

Supervisory Board Report on Consolidated Financial Statements of OMV Petrom Group prepared in accordance with International Financial Reporting Standards ("IFRS")

In 2015, the Supervisory Board thoroughly reviewed the position and prospects of OMV Petrom Group ("the Group") and performed its functions according to the relevant laws, the Articles of Association, the applicable Corporate Governance Code and the relevant internal regulations. We coordinated with the Executive Board on important management matters of OMV Petrom S.A. and its subsidiaries, monitored their work, and we were involved in the Group's key decisions. Where required by law, the Articles of Association, or internal regulations, the Supervisory Board adopted resolutions following a comprehensive analysis.

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

The consolidated financial statements and audit report were presented to the Supervisory Board for examination in a timely manner. Ernst & Young audited the 2015 consolidated financial statements, reviewed the conformity of the Directors' Report with the consolidated financial statements and issued an unqualified audit opinion. The auditors attended the relevant meeting of the Audit Committee convened to adopt the accounts. The Audit Committee discussed the consolidated 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.

We have also reviewed and analyzed the attached report of the Executive Board ("Directors' Report") presented as Appendix 1 which gives a true and fair view of the development and performance of the business and the financial position of the Group, together with a description of the principal risks and associated uncertainties as of December 31, 2015.

Hence, the consolidated financial statements of OMV Petrom Group prepared in accordance with IFRS were approved in today's Supervisory Board meeting in line with the Audit Committee's recommendation and will further be submitted for discussion in the General Meeting of Shareholders to be held on April 26, 2016.

Bucharest, March 23, 2016



Rainer Seele

President of the Supervisory Board

Appendix 1

Directors' Report on Consolidated Financial Statements of OMV Petrom Group prepared in accordance with International Financial Reporting Standards ("IFRS")

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 ¹ (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 employed² (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.

¹ **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.

² **Return On Average Capital Employed** = NOPAT / Average Capital Employed (%); 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

In **Downstream Oil**, the operational performance improved following the finalization of the Petrobraz refinery modernization program. Product sales volumes increased triggered by higher demand which 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 Petrobraz 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 Braz power plant. Total net electrical output reached 2.7 TWh (2014: 1.3 TWh) as the net electrical output of the Braz 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 Petrobraz 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**³ 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**⁴ increased to 5.0%, from 3.3% in December 2014.

³Net debt is calculated as interest bearing debts and financial lease liabilities less liquid fund (cash and cash equivalents)

⁴Gearing ratio is calculated as net debt divided by equity expressed as percentage

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 our 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 our cash flow against further potential downturns of the crude oil price, we entered into hedging arrangements (Zero Cost Collar) for 20% of our 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. We will continue our operational excellence initiatives 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 investments 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.

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 our 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 fiscal year;
- (g) to approve the reports of the Supervisory Board with respect to the supervision activity performed by it.

The Extraordinary GMS is entitled to decide mainly upon:

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

Supervisory Board

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

Supervisory Board members

At the end of 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)⁵.

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 fiscal year, the report regarding the business activity of the Company, the financial statements for the previous year, as well as the business activity and budget projects of the Company for the current year;
- (c) to conclude legal acts on behalf of and for the account of the Company, with observance of matters reserved to the 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.

⁵Starting 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.

Shareholders' rights

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

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

Several key decisions are assigned to shareholders via the 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 current report published by the Company on January 4, 2016, but only provides more detailed explanations.

Corporate governance statement⁶

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	√		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.

⁶The 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
	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 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.			<p>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 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.</p>
	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, and 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.	√		<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>The Company has put in place internal rules on how to deal with conflicts of interest.</p>
	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	√		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,

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	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 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 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>The Supervisory Board meets whenever necessary, but at least once 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 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

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	The majority of the members of the nomination committee should be independent.			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. Establishment of the Nomination Committee is a pending subject for the assessment of the Company.
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 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 and 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.	√		OMV Petrom's Supervisory Board has set up an Audit Committee among its members. Therefore the Audit Committee's members are all non-executives. 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.	√		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: - examining and reviewing the annual financial statements and the proposal for profit
	B.4. The assessment should consider the effectiveness and scope of the internal audit function, the adequacy of risk	√		

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	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.			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;
	B.5. The audit committee should review conflicts of interests in transactions of the company and its subsidiaries with related parties.	√		- 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 reports to the Supervisory Board;
	B.6. The audit committee should evaluate the efficiency of the internal control system and risk management system.	√		- reviewing conflicts of interests in transactions of the Company and its subsidiaries with related parties;
	B.7. The audit committee should monitor the application of statutory and generally accepted standards of internal auditing. The audit committee should receive and evaluate the reports of the internal audit team.	√		- 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.

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	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.	√		<p>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 Audit Committee of the respective transaction.</p> <p>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.</p>
	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

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				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				
	<p>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.</p> <p>Any essential change of the remuneration policy should be published on the corporate website in a timely fashion.</p>		√	<p>The remuneration of the Supervisory Board members is resolved upon by the GMS every year and is made public.</p> <p>The development of a remuneration policy is being currently analysed.</p>
Section D - Building value through investors' relations				
	<p>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 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</p>	√		<p>The Company has a special department dedicated to investor relations that can be contacted via e-mail at investor.relations.petrom@petrom.com.</p> <p>Likewise, OMV Petrom has a special section of the corporate website dedicated to Investor Relations, where the following main information/documents are available, 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

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	<p>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>events – in the Events sub-section;</p> <ul style="list-style-type: none"> - 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 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.	√		The Company has a Forecast Policy which is published on its corporate website in the Investor Relations section, Corporate Governance sub-section.
	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.	√		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

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
				adequately conducted and well organized while the shareholders' rights are duly observed. 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.
	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.	√		All matters submitted for GMS approval are subject to Supervisory Board approval according to Company's internal rules. Moreover, the Annual Report submitted for GMS approval contains a brief assessment of the internal controls and significant risk management system.
	D.7. Any professional, consultant, expert or financial analyst may 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.	√		The Rules and Procedures of the General Meeting of Shareholders 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	√		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-

Provisions of the Bucharest Stock Exchange new Corporate Governance Code		Complies	Does not comply or partially complies	Comments
	financial indicators, both on quarter-on-quarter and year-on-year terms.			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.	√		<p>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.</p> <p>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.</p> <p>The Investor Presentations were made available at the time of the meetings / conferences on the corporate website, in the Investor Relations section.</p>
	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.	√		<p>OMV Petrom conducts various activities regarding social and environmental responsibility.</p> <p>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.</p> <p>Likewise, please see also the Annual Report's section relating to community involvement.</p>

Declaration of the management

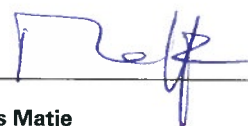
We confirm to the best of our knowledge that the consolidated financial statements give a true and fair view of the financial position of the Group as of December 31, 2015, its financial performance and cash flows for the year then ended, in accordance with applicable accounting standards, and that the 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