the extent that such transactions fall under the category of events subject to disclosure requirements.	√		Company adopted an internal Policy on Related Party Transactions providing for the main principles of review, approval and disclosure of related party transactions, according to the applicable regulations and Company's statutory documents, including the fact that related party transaction that exceed or may be expected to exceed, either single or connected, an annual value of 5% of the Company's net assets in the previous financial year are to be approved by the Supervisory Board following the approval of the Executive Board and based on the review of the

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				Audit Committee of the respective transaction. OMV Petrom regularly submits reports on transactions with its related parties to the Financial Supervisory Authority and to the Bucharest Stock Exchange. Such disclosure reports are reviewed by the external financial auditor according to the relevant laws in force.
	B.11. The internal audits should be carried out by a separate structural division (internal audit department) within the company or by retaining an independent third-party entity.	√		Internal audits are carried by a separate structural department within the Company, namely the Internal Audit department.
	B.12. To ensure the fulfillment of the core functions of the internal audit department, it should report functionally to the Board via the audit committee. For administrative purposes and in the scope related to the obligations of the management to monitor and mitigate risks, it should report directly to the chief executive officer.		√	For administrative purposes, the Internal Audit department reports to the Chief Financial Officer, while functionally to the Executive Board. However, the Audit Committee endorses the annual internal audit plan. Moreover, the Audit Committee is regularly informed about the main internal audit findings. Therefore, in our opinion, the independency and objectivity of the internal audit function is not impaired by this reporting structure. Likewise, the Internal Audit Department did not encounter, in its past experience, cases that could be considered as jeopardizing its independence or objectivity due to the reporting lines.
Section C - Fair rewards and motivation				
	C.1. The company should publish a remuneration policy on its website and include in its annual report a remuneration statement on the implementation of this policy during the annual period under review. Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.		√	The remuneration of the Supervisory Board members is resolved upon by the GMS every year and is made public. The development of a remuneration policy is being currently analysed.
Section D - Building value through investors' relations				
	D.1. The company should have an Investor Relations function - indicated, by person (s) responsible or an organizational unit, to the general public. In addition to information required by legal provisions, the company should include on its corporate website a dedicated Investor Relations section, both in Romanian and English, with all	√		The Company has a special department dedicated to investor relations that can be contacted via e-mail at investor.relations.petrom@petrom.com . Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available,

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	<p>relevant information of interest for investors, including:</p> <p>D.1.1. Principal corporate regulations: the articles of association, general shareholders' meeting procedures.</p> <p>D.1.2. Professional CVs of the members of its governing bodies, a Board member's other professional commitments, including executive and non-executive Board positions in companies and not-for-profit institutions;</p> <p>D.1.3. Current reports and periodic reports (quarterly, semi-annual and annual reports);</p> <p>D.1.4. Information related to general meetings of shareholders;</p> <p>D.1.5. Information on corporate events;</p> <p>D.1.6. The name and contact data of a person who should be able to provide knowledgeable information on request;</p> <p>D.1.7. Corporate presentations (e.g. IR presentations, quarterly results presentations, etc.), financial statements (quarterly, semi-annual, annual), auditor reports and annual reports.</p>			<p>both in English and Romanian:</p> <ul style="list-style-type: none"> - Articles of Association – in the Corporate Governance sub-section; - Rules and Procedures of the General Meeting of Shareholders – in the Corporate Governance sub-section; - Detailed professional CVs for all members of the Executive Board and Supervisory Board – in the Corporate Governance sub-section; - Current reports and periodic reports – in the Investor News and Investor Reports and Presentations sub-sections; - Convening notices and supporting materials for the GMS – in the General Meeting of Shareholders sub-section; - Financial calendar and information on other corporate events – in the Events sub-section; - Name and contact information of a person able to provide investors' knowledgeable information on request – in the Contact sub-section; - Investor Presentations, Annual and Interim Reports, Annual and Interim Financial Statements, both individual and consolidated, including also the external auditor reports – in the Investor Reports and Presentations sub-section.
	D.2. A company should have an annual cash distribution or dividend policy. The annual cash distribution or dividend policy principles should be published on the corporate website.	√		The Company's Dividend Policy is published on its corporate website in the Investor Relations section, Corporate Governance sub-section.
	D.3. A company should have adopted a policy with respect to forecasts, whether they are distributed or not. Forecasts means the quantified conclusions of studies aimed at determining the total impact of a list of factors related to a future period (so called assumptions): by nature such a task is based upon a high level of uncertainty, with results sometimes significantly differing	√		The Company has a Forecast Policy which is published on its corporate website in the Investor Relations section, Corporate Governance sub-section.

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	from forecasts initially presented. The policy should provide for the frequency, period envisaged, and content of forecasts. Forecasts, if published, may only be part of annual, semi-annual or quarterly reports. The forecast policy should be published on the corporate website.			
	D.4. The rules of general meetings of shareholders should not restrict the participation of shareholders in general meetings and the exercising of their rights. Amendments of the rules should take effect, at the earliest, as of the next general meeting of shareholders.	√		<p>The details regarding the organization of the GMS are mentioned in the Company's Articles of Association and the Rules and Procedures of the General Meeting of Shareholders. Likewise, OMV Petrom publishes for every GMS extensive convening notices describing in detail the procedure to be followed for the respective meeting. In this manner, the Company ensures that the GMSs are adequately conducted and well organized while the shareholders' rights are duly observed.</p> <p>The Company ensures equal treatment of all shareholders. Each share subscribed and fully paid by the shareholders shall grant equal rights and shall confer on its holder, according to the law, the right for one vote in the GMS (except where the voting rights are suspended in accordance with the applicable law), the right to elect and to be elected in the management bodies of the Company, the right to participate in the distribution of the profits in accordance with the Articles of Association and the law, as well as any other rights provided by the Articles of Association. There are no shares with multiple voting rights, preferential voting rights or maximum voting rights.</p>
	D.5. The external auditors should attend the shareholders' meetings when their reports are presented there.	√		The external auditors attend the Ordinary GMS whereby the annual financial statements are submitted for approval.
	D.6. The Board should present to the annual general meeting of shareholders a brief assessment of the internal controls and significant risk management system, as well as opinions on issues subject to resolution at the general meeting.	√		<p>All matters submitted for GMS approval are subject to Supervisory Board approval according to Company's internal rules.</p> <p>Moreover, the Annual Report submitted for GMS approval contains a brief assessment of the internal controls and significant risk management system.</p>
	D.7. Any professional, consultant, expert or financial analyst may	√		The Rules and Procedures of the General Meeting of Shareholders

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	participate in the shareholders' meeting upon prior invitation from the Chairman of the Board. Accredited journalists may also participate in the general meeting of shareholders, unless the Chairman of the Board decides otherwise.			provide for the possibility for any professional, consultant, expert, financial analyst or accredited journalists may participate in the GMS, upon prior invitation from the President of the Supervisory Board.
	D.8. The quarterly and semi-annual financial reports should include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.	√		The quarterly and semi-annual financial reports include information in both Romanian and English regarding the key drivers influencing the change in sales, operating profit, net profit and other relevant financial indicators, both on quarter-on-quarter and year-on-year terms.
	D.9. A company should organize at least two meetings/conference calls with analysts and investors each year. The information presented on these occasions should be published in the IR section of the company website at the time of the meetings/conference calls.	√		OMV Petrom organizes one-to-one meetings and conference calls with financial analysts, investors, brokers and other market specialists with a view to presenting the financial elements relevant for investment decision. In 2015, OMV Petrom organized four conference calls / meetings with the occasion of publication of the quarterly results. In addition, the company held one-to-one and group meetings and attended analyst and investor conferences, organized in Romania and abroad. For more details, please see also the Annual Report's section relating to OMV Petrom shares. The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investor Relations section.
	D.10. If a company supports various forms of artistic and cultural expression, sport activities, educational or scientific activities, and considers the resulting impact on the innovativeness and competitiveness of the company part of its business mission and development strategy, it should publish the policy guiding its activity in this area.	√		OMV Petrom conducts various activities regarding social and environmental responsibility. The Company has a Sustainability Policy in line with the Group Sustainability Strategy, published on the corporate website in the Investor Relations section, Corporate Governance sub-section. Likewise, please see also the Annual Report's section relating to community involvement.

3.4. Declaration of the management

We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2015, 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 23, 2016

The Executive Board

Mariana Gheorghe
Chief Executive Officer
President of the Executive Board



Andreas Matje
Chief Financial Officer
Member of the Executive Board



Gabriel Selischi
Member of the Executive Board
Upstream



Lăcrămioara Diaconu-Pințea
Member of the Executive Board
Downstream Gas



Neil Anthony Morgan
Member of the Executive Board
Downstream Oil



Abbreviations and definitions

ANRE	Romanian Energy Regulatory Authority
bbl	barrel(s), i.e. 159 liters
bbl/d	bbl per day
bcf	billion cubic feet; 1 billion standard cubic meters = 35.3147 bcf for Romania or 34.7793 bcf for Kazakhstan
bcm	billion cubic meters
bn	billion
boe, kboe	barrels of oil equivalent, thousand barrels of oil equivalent
boe/d, kboe/d	boe per day, kboe per day
BSE	Bucharest Stock Exchange
CAPEX	Capital Expenditure
Capital employed	Equity including minorities + net debt
cbm	cubic meter(s)
CCS	Current cost of supply
CEO	Chief Executive Officer
Co&O	Corporate and Other
CO ₂	Carbon Dioxide
CR	Community relations
CSR	Corporate Social Responsibility
CV	Curriculum Vitae
EB	Executive Board
EBIT	Earnings Before Interest and Taxes
EBITD	Earnings Before Interest, Taxes and Depreciation
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
EURIBOR	Euro Interbank Offered Rate
FRD	Field redevelopment
FX	Foreign Exchange
Gearing ratio	Net debt divided by equity expressed as a percentage
GDP	Gross Domestic Product
GHG	Green House Gas
GMS	General Meeting of Shareholders
HAZOP	Hazard and operability study
HSSE	Health, Safety, Security and Environment
HFO	Heavy Fuel Oil
IFRSs; IASs	International Financial Reporting Standards; International Accounting Standards
IMF	International Monetary Fund
ISO	International Organization for Standardization
ISO 31000	International standard for risk management
IT	Information Technology
JV	Joint venture
LIBOR	London Interbank Offered Rate
LPG	Liquefied Petroleum Gas
LTIR	Lost time injury rate = Average injury frequency with one or more lost workday related to the working time performed
m, km	meter(s), kilometer(s)
mn	million
MW; MWh	megawatt(s); megawatt hour(s)
n.m.	not meaningful
Net debt	Interest bearing debts and financial lease liabilities less liquid funds (cash and cash equivalents)
NGL	Natural Gas Liquids
NGO	Non-governmental organization
NOPAT	Net Operating Profit After Tax. Profit on ordinary activities after taxes plus net interest on net borrowings, +/- result from discontinued operations, +/- tax effect of adjustments
OECD	Organization for Economic Co-operation and Development
OGMS	Ordinary General Meeting of Shareholders
OPCOM	The administrator of the Romanian electricity market
OPEC	Organization of Petroleum Exporting Countries
Q	quarter

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

Contact at Investor Relations

**Strategy, Corporate Development and Investor Relations
OMV Petrom S.A.**

Mailing address: 22 Coralilor Street, District 1, Bucharest

Tel: +40 (0) 214 022 206; Fax: +40 (0) 372 868 518

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

Mailing service

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

Contact

OMV PETROM S.A.

Mailing address: 22 Coralilor Street, District 1, Bucharest, Romania

Phone: +40 (0) 214 022 206

Fax: +40 (0) 372 868 518

Web: www.omvpetrom.com